Scottish Charity Number SC016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

<u>For the year ended 31 March 2013</u>

CAIRN HOUSING ASSOCIATION LIMITED

REPORT and FINANCIAL STATEMENTS

For the year ended 31 March 2013

Contents

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management	Mr K Ward, Chairperson Mr D Venters Mrs J Slater Mr T Hainey Mr J Woods Mr E T M Bell-Scott Mr S E G Guest Ms G Walch Mr T O'Sullivan Mr M Allan (elected 14 September 2012) Ms S Groat (elected 14 September 2012) Mr R F McDonald (retired 14 September 2012) Mr A C Fraser (retired 14 September 2012)
Executive Officers	Mr J MacGilp, Chief Executive and Secretary Mr D Adam, Director of Finance and Investment Mr R Gaffney, Director of Business Services Mr J Davidson, Director of Customer Services
Head Office	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Auditor	Chiene + Tait Chartered Accountants and Statutory Auditor 61 Dublin Street Edinburgh EH3 6NL
Solicitors	Blair Cadell WS South Forrest Solicitors T C Young, Solicitors Brodies LLP Mackenzie Law Practice
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Other Lenders	Santander plc Dunfermline Building Society

Registration numbers

Industrial & Provident Society	2335R(S)
The Scottish Housing Regulator	HEP218
Scottish Charity Number	SC016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT

For the year ended 31 March 2013

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2013.

Principal Activities
The principal activities of the Association are the provision of affordable housing and related services for tenants and other parties.

Review of the business

The financial year to 31 March 2013 has been a further year of change and improvement for Cairn Housing Association.

Whilst the change brought about its challenges, the Association has achieved a number of notable successes in 2012/13:

- Reviewed our governance arrangements to streamline activity around meetings and decision-making.
- Achieved a low engagement regulation from the Scottish Housing Regulator for the year 2013/14.
- Reviewed our management structures to support the delivery of our programme of modernisation.
- The Board decided to establish a Remuneration Committee as a result of updated regulatory recommended practice.
- 15 new homes built in Culbokie, Black Isle and 16 homes being built at Woodside of Culloden.
- Established Cairn HomeWorks, our in-house maintenance service in the North, and the delivery of our repairs service in the South through our partner contractor Rodgers and Johnston.
- Began the process of reviewing our office structures.
- Continued our work in the area of customer involvement including delivery of a Tenants' Conference and support of our Registered Tenants' Organisations.
- Increased and improved our use of technology and reduced paper environment including the provision of tablets for our Board members and piloting of mobile working solutions for staff 'in the field'.
- Progressed our 'A Better Cairn' improvement programme in conjunction with Quality Scotland.
- Established the new Cairn Community Fund to support local community initiatives.
- Prepared staff and customers for welfare reform and recruited a dedicated Benefits Advisor.
- Working towards the Scottish Housing Quality Standard with investment of £5.2 million in our existing housing stock through planned, cyclical and responsive maintenance.
- Pursued efficiencies in procurement including entering into framework agreements and the setting up of an e-procurement system.
- Enhanced our work in the area of learning and development including provision of e-learning solutions.

The Association conducted a full review of its Care and Support services, and decided to consult on the re-designation of 15 Sheltered housing locations to retirement housing together with the withdrawal from the provision of Very Sheltered services in 5 locations. During the transition period an increase in void levels is anticipated and has been factored into 2013/14 projections. The provision of both care and extra care facilities will continue during 2013/14 but will be subject to continual scrutiny.

The financial climate throughout the financial year to 31 March 2013 has once again proven extremely challenging. The Association continued to adopt a prudent approach to managing its finances. The Board of Management is satisfied with the Association's financial performance during the year.

The Association generated a surplus of £532,102 (2012: £265,114).

Turnover increased by 1% whilst operating costs decreased by 1%. The operating surplus in the accounts increased from £1,480,551 in 2012 to £1,746,430 in 2013. The surplus for the year has been taken to revenue reserves.

Review of the business (cont'd)

The Association is looking positively towards the future. The recently published Business Plan outlined the following key projects commencing during 2013/14:

- To have validated our work around continuous improvement and staff engagement by achieving the Investors in People Bronze and EFQM Committed to Excellence awards.
- To maintain our "low engagement" classification with the Scottish Housing Regulator.
- To have implemented a software solution for our HomeWorks' service which allows more effective work scheduling and performance management.
- To have approved a customer service excellence strategy incorporating a 3 year action plan.
- To have achieved budgeted performance over 2013/14 and interest cover covenant compliance of 120% at the year end.
- To have achieved 80% SHQS whole house compliance by 31 March 2014.
- To have closed our Head Office and relocated to new premises that are open plan and fit for purpose.
- To have improved colleagues' general wellbeing and promoted health in the workplace by achieving the Healthy Working Lives Bronze award.

In spite of the wider financial and economic environment, Cairn Housing Association remains confident that with the operational initiatives being pursued, a clear and confident business strategy and an ambition to achieve more for our tenants, we are looking forward assuredly to the future. As in previous years, our focus will continue to be on better outcomes for our tenants and the communities in which they live.

Changes in fixed assets
Details of fixed assets are set out in note 8. Details of housing property components and their estimated useful life is given in the accounting policy in relation to component accounting in note 1.

The Board of Management and Executive Officers
The Board of Management and executive officers of the Association are listed on page 2. Each member of the Board of Management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Board.

Statement of Board's responsibilities
Housing Association legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions. The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT of the BOARD OF MANAGEMENT

For the year ended 31 March 2013

Statement on internal financial control

The Board of Management is responsible for the Association's system of internal financial control.

Internal financial controls are those procedures established by management in order to provide reasonable assurance as to the safeguarding of assets and the maintenance of proper accounting records and the reliability of financial information used within the Association or for publication. Such a system of controls can provide only reasonable and not absolute assurance against material misstatement or loss.

The approach adopted by the Board of Management to provide effective financial control can be summarised as follows:

(a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association. A comprehensive programme of internal audit covering over time all the main activities is ongoing within the Association. Reports are made to the Audit Committee with appropriate action taken where necessary.

(b) Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board of Management quarterly.

(c) Major business risks and their financial implications are assessed by reference to established criteria.

(d) The financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Board of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the Association's Financial Regulations.

(e) The Board of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

While retaining overall responsibility for internal financial control, the Board of Management has delegated the day to day administration of the Association to the executive officers.

The Board of Management confirms it is satisfied with the effectiveness of the Association's system of internal financial control as it operated during the year under review.

BY ORDER OF THE BOARD

Secretary

28/6/2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

CAIRN HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Cairn Housing Association Limited for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968, and to the charity's trustees as a body (the Board of Management), in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association, the Association's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and the auditor
As more fully explained in the Statement of the Board of Management's responsibilities on page 4, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and nonfinancial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010, the Charities and Trustee Investment (Scotland) Act 2005, Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Determination of Accounting Requirements (2012).

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002, or the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of the Board of Management is inconsistent in any material respect with the financial statements; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Matters
In addition to our audit of the financial statements, we have reviewed the Board of Management's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of Opinion
We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion
With respect to the Board of Management's statements on internal financial control, in our opinion the Board of Management has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Chiene + Tait

CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL

3 July 2013

CAIRN HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2013

	Notes		2013		2012
		£	£	£	£
Turnover	2		15,713,155		15,542,697
Operating costs	2		13,966,725		14,062,146
Operating surplus			1,746,430		1,480,551
Gain on sale	6		223,930		144,296
Interest receivable		46,539		22,260	
Interest payable and similar charges		(1,484,797)		(1,381,993)	
			(1,438,258)		(1,359,733)
Surplus for the year	14		532,102		265,114

The Association has no recognised gains or losses other than the surplus for the year.

The retained surplus for the year reported in the income and expenditure account is identical to the historical cost surplus.

The results for the year relate wholly to continuing activities.

The notes on pages 11 to 27 form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2013

	Notes	£	2013 £	£	2012 £
Tangible fixed assets and investments					
Housing properties - depreciated gross cost	8(a)		174,180,845		172,949,705
Less: HAG and other grants	8(a)		112,482,800		112,260,366
			61,698,045		60,689,339
Homestake properties	8(a)		-		-
Other fixed assets	8(b)		1,657,364		1,753,489
Investments	8(c)		2		2
			63,355,411		62,442,830
Current assets					
Debtors	9	2,781,420		3,720,702	
Amount held on short term deposit		6,000,000		1,000,000	
Cash at bank and in hand		249,655		196,559	
		9,031,075		4,917,261	
Creditors: amounts falling due within one year	10	8,170,198		6,808,145	
Net current assets/(liabilities)			860,877		(1,890,884)
Total assets less current liabilities			64,216,288		60,551,946
Creditors: amounts falling due after more than one year	11		44,612,955		41,480,723
Net assets			19,603,333		19,071,223
Capital and Reserves					
Share capital	13		147		139
Revenue reserves	14		19,603,186		19,071,084
			19,603,333		19,071,223

Approved by the Board of Management at a meeting on 28th June 2013.

Mr K Ward — Chairman

Mr D Venters — Board Member

Mr J MacGilp — Secretary

The notes on pages 11 to 27 form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2013

	Notes		2013		2012
		£	£	£	£
Cash inflow from operating activities	21		4,807,928		3,518,572
Returns from investments and servicing of finance:					
Interest received		46,539		22,260	
Interest and similar charges paid		(1,489,626)		(1,306,413)	
Net cash outflow from returns from investments and servicing of finance			(1,443,087)		(1,284,153)
Capital expenditure and financial investment	22		(1,540,577)		(4,179,836)
Cash inflow/(outflow) before financing			1,824,264		(1,945,417)
Financing	23		3,228,832		(1,417,482)
Increase/(Decrease) in cash	24		5,053,096		(3,362,899)

The notes on pages 11 to 27 form part of these financial statements

The Association is incorporated under the Industrial and Provident Societies Acts and is registered with the Financial Conduct Authority. The financial statements have been prepared in compliance with the Scottish Housing Regulator's Determination of Accounting Requirements (2012) and the Statement of Recommended Practice "Accounting by Registered Social Landlords" 2010 (SORP 2010).

1. Accounting Policies

The principal accounting policies of the Association are set out below.

(a) Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and statements of recommended practice. The Association has a subsidiary company "Cairn Homes and Services Limited" however the company has not yet traded and therefore consolidated financial statements have not been prepared.

The financial statements have been prepared on a going concern basis. The Board of Management has assessed the Association's ability to continue as a going concern and has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

(b) Tangible fixed assets - housing properties

Housing properties are stated at cost, or in the case of properties transferred to the Association under a Transfer of Engagements, at fair value at the date of transfer. The development cost of housing properties includes the following:

(i) cost of acquiring land and buildings;
(ii) development expenditure;
(iii) internal administrative costs relating to the acquisition and development of housing properties.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant schemes.

Expenditure on schemes is written off in the year unless it is recognised that the schemes will be developed to completion.

Refurbishment expenditure on existing properties is capitalised to the extent that the expenditure represents improvements to the properties or replacement of components.

(c) Shared Ownership Transactions

First tranche proceeds arising from part-owners' purchases of equity in shared ownership schemes are regarded as sales of assets held for sale and are treated as turnover. The percentage of development costs representing the estimated first tranche percentages to be sold are shown as current assets until sold. Remaining costs are treated as fixed assets and sales taking place after the initial purchases are accounted for as disposals of fixed assets.

1. Accounting Policies (Contd.)

(d) Housing Association Grants

Housing Association Grants (HAG) are made by the Scottish Government and certain local authorities and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government.

HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Notional acquisition and development allowances are determined by the Scottish Government and are advanced as HAG. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing properties for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme.

(e) Depreciation

Housing properties

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties held for letting on practical completion of construction.

Freehold land is not depreciated.

Housing properties held for letting are considered to comprise the following components which are depreciated over estimated economic lives as follows:

Component	Useful Economic Life
Structure	60 years
Kitchens	20 years
Bathrooms	25 years
Central Heating Systems (excl boilers)	30 years
Boilers	25 years
Lifts	25 years
Roofs	60 years
Windows and Doors	25 years
Rewiring	30 years

In the year of replacement any remaining component Net Book Value is written off as part of the depreciation charge.

Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11.

1. Accounting Policies (Contd.)

Other fixed assets
Depreciation is provided on other fixed assets at rates calculated to write off cost evenly over expected useful lives as follows:

Heritable office property	The Association does not depreciate its heritable office property as in the opinion of the Board of Management the value of the property is not less than its net book value.
Office Furniture and equipment	5 to 10 years
Motor vehicles	5 years
Computer equipment	4 to 6 years

(f) Homestake

Properties developed under the Scottish Government's shared equity Homestake initiative are funded by grant and ultimate sales proceeds.

The net investment in Homestake properties not yet completed or sold is shown within debtors in current assets and represents total costs incurred at the balance sheet date less grants receivable. Homestake allowances receivable to market the properties are taken to income as developments are completed and until that point are included within deferred income.

(g) Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme which is a defined benefits pension scheme. The scheme is a multi-employer scheme and meets the exemption criteria under Financial Reporting Standard 17 "Retirement Benefits" so that the accounting charge for the period represents the employer contributions payable.

2. Particulars of turnover, operating costs and operating surplus/(deficit)

	Turnover £	Operating Costs £	Operating Surplus or Deficit March 2013 £	Operating Surplus or Deficit March 2012 £
Social lettings (note 3)	14,169,715	12,389,475	1,780,240	1,441,956
Other activities (note 4)	1,543,440	1,577,250	(33,810)	38,595
Total	15,713,155	13,966,725	1,746,430	1,480,551
2012	15,542,697	14,062,146	1,480,551	

3. Particulars of turnover, operating costs and operating surplus or (deficit) from social letting activities	General Needs Housing	Supported accommodation		Shared Ownership	Other Housing*	2013	2012
		Sheltered Housing	Other supported				
	£	£	£	£	£	£	£
Rent receivable net of service charges	7,962,220	2,547,165	90,971	121,734	849,666	11,571,756	11,065,095
Service charges	200,407	1,192,432	27,559	6,595	1,060,108	2,487,101	2,689,599
Gross income from rents and service charges	8,162,627	3,739,597	118,530	128,329	1,909,774	14,058,857	13,754,694
Less: Voids	(34,085)	(89,629)	(8,629)	-	(11,362)	(143,705)	(232,020)
Net income from rents and service charges	8,128,542	3,649,968	109,901	128,329	1,898,412	13,915,152	13,522,674
Grants from the Scottish Ministers	175,666	75,609	-	-	3,288	254,563	309,644
Total turnover from social letting activities	8,304,208	3,725,577	109,901	128,329	1,901,700	14,169,715	13,832,318
Management and maintenance administration costs	2,750,048	1,663,857	11,425	76,232	247,576	4,749,138	4,685,825
Service costs	160,979	1,075,631	70,853	4,002	1,056,367	2,367,832	2,427,319
Planned and cyclical maintenance including major repair costs	1,516,260	1,734,956	56,162	5,149	196,889	3,509,416	2,381,828
Planned and cyclical maintenance capitalised	(1,021,412)	(987,987)	(49,184)	-	(99,133)	(2,157,716)	(1,507,838)
Responsive maintenance costs	1,140,618	458,498	4,736	29,360	93,225	1,726,437	1,598,984
Bad debts (rents and service charges)	9,321	526	-	2,052	421	12,320	140,323
Depreciation of social housing	1,500,563	445,886	4,118	-	231,481	2,182,048	2,663,921
Operating costs for social letting activities	6,056,377	4,391,367	98,110	116,795	1,726,826	12,389,475	12,390,362
Operating surplus or deficit for social lettings	2,247,831	(665,790)	11,791	11,534	174,874	1,780,240	1,441,956
Operating surplus or deficit for social lettings – 2012	1,465,482	(349,183)	12,637	22,235	290,785	1,441,956	
Number of units in management:							
2013	2,331	937	23	60	144	3,495	
2012	2,272	974	23	63	163	3,495	

*Other housing refers to care homes, very sheltered accommodation and accommodation leased to and managed by other bodies.

A number of sheltered housing units have been re-designated as general needs/amenity units during 2012/13 due to changes in the funding regime for these units.

4. Particulars of turnover, operating costs and operating surplus or (deficit) from other activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or (deficit) 2013 £	Operating surplus or (deficit) 2012 £
Care and repair of property	-	307,804	-	-	307,804	-	302,905	4,899	(2,522)
Development and construction of property activities	-	-	-	-	-	-	48,143	(48,143)	(56,964)
Support activities	-	-	691,217	-	691,217	-	791,988	(100,771)	(33,859)
Care activities	-	404,446	-	-	404,446	-	404,446	-	-
Factoring activities	-	-	-	40,793	40,793	29,768	-	11,025	-
Other activities	-	-	-	99,180	99,180	-	-	99,180	131,940
Total from other activities	-	712,250	691,217	139,973	1,543,440	29,768	1,547,482	(33,810)	(38,595)
Total from other activities for the previous period of account	206,290	588,087	752,117	163,885	1,710,379	-	1,671,784	38,595	

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2012) do not apply.

5. Employees

	2013 £	2012 £
Staff costs during year:		
Wages and salaries	4,594,445	4,256,304
Social security costs	340,169	313,162
Other pension costs	219,667	223,568
Pension Costs – Past service deficit payments	271,060	259,388
Agency Costs	169,889	182,270
Redundancy and compensation payments (Including NI)	175,845	11,000
	5,771,075	5,245,692

	2013 Ave No.	2013 FTE No.	2012 Ave No.	2012 FTE No.
Average weekly number and the full time equivalent (FTE) employees of the Association including staff on an agency basis during the year was				
Office staff	89	85	90	87
HomeWorks Staff	8	8	-	-
Housing managers and other staff	148	111	147	111
	245	204	237	198

6. Gain on sale of housing properties

	2013 £	2012 £
Gain on sale of other fixed assets	87,799	-
Gain on right to buy sales	61,260	115,899
Gain on shared ownership tranches	74,871	28,397
	223,930	144,296

7. Taxation

The Association is a Scottish Charity and no liability to Corporation Tax arises on housing activities in the year.

8. Tangible fixed assets

		Shared Ownership held for letting £	Housing Properties held for letting £	Housing Properties in course of construction £	Housing Properties Total £	Homestake £
(a) Housing properties						
Cost or valuation						
At start of year		3,465,664	174,950,663	1,767,633	180,183,960	12,683,426
Additions during year	- new developments	-	307,175	1,014,119	1,321,294	1,677,433
	- improvements to existing property (replacement components)	-	2,157,719	-	2,157,719	-
Disposals during year	- replacement components	-	(128,786)	-	(128,786)	-
Completed during year		-	1,599,676	(1,599,676)	-	-
Sale of tranches/houses		(57,625)	(8,200)	-	(65,825)	(1,708,200)
At end of year		3,408,039	178,878,247	1,182,076	183,468,362	12,652,659
Depreciation						
At start of year		-	7,234,255	-	7,234,255	-
Charge for year		-	2,182,048	-	2,182,048	-
Disposals		-	(128,786)	-	(128,786)	-
At end of year		-	9,287,517	-	9,287,517	-
Depreciated gross cost		3,408,039	169,590,730	1,182,076	174,180,845	12,652,659
Housing Association Grant						
At start of year		2,172,587	108,817,030	1,270,749	112,260,366	12,683,426
Additions during year		-	-	294,895	294,895	(30,767)
On disposals		(72,461)	-	-	(72,461)	-
Completed during year		-	843,016	(843,016)	-	-
At end of year		2,100,126	109,660,046	722,628	112,482,800	12,652,659
Net book value						
At 31 March 2013		1,307,913	59,930,684	459,448	61,698,045	-
At 31 March 2012		1,293,077	58,899,378	496,884	60,689,339	-

At 31 March 2013, remaining properties received under a transfer of engagements in a prior year are included in properties held for letting at net book value of £3,625,666 the fair value of those properties at the date of transfer (2012: £3,625,666).

8. Tangible fixed assets (contd.)	Heritable Office Property £	Furniture and Equipment £	Motor Vehicles £	Other fixed assets total £
(b) Other fixed assets				
Cost				
At start of year	1,655,203	460,036	18,805	2,134,044
Additions during year		151,453	-	151,453
Disposals during year	(157,672)	-	(18,805)	(176,477)
At end of year	1,497,531	611,489	-	2,109,020
Depreciation				
At start of year	-	361,750	18,805	380,555
Provided during year	-	89,906	-	89,906
Disposals during year	-	-	(18,805)	(18,805)
At end of year	-	451,656	-	451,656
Net book value				
At 31 March 2013	1,497,531	159,833	-	1,657,364
At 31 March 2012	1,655,203	98,286	-	1,753,489

(c) Investments	2013 £	2012 £
Investment in subsidiary undertaking:		
Cairn Homes and Services Limited	1	1
Investment in land bank fund:		
The Highland Housing Alliance	1	1
	2	2

(d) Securities

Securities have been provided on various housing properties (see note 12).

9. Debtors	2013 £	2012 £
Rent arrears	578,550	613,705
Less: provision for bad debts	335,264	464,559
	243,286	149,146
HAG receivable	1,202,058	273,539
Homestake work in progress	416,940	2,553,587
Sundry debtors and prepayments	919,136	744,430
	2,781,420	3,720,702

10. Creditors: amounts falling due within one year

	2013 £	2012 £
Current instalments due on loans (note 12)	1,989,825	1,893,235
Prepaid rents and service charges	587,233	595,374
Legacy funds	390,296	67,942
Sundry creditors, accruals and deferred income	2,241,531	1,502,181
HAG repayable	2,961,313	2,749,413
	8,170,198	6,808,145

11. Creditors: amounts falling due after more than one year

	2013 £	2012 £
Housing loans (note 12)	44,612,955	41,480,723

12. Loans

	2013 £	2012 £
Loans on mortgage secured by charges on the Association's housing land and buildings:		
Loans advanced by:		
Private lenders	46,602,780	43,373,958
Amounts falling due in:		
One year (note 10)	1,989,825	1,893,235
One year or more but less than two years	2,130,352	1,989,825
Two years or more but less than five years	6,420,773	6,405,874
Five years or more	36,061,830	33,085,024
	46,602,780	43,373,958

Costs incurred towards the rearranging of loans and the setting up of new loans are fully written off.

The loans are advanced to finance the development and refurbishment of housing land and buildings and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 1.07% and 5.80%.

13. Share capital

	2013 £	2012 £
Shares of £1 each issued and fully paid		
At 1 April 2012	139	143
Cancelled during the year	(2)	(6)
Issued during the year	10	2
At 31 March 2013	147	139

Shares carry no rights to dividends or to share in the assets of the Association.

14. Revenue reserve

	2013 £	2012 £
At 1 April 2012	19,071,084	18,805,970
Surplus for year	532,102	265,114
At 31 March 2013	19,603,186	19,071,084

15. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £1.3 million (2012: £2.0 million). This amount is expected to be financed from agreed loan facilities.

16. Pension scheme

(i) SHAP scheme

The Association participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due. The last formal valuation of the Scheme for which results are available was performed as at 30 September 2009. The final results of the 2012 valuation are not yet available but preliminary statements from the Scheme trustees indicate an increase in the deficit in the Scheme and a revised recovery plan requiring deficit contributions to be paid over the period of 13 years and six months from 1 April 2014 to 30 September 2027. The deficit contributions are to increase at 3% per annum under the plan and each employer's revised deficit contribution details are expected to be available in early July 2013. The following disclosures relate to the 2009 actuarial valuation and 2011 update.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

16. Pension scheme (continued)

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in,

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2011, and the final salary with a 1/60th accrual rate benefit option for new entrants from 1 April 2011.

During the accounting period, the Association paid contributions at the rate of 9.6% of pensionable salaries plus additional deficit contributions. Member contributions were 9.6%.

As at the balance sheet date there were 78 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £2,299,482. The Association continues to offer membership of the Scheme to its employees.

Financial assumptions

The key financial assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme as at 30 September 2009 were as follows:

	% pa
- Investment return pre-retirement	7.4
- Investment return post-retirement – Non - pensioners	4.6
- Investment return post-retirement - Pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued post 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

Mortality Tables

Non Pensioners - SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1%pa minimum improvement

Pensioners - SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1%pa minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)

	%
- Final Salary 1/60ths - Employer	9.6
- Final Salary 1/60ths - Employee	9.6
- Additional rate for deficit contributions*	10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

16. Pension scheme (continued)

Employer debt regulations

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Association was £14,194,104.

(ii) Pension Trust's Growth Plan

The Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

16. Pension scheme (continued)

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Association paid contributions at the rate of 0% during the accounting period, as the scheme was initially set up for AVC purposes. Members paid contributions at the rate of 4% during the accounting period.

As at the balance sheet date there was 1 active member of the Plan employed by the Association. The Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Investment return pre-retirement	7.6
Investment return post-retirement	
Actives/deferreds	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

16. Pension scheme (continued)

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time, but at 31 March 2012 the estimated employer debt on withdrawal from the Growth Plan was £49,046.

17. Auditor's remuneration

	2013	2012
	£	£
The remuneration of the external auditor for the year (including expenses and VAT)		
- for audit services	18,480	16,602
- for other services	1,560	990

18. Payments to members and Board members

No member of the Association received any fee or remuneration during the year (2012: £Nil). Members of the Board of Management were reimbursed for out of pocket travel expenses amounting to £12,327 (2012: £17,689).

19. Directors' emoluments

Directors are defined as the members of the Board of Management, the Executive Officers and any other officer of the Association whose total emoluments excluding pension contributions exceed £60,000 per annum. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to the Executive Officers and other directors follow.

	2013	2012
	£	£
Total emoluments [excluding pension contributions of £29,690 (2012: £28,602)]	332,542	326,979
Compensation payable to Officers	175,845	-

The emoluments of the Chief Executive, excluding pension contributions, were £93,938 (2012: £107,627).

The number of directors whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2013	2012
£60,001 to £70,000	-	1
£70,001 to £80,000	3	1
£80,001 to £90,000	-	1
£90,001 to £100,000	1	1

20. Operating Leases

At 31 March 2013 the Association had aggregate annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2013	Other 2013	Land & Buildings 2012	Other 2012
	£	£	£	£
Within a year	-	39,323	-	-
Within 2-5 years	-	18,022	-	18,022
After 5 years	183,782	-	-	-
	183,782	57,345	-	18,022

21. Reconciliation of surplus for the year to cash inflow from operating activities

	2013 £	2012 £
Surplus for the year	532,102	265,114
Depreciation charges	2,271,954	2,724,277
Increase/(Decrease) in creditors	1,058,391	(566,771)
(Increase) in debtors	(268,845)	(119,479)
Interest receivable	(46,539)	(22,260)
Interest payable and similar charges	1,484,797	1,381,993
(Gain) on sale of assets	(223,930)	(144,296)
Share capital cancelled	(2)	(6)
Net cash inflow from operating activities	4,807,928	3,518,572

22. Capital expenditure and financial investment

	2013 £	2012 £
Payments to acquire and improve housing stock	(3,736,418)	(8,447,435)
Purchase of other fixed assets	(151,453)	(58,039)
Sale of other fixed assets	245,471	-
HAG and other capital grants received in year	264,128	3,393,904
Sale of houses (including Homestake)	1,910,156	959,319
HAG repaid	(72,461)	(27,585)
Net cash inflow/(outflow) from capital expenditure and financial investment	(1,540,577)	(4,179,836)

23. Financing

	2013 £	2012 £
Housing loans drawn down	5,000,000	-
Housing loans repaid	(1,771,178)	(1,417,484)
Proceeds from shares	10	2
Net cash outflow from financing	3,228,832	(1,417,482)

24. Reconciliation of net cash flow to movement in net debt

	2013 £	2012 £
(Decrease)/Increase in cash in the year	5,053,096	(3,362,899)
Loans drawn down	(5,000,000)	-
Loans repaid	1,771,178	1,417,484
	1,824,274	(1,945,415)
Net debt at 1 April 2012	(42,177,399)	(40,231,984)
Net debt at 31 March 2013	(40,353,125)	(42,177,399)

25. Analysis of net debt	At 1 April 2012 £	Cash Flows £	Non-Cash Changes £	At 31 March 2013 £
Amounts held on short term deposit	1,000,000	5,000,000	-	6,000,000
Cash at bank	196,559	53,096	-	249,655
Bank overdraft	-	-	-	-
	1,196,559	5,053,096	-	6,249,655
Debt due within 1 year	(1,893,235)	1,771,178	(1,867,768)	(1,989,825)
Debt due after 1 year	(41,480,723)	(5,000,000)	1,867,768	(44,612,955)
Total	(42,177,399)	1,824,274	-	(40,353,125)

26. Related parties

Certain of the members of the Board of Management are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.