

SM AUDIT



**Scott-Moncrieff**  
business advisers and accountants

**CAIRN HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

**Scottish Charity Number SC016647**

**CAIRN HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2015**

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**CAIRN HOUSING ASSOCIATION LIMITED**

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS**

**Board of Management**

Mr K Ward, Chairperson  
Mr D Venters  
Mr T Hainey (resigned 27 August 2014)  
Mr J Woods  
Mr E T M Bell-Scott  
Mr S E G Guest  
Ms G Walch  
Mr M Allan  
Ms S Groat (resigned 30 April 2015)  
Prof A Belcher  
Mr D Jamieson  
Mr W Gillespie  
Mr G Colgan

**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

**Secretary**

Mr J MacGilp

**Head Office**

Citypoint  
65 Haymarket Terrace  
Edinburgh  
EH12 5HD

**Auditor**

Scott-Moncrieff  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

**Bankers**

The Royal Bank of Scotland plc  
36 St Andrew Square  
Edinburgh  
EH2 2YB

**Other Lenders**

Santander plc  
Nationwide Building Society

**Registration numbers**

Financial Conduct Authority  
The Scottish Housing Regulator  
Registered Scottish Charity

2335R(S)  
HEP218  
SC016647

## CAIRN HOUSING ASSOCIATION LIMITED

### REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2015

The Board of Management presents their report and the audited financial statements for the year ended 31 March 2015.

#### 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 2015 has been a further year of change and improvement for Cairn Housing Association Limited. The past year has seen a continued focus on driving up standards in customer service and improving core business performance and the effective use of our resources to ensure Cairn Housing Association Limited is fit for the future.

Highlights during the year have included:-

- A refresh of the Association's Vision, Mission and Values to guide the organisation for the future.
- Targeted investment of £3.25million to fulfil requirements under the Scottish Housing Quality Standard and wider works to improve the quality of our customers' homes.
- Work has begun on a significant review of our Asset Management Strategy to inform future business decisions on stock management and investment.
- Our work with Cairn's Customer Panel has continued to develop with the Panel carrying out its second full scrutiny exercise, looking at the customer experience in re-letting of empty properties.
- Cairn's contact centre *CairnConnect* was launched in October 2014 and had made a very positive impact on our drive to improve customer service standards and improved handling of service requests, complaints management and information for customers. The feedback from tenants has been very encouraging.
- Continuing good governance through our Board of Management including training, development and pro-active succession planning.
- An overall tenant satisfaction of 86%, confirmed by our most recent satisfaction survey, with higher levels on specific parts of the service.
- Provision of IT Systems in partnership support arrangements with two other local Housing Associations.
- We have continued to invest in our People and have developed a comprehensive People Strategy, and delivered further actions as part of our *A Better Cairn* programme.
- Following the move to our Headquarters offices to Haymarket in Edinburgh in 2013, we have opened a new office in Bellshill to provide services to our customers and manage homes in the West and South of Scotland, providing modern offices for customer access and an improved working environment for our staff. We have a continued commitment to our office in Inverness servicing communities in the North.
- *Cairn HomeWorks*, our in-house maintenance service in the North, has had another successful year, increasing productivity, reducing costs and increasing performance and satisfaction levels.
- We have completed the transfer of our Very Sheltered schemes in Edinburgh to a new provider to ensure their future provision and we are in the final stages of a similar transfer of our two Care Homes in the City to a specialist provider.

## **CAIRN HOUSING ASSOCIATION LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31 March 2015**

#### **Review of the business (cont'd)**

- In partnership with local authority partners, and following on-going tenant consultation, we have completed all but one of the re-designations of our sheltered housing to a retirement service model, with housing support provided by partner organisations where needed.
- The operating surplus increased from £1.51 million in 2014 to £1.93 million in 2015. The Association generated a surplus for the year of £727,152 (2014: £528,475). The surplus for the year has been taken to revenue reserves.

The operating and financial environment continues to be challenging, but the Association has made a number of important decisions on finance and strategy and set a direction to continue to build a resilient and successful organisation. The Board and the management team of Cairn Housing Association Limited are confident about the future and are focussed on our vision of Great Homes, Great Services, Great People. We remain determined and focussed on our commitment to continue to modernise and change where required and to operate the business in the long term interests of current and future customers in communities throughout Scotland.

#### **Changes in fixed assets**

Details of fixed assets are set out in note 12. Details of housing property components and their estimated useful lives are 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 1. 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 the 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; and
- 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.

#### **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:

**CAIRN HOUSING ASSOCIATION LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT**

**For the year ended 31 March 2015**

**Statement on internal financial control (cont'd)**

- (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 on-going 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.

**Disclosure of information to the auditor**

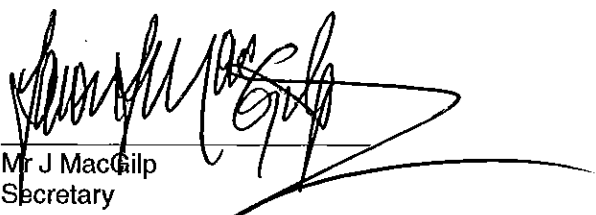
To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- So far as the Board members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

**Auditor**

The auditor, Scott-Moncrieff, was appointed in the year following a formal tendering process and will be proposed for reappointment at the Annual General Meeting.

**BY ORDER OF THE BOARD**

  
Mr J MacGillp  
Secretary

Date: 16 July 2015

## CAIRN HOUSING ASSOCIATION LIMITED

### 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 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, 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 the Co-operative and Community Benefit Societies Act 2014. 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 and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the board and the auditor**

As explained more fully in the Statement of Board's Responsibilities on page 3, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Group accounts: Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969**

We agree with the opinion of the Board of Management that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2015, because of the immaterial nature of the subsidiary's transactions in the year.

#### **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 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, require us to report to you if, in our opinion:

- A satisfactory system of control over transactions has not been maintained; 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 need for our audit.



Scott-Moncrieff  
Statutory Auditor  
25 Bothwell Street  
Glasgow G2 6NL

Date: 16 July 2015

**CAIRN HOUSING ASSOCIATION LIMITED**

**REPORT BY THE AUDITOR TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statements on pages 3 and 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on pages 3 and 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Scott-Moncrieff  
Chartered Accountants  
Statutory Auditor  
25 Bothwell Street  
Glasgow  
G2 6NL

Dated: 16 July 2015



**CAIRN HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**For the year ended 31 March 2015**

|                                      | Notes | 2015               |                       | Restated<br>2014   |                       |
|--------------------------------------|-------|--------------------|-----------------------|--------------------|-----------------------|
|                                      |       | £                  | £                     | £                  | £                     |
| Turnover                             |       |                    |                       |                    |                       |
| Continued operations                 | 31    | 16,778,994         |                       | 15,609,529         |                       |
| Discontinued operations              | 31    | <u>215,081</u>     |                       | <u>490,849</u>     |                       |
|                                      |       |                    | 16,994,075            |                    | 16,100,378            |
| Operating costs                      | 2     |                    | <u>(15,060,260)</u>   |                    | <u>(14,592,151)</u>   |
| Operating surplus                    |       |                    |                       |                    |                       |
| Continued operations                 | 31    | 1,954,881          |                       | 1,469,847          |                       |
| Discontinued operations              | 31    | <u>(21,066)</u>    |                       | <u>38,380</u>      |                       |
|                                      | 2     |                    | 1,933,815             |                    | 1,508,227             |
| Gain on sale                         | 7     |                    | 219,298               |                    | 452,892               |
| Interest receivable                  | 8     | 11,334             |                       | 83,518             |                       |
| Interest payable and similar charges | 9     | <u>(1,437,295)</u> |                       | <u>(1,516,162)</u> |                       |
|                                      |       |                    | <u>(1,425,961)</u>    |                    | <u>(1,432,644)</u>    |
| Surplus for the year                 | 18    |                    | <u><u>727,152</u></u> |                    | <u><u>528,475</u></u> |

The retained surplus for the year reported in the Income and Expenditure Account is identical to the historical cost surplus.

**CAIRN HOUSING ASSOCIATION LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**For the year ended 31 March 2015**

|  | <b>Notes</b> | <b>2015<br/>£</b> | <b>Restated<br/>2014<br/>£</b> |
|--|--------------|-------------------|--------------------------------|
| Surplus for the year                                   |              | 727,152           | 528,475                        |
| Prior year adjustment                                  | 32           | 1,268,921         | -                              |
| Total recognised gains and losses relating to the year |              | <u>1,996,073</u>  | <u>528,475</u>                 |

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2015

|  | Notes | 2015        |               | Restated<br>2014 |               |
|--|-------|-------------|---------------|------------------|---------------|
|  |       | £           | £             | £                | £             |
| <b>Tangible fixed assets and investments</b>                   |       |             |               |                  |               |
| Housing properties   |       |             |               |                  |               |
| gross cost less depreciation                                   | 12(a) |             | 162,273,155   |                  | 162,886,820   |
| <u>Less: HAG and other grants</u>                              | 12(a) |             | (106,587,107) |                  | (107,102,446) |
|  |       |             | 55,686,048    |                  | 55,784,374    |
| Investment properties  | 12(b) |             | 5,391,380     |                  | 5,391,380     |
| Other fixed assets   | 12(c) |             | 1,277,265     |                  | 1,161,806     |
| Fixed asset investments  | 12(d) |             | -             |                  | -             |
| Investments  | 12(e) |             | 1             |                  | 2             |
|  |       |             | 62,354,694    |                  | 62,337,563    |
| <b>Current assets</b>  |       |             |               |                  |               |
| Debtors  | 13    | 1,727,737   |               | 1,710,863        |               |
| Amount held on short term deposit                              |       | 3,000,000   |               | 4,000,000        |               |
| Cash at bank and in hand                                       |       | 507,141     |               | 1,091,758        |               |
|  |       | 5,234,878   |               | 6,802,621        |               |
| <b>Creditors: amounts falling due within one year</b>          | 14    | (5,216,343) |               | (5,268,034)      |               |
| <b>Net current assets</b>                                      |       |             | 18,535        |                  | 1,534,587     |
| <b>Total assets less current liabilities</b>                   |       |             |               |                  |               |
|  |       |             | 62,373,229    |                  | 63,872,150    |
| <b>Creditors: amounts falling due after more than one year</b> | 15    |             | (40,245,399)  |                  | (42,471,414)  |
| <b>Net assets</b>  |       |             | 22,127,830    |                  | 21,400,736    |
| <b>Capital and Reserves</b>                                    |       |             |               |                  |               |
| Share capital  | 17    |             | 96            |                  | 154           |
| Revenue reserves   | 18    |             | 20,278,468    |                  | 19,548,098    |
| Restricted reserves  | 19    |             | 367,058       |                  | 370,276       |
| Revaluation reserve  | 20    |             | 1,482,208     |                  | 1,482,208     |
|  |       |             | 22,127,830    |                  | 21,400,736    |

Approved and authorised for issue by the Board of Management at a meeting on 16 July 2015

..... Chairman  
Mr K Ward

..... Board Member  
Mr S E G Guest

..... Secretary  
Mr J MacGilp

The notes form part of these financial statements

**CAIRN HOUSING ASSOCIATION LIMITED**

**CASH FLOW STATEMENT**

For the year ended 31 March 2015

|  | Notes | 2015               |                           | Restated<br>2014   |                           |
|--|-------|--------------------|---------------------------|--------------------|---------------------------|
|  |       | £                  | £                         | £                  | £                         |
| <b>Cash inflow from operating activities</b>                                   | 26    |                    | 4,067,323                 |                    | 2,847,524                 |
| <b>Returns from investments and servicing of finance:</b>                      |       |                    |                           |                    |                           |
| Interest received  |       | 11,334             |                           | 83,518             |                           |
| Interest and similar charges paid  |       | <u>(1,437,295)</u> |                           | <u>(1,476,162)</u> |                           |
| <b>Net cash outflow from returns from investments and servicing of finance</b> |       |                    | (1,425,961)               |                    | (1,392,644)               |
| <b>Capital expenditure and financial investment</b>                            | 27    |                    | <u>(2,388,945)</u>        |                    | <u>(775,939)</u>          |
| <b>Cash inflow before financing</b>  |       |                    | 252,417                   |                    | 678,941                   |
| <b>Financing</b>   | 28    |                    | <u>(2,077,153)</u>        |                    | <u>(2,195,894)</u>        |
| <b>Decrease in cash</b>  | 29    |                    | <u><u>(1,824,736)</u></u> |                    | <u><u>(1,516,953)</u></u> |

The notes on pages 11 to 32 form part of these financial statements

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies of the Association are set out in paragraphs (a) to (l) below. These financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Statement of Recommended Practice – Accounting by Registered Social Housing Providers (2010), and the Determination of Accounting Requirements 2012, issued by the Scottish Housing Regulator.

#### 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, subject to the revaluation of certain assets, 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 is dormant 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) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners.

##### (c) 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.

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.

##### (d) 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.

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

**1. Accounting Policies (cont'd)**

**(e) 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.

**(f) 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:

| <b>Component</b>                       | <b>Useful Economic Life</b> |
|--|-----------------------------|
| 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.

**Shared ownership housing properties**

Depreciated over 60 years

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 1. Accounting Policies (Cont'd)

##### 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 properties                      Over 60 years

Office Furniture and equipment              4 to 10 years

##### **(g) 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 sold is shown within Fixed Asset Investment and represents total costs incurred at the balance sheet date less grants received. Homestake allowances receivable to market the properties are taken to income as developments are completed and until that point are included within deferred income.

##### **(h) Pensions**

On 1 April 2014 the Association's defined benefit scheme was closed to future accrual, with the Association participating from that date in a Defined Contribution Scheme within the Scottish Housing Associations' Pension Scheme, for existing members. All new staff members are eligible to participate in a defined contribution scheme provided by Standard Life.

##### **(i) Operating leases**

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

##### **(j) Investment properties**

Investment properties are initially valued as cost less housing association grants. Properties are dealt with as investment properties in accordance with the Statement of Standard Accounting Practice No 19 and are subsequently valued, with any surplus or impairment being transferred to a revaluation reserve unless it is to reverse a previous charge to the Income and Expenditure Account, in which case it is recognised in the Income and Expenditure Account. Any impairment charge that exceeds the revaluation reserve balance is charged to the Income and Expenditure Account.

##### **(k) Restricted reserves**

Restricted funds are to be used for specified purposes laid down by the donor.

##### **(l) Investments**

Fixed asset investments are stated at cost, less any provisions required where there has been a permanent diminution in their value.

**CAIRN HOUSING ASSOCIATION LIMITED****NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

For the year ended 31 March 2015

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

| <b>2015</b>               | <b>Turnover</b>          | <b>Operating</b>         | <b>Operating</b>        |
|---------------------------|--------------------------|--------------------------|-------------------------|
|                           | <b>£</b>                 | <b>Costs</b>             | <b>Surplus</b>          |
|                           |                          | <b>£</b>                 | <b>£</b>                |
| Social lettings (note 3)  | 14,905,113               | 13,756,984               | 1,148,129               |
| Other activities (note 4) | 2,088,962                | 1,303,276                | 785,686                 |
|                           | <u>16,994,075</u>        | <u>15,060,260</u>        | <u>1,933,815</u>        |
|                           | <u><u>16,994,075</u></u> | <u><u>15,060,260</u></u> | <u><u>1,933,815</u></u> |
| <br>                      |                          |                          |                         |
| <b>2014 - Restated</b>    | <b>Turnover</b>          | <b>Operating</b>         | <b>Operating</b>        |
|                           | <b>£</b>                 | <b>Costs</b>             | <b>Surplus</b>          |
|                           |                          | <b>£</b>                 | <b>£</b>                |
| Social lettings (note 3)  | 14,549,128               | 13,029,250               | 1,519,878               |
| Other activities (note 4) | 1,551,250                | 1,562,901                | (11,651)                |
|                           | <u>16,100,378</u>        | <u>14,592,151</u>        | <u>1,508,227</u>        |
|                           | <u><u>16,100,378</u></u> | <u><u>14,592,151</u></u> | <u><u>1,508,227</u></u> |



**CAIRN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
For the year ended 31 March 2015

| 3. Particulars of turnover, operating costs and operating surplus or (deficit) from social letting activities | Supported accommodation    |  |                      |                          |                        | Restated 2014<br>£ |
|---|----------------------------|--|----------------------|--------------------------|------------------------|--------------------|
|   | General Needs Housing<br>£ | Sheltered/<br>Retirement<br>Housing<br>£ | Other supported<br>£ | Shared<br>Ownership<br>£ | Other<br>Housing*<br>£ |                    |
| Rent receivable net of service charges  | 8,518,517                  | 2,847,404                                | 100,023              | 111,795                  | 856,816                | 12,147,194         |
| Service charges net of voids  | 140,328                    | 1,266,859                                | 29,865               | 4,434                    | 811,452                | 2,244,752          |
| Gross income from rents and service charges   | 8,658,845                  | 4,114,263                                | 129,888              | 116,229                  | 1,668,268              | 14,687,493         |
| Less: Rental voids  | (51,665)                   | (61,835)                                 | (16,595)             | (177)                    | (27,449)               | (157,721)          |
| <b>Net income from rents and service charges</b>  | <b>8,607,180</b>           | <b>4,052,428</b>                         | <b>113,293</b>       | <b>116,052</b>           | <b>1,640,819</b>       | <b>14,529,772</b>  |
| Grants from the Scottish Ministers  | 138,988                    | 230,944                                  | 2,285                | -                        | 3,124                  | 375,341            |
| <b>Total turnover from social letting activities</b>  | <b>8,746,168</b>           | <b>4,283,372</b>                         | <b>115,578</b>       | <b>116,052</b>           | <b>1,643,943</b>       | <b>14,905,113</b>  |
| Management and maintenance admin costs  | 3,895,521                  | 1,507,585                                | 46,798               | 112,085                  | 451,303                | 5,388,172          |
| Service costs   | 264,133                    | 1,244,182                                | 111,298              | 7,993                    | 987,745                | 2,376,371          |
| Planned and cyclical maintenance  | 1,357,280                  | 1,759,295                                | 10,845               | 4,186                    | 127,088                | 3,080,328          |
| Planned and cyclical maintenance capitalised  | (860,532)                  | (1,532,077)                              | (4,878)              | -                        | (37,016)               | (2,434,503)        |
| Responsive maintenance costs  | 1,287,856                  | 498,746                                  | 14,029               | 33,705                   | 51,085                 | 1,885,421          |
| Bad debts (rents and service charges)   | (9,710)                    | (10,167)                                 | (340)                | (754)                    | (4,021)                | (24,992)           |
| Depreciation of social housing  | 1,802,734                  | 441,198                                  | 4,204                | 19,748                   | 175,837                | 2,443,721          |
| <b>Operating costs for social letting activities</b>  | <b>7,737,282</b>           | <b>3,908,762</b>                         | <b>181,956</b>       | <b>176,963</b>           | <b>1,752,021</b>       | <b>13,756,984</b>  |
| <b>Operating surplus or (deficit) for social lettings</b>   | <b>1,008,886</b>           | <b>374,610</b>                           | <b>(66,378)</b>      | <b>(60,911)</b>          | <b>(108,078)</b>       | <b>1,148,129</b>   |
| <b>Operating surplus or (deficit) for social lettings – 2014</b>  | <b>1,571,467</b>           | <b>(67,533)</b>                          | <b>(45,242)</b>      | <b>(14,210)</b>          | <b>75,396</b>          | <b>1,519,878</b>   |
| <b>Number of units in management: 2015</b>  | <b>2,151</b>               | <b>1,008</b>                             | <b>23</b>            | <b>51</b>                | <b>207</b>             | <b>3,440</b>       |
| <b>2014</b>   | <b>2,160</b>               | <b>1,009</b>                             | <b>23</b>            | <b>60</b>                | <b>246</b>             | <b>3,498</b>       |

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

CAIRN HOUSING ASSOCIATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

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

|   | Grants from<br>Scottish<br>Ministers<br>£ | Other<br>Revenue<br>Grants<br>£ | Supporting<br>People<br>Income<br>£ | Other<br>Income<br>£ | Total<br>turnover<br>£ | Operating<br>costs -<br>bad debts<br>£ | Other<br>operating<br>costs<br>£ | Operating<br>surplus or<br>(deficit)<br>2015<br>£ | Operating<br>surplus or<br>(deficit)<br>2014<br>£ |
|---|---|---------------------------------|-------------------------------------|----------------------|------------------------|--|----------------------------------|---|---|
| Care and repair of<br>property                            | -   | 357,514                         | -                                   | -                    | 357,514                | -                                      | 351,213                          | 6,301   | 11,884  |
| Development and<br>construction of property<br>activities | -   | -                               | -                                   | -                    | -                      | -                                      | -                                | -   | (17,917)  |
| Support activities  | -   | -                               | 439,562                             | -                    | 439,562                | -                                      | 406,247                          | 33,315  | (24,677)  |
| Care activities   | -   | 488,473                         | -                                   | -                    | 488,473                | -                                      | 488,473                          | -   | -   |
| Factoring activities                                      | -   | -                               | -                                   | 44,400               | 44,400                 | (3,260)                                | 37,035                           | 10,625  | (2,056)   |
| HAG creditor release                                      | -   | -                               | -                                   | 596,188              | 596,188                | -                                      | -                                | 596,188   | -   |
| Other activities  | -   | -                               | -                                   | 162,825              | 162,825                | (6,834)                                | 30,402                           | 139,257   | 21,115  |
| <b>Total from other<br/>activities 2015</b>               | -   | 845,987                         | 439,562                             | 803,413              | 2,088,962              | (10,094)                               | 1,313,370                        | 785,686   | (11,651)  |
| <b>Total from other<br/>activities 2014</b>               | -   | 797,084                         | 591,311                             | 162,855              | 1,551,250              | 34,166                                 | 1,528,735                        | (11,651)  |   |

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

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

For the year ended 31 March 2015

| <b>5. Employees</b>                                 | <b>2015</b>      | <b>2014</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| Staff costs during year:                            |                  |                  |
| Wages and salaries                                  | 4,839,828        | 4,765,285        |
| Social security costs                               | 413,037          | 359,583          |
| Pension costs                                       | 352,845          | 204,238          |
| Pension Costs – Past service deficit payments       | 543,793          | 286,580          |
| Death in service                                    | 41,957           | 27,562           |
| Agency Costs  | 305,121          | 222,916          |
| Redundancy and compensation payments (Including NI) | 113,592          | 23,957           |
|   | <u>6,610,173</u> | <u>5,890,121</u> |

|  | <b>2015</b> | <b>2015</b> | <b>2014</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|
|  | <b>Ave</b>  | <b>FTE</b>  | <b>Ave</b>  | <b>FTE</b>  |
|  | <b>No.</b>  | <b>No.</b>  | <b>No.</b>  | <b>No.</b>  |
| 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   | 96          | 86          | 96          | 87          |
| HomeWorks Staff  | 12          | 8           | 7           | 7           |
| Housing managers and other staff   | 140         | 97          | 156         | 107         |
|  | <u>248</u>  | <u>191</u>  | <u>259</u>  | <u>201</u>  |

**6. 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.

|   | <b>2015</b>    | <b>2014</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Total emoluments [excluding pension contributions of £67,870 (2014: £44,209)] | <u>317,187</u> | <u>310,548</u> |

The emoluments of the Chief Executive, excluding pension contributions, were £96,526 (2014: £92,576). The pension contributions paid on behalf of the Chief Executive was £20,616 (2014: £15,489).

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

|                     | <b>2015</b> | <b>2014</b> |
|---------------------|-------------|-------------|
| £60,001 to £70,000  | -           | 1           |
| £70,001 to £80,000  | 3           | 2           |
| £80,001 to £90,000  | -           | -           |
| £90,001 to £100,000 | <u>1</u>    | <u>1</u>    |

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

| <b>7. Gain on sale of housing properties</b> | <b>2015</b>    | <b>2014</b>    |
|--|----------------|----------------|
|  | <b>£</b>       | <b>£</b>       |
| Gain on sale of other fixed assets           | -              | 245,575        |
| Gain on right to buy sales                   | 120,009        | 189,744        |
| Gain on shared ownership tranches            | 99,289         | 17,573         |
|  | <u>219,298</u> | <u>452,892</u> |

| <b>8. Interest receivable</b>        | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------|---------------|---------------|
|                                      | <b>£</b>      | <b>£</b>      |
| Interest receivable on bank deposits | <u>11,334</u> | <u>83,518</u> |

| <b>9. Interest payable and similar charges</b> | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| On bank loans                                  | <u>1,437,295</u> | <u>1,516,162</u> |

| <b>10. Auditors' remuneration (including VAT)</b> | <b>2015</b>   | <b>2014</b>   |
|---|---------------|---------------|
|   | <b>£</b>      | <b>£</b>      |
| External Auditor                                  |               |               |
| - audit services                                  | 15,040        | 16,740        |
| - other services                                  | -             | 1,620         |
|   | <u>15,040</u> | <u>18,360</u> |
| Internal Auditor                                  |               |               |
| - audit services                                  | <u>17,382</u> | <u>19,947</u> |

**11. Taxation**

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

No corporation tax is due on its other activities.

**CAIRN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**For the year ended 31 March 2015**

**12. Tangible fixed assets and investments**

| (a) Housing properties   | Housing<br>Properties<br>held for<br>letting<br>£ | Shared<br>Ownership<br>Held for<br>letting<br>£ | Housing<br>Properties<br>In the course of<br>construction<br>£ | Housing<br>Properties<br>Total<br>£ |
|--|---|---|--|-------------------------------------|
| <b>Cost or valuation</b>   |   |   |  |                                     |
| At the start of the year   | 182,324,733                                       | 3,257,289                                       | -  | 185,582,022                         |
| Prior year adjustment – transfer to investment properties                          | (10,753,855)                                      | -   | -  | (10,753,855)                        |
| Prior year adjustment – impairment of care homes                                   | (268,962)   | -   | -  | (268,962)                           |
| Prior year adjustment – impairment of sheltered units                              | (664,934)   | -   | -  | (664,934)                           |
| Restated balance at the start of the year  | <u>170,636,982</u>                                | <u>3,257,289</u>                                | <u>-</u>   | <u>173,894,271</u>                  |
| Additions during year  |   |   |  |                                     |
| - new developments/components  | 799,812   | -   | 108,773  | 908,585                             |
| - improvements to existing property (replacement components)                       | 2,434,503   | -   | -  | 2,434,503                           |
| Disposals during year  |   |   |  |                                     |
| - properties   | (1,491,738)                                       | (58,500)  | -  | (1,550,238)                         |
| - replacement components   | (832,114)   | -   | -  | (832,114)                           |
| Reallocation   | 222,000   | (222,000)                                       | -  | -                                   |
| At the end of the year   | <u>171,769,445</u>                                | <u>2,976,789</u>                                | <u>108,773</u>   | <u>174,855,007</u>                  |
| <b>Depreciation</b>  |   |   |  |                                     |
| At the start of the year   | 11,407,094  | -   | -  | 11,407,094                          |
| Prior year adjustment -- reversal of depreciation charged on investment properties | (684,759)   | -   | -  | (684,759)                           |
| - depreciation backdated   | -   | 285,116   | -  | 285,116                             |
| Restated balance at the start of the year  | <u>10,722,335</u>                                 | <u>285,116</u>                                  | <u>-</u>   | <u>11,007,451</u>                   |
| Charge for year  | 2,108,345   | 19,748  | -  | 2,128,093                           |
| Disposals during year  |   |   |  |                                     |
| - properties   | (238,982)   | (18,598)  | -  | (257,580)                           |
| - replacement components   | (296,112)   | -   | -  | (296,112)                           |
| At the end of the year   | <u>12,295,586</u>                                 | <u>286,266</u>                                  | <u>-</u>   | <u>12,581,852</u>                   |
| <b>Depreciated gross cost</b>  | <u>159,473,859</u>                                | <u>2,690,523</u>                                | <u>108,773</u>   | <u>162,273,155</u>                  |

**CAIRN HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**  
**For the year ended 31 March 2015**

**12. Tangible fixed assets and investments (cont'd)**

|   | Housing<br>Properties<br>held for<br>letting<br>£ | Shared<br>Ownership<br>held for<br>letting<br>£ | Housing<br>Properties<br>in course of<br>construction<br>£ | Housing<br>Properties<br>Total<br>£ |
|---|---|---|--|-------------------------------------|
| <b>Housing Association Grant</b>                          |   |   |  |                                     |
| At the start of the year                                  | 111,933,755                                       | 2,013,374                                       | -  | 113,947,129                         |
| Prior year adjustment – transfer to investment properties | (6,844,683)                                       | -   | -  | (6,844,683)                         |
| Restated balance at the start of the year                 | <u>105,089,072</u>                                | <u>2,013,374</u>                                | -  | <u>107,102,446</u>                  |
| Additions during year                                     | 51,223  | -   | -  | 51,223                              |
| Disposals during year                                     | (286,296)   | (59,892)  | -  | (346,188)                           |
| - properties  | (220,374)   | -   | -  | (220,374)                           |
| - replacement components                                  | 161,566   | (161,566)                                       | -  | -                                   |
| Reallocation  | <u>104,795,191</u>                                | <u>1,791,916</u>                                | -  | <u>106,587,107</u>                  |
| At the end of the year                                    |   |   |  |                                     |
| <b>Net book value</b>                                     |   |   |  |                                     |
| At 31 March 2015  | <u>54,678,668</u>                                 | <u>898,607</u>                                  | <u>108,773</u>   | <u>55,686,048</u>                   |
| At 31 March 2014 restated                                 | <u>54,825,575</u>                                 | <u>958,799</u>                                  | -  | <u>55,784,374</u>                   |

At 31 March 2015, remaining properties received under a transfer of engagements in a prior year are included in properties held for letting at net book value of £1,570,608, being the fair value of those properties at the date of the transfer (2014: £3,625,666).

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

For the year ended 31 March 2015

| <b>12 (b) Investment properties</b>                              | <b>Total<br/>£</b> | <b>Restated<br/>2014<br/>£</b> |
|--|--------------------|--------------------------------|
| At 1 April 2014  | 5,391,380          | -                              |
| Prior year adjustment – from housing properties held for letting | -                  | 3,909,172                      |
|  | <u>5,391,380</u>   | <u>3,909,172</u>               |
| At 1 April 2014  | 5,391,380          | 3,909,172                      |
| Revaluations   | -                  | 1,482,208                      |
|  | <u>5,391,380</u>   | <u>5,391,380</u>               |

Investment properties are accommodation, offices and garages leased to 3<sup>rd</sup> parties.

The investment properties were valued in December 2013, January 2014 and March 2014 at £5,391,380. The Board of Management considers this value a fair reflection of the open market value at the year end. The historical cost of the properties is £10,753,855. In accordance with SSAP4, the investment property cost is calculated as total cost less grants received from government agencies in respect of building works. The total amount of grants offset was £6,844,683.

| <b>(c) Other fixed assets</b> | <b>Heritable<br/>Office<br/>Property<br/>£</b> | <b>Office<br/>Furniture<br/>and<br/>Equipment<br/>£</b> | <b>Other Fixed<br/>Assets Total<br/>£</b> |
|-------------------------------|--|---|---|
| <b>Cost</b>                   |  |   |   |
| At start of year              | 906,106  | 941,043   | 1,847,149                                 |
| Additions during year         | -  | 262,848   | 262,848                                   |
| Impairment                    | (25,000)                                       | -   | (25,000)                                  |
|                               | <u>881,106</u>                                 | <u>1,203,891</u>  | <u>2,084,997</u>                          |
| At end of year                | 881,106  | 1,203,891   | 2,084,997                                 |
| <b>Depreciation</b>           |  |   |   |
| At start of year              | 90,000   | 519,908   | 609,908                                   |
| Prior year adjustment         | 75,435   | -   | 75,435                                    |
|                               | <u>165,435</u>                                 | <u>519,908</u>  | <u>685,343</u>                            |
| Provided during year          | 14,524   | 107,865   | 122,389                                   |
| Impairment                    | -  | -   | -   |
|                               | <u>179,959</u>                                 | <u>627,773</u>  | <u>807,732</u>                            |
| At end of year                | 179,959  | 627,773   | 807,732                                   |
| <b>Net book value</b>         |  |   |   |
| At 31 March 2015              | <u>701,147</u>                                 | <u>576,118</u>  | <u>1,277,265</u>                          |
| At 31 March 2014              | <u>740,671</u>                                 | <u>421,135</u>  | <u>1,161,806</u>                          |

| <b>(d) Fixed Asset Investments</b> | <b>2015<br/>£</b> | <b>2014<br/>£</b> |
|------------------------------------|-------------------|-------------------|
| Homestake units                    |                   |                   |
| Cost                               | 12,092,368        | 12,092,368        |
| Housing Association Grant          | (12,092,368)      | (12,092,368)      |
|                                    | <u>-</u>          | <u>-</u>          |

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

**12. Tangible fixed assets and investments (cont'd)**

| <b>(e) Investments</b>                | <b>2015</b>     | <b>2014</b>     |
|---------------------------------------|-----------------|-----------------|
|                                       | <b>£</b>        | <b>£</b>        |
| Investment in subsidiary undertaking: |                 |                 |
| Cairn Homes and Services Limited      | 1               | 1               |
| The Highland Housing Alliance         | -               | 1               |
|                                       | <u>1</u>        | <u>2</u>        |
|                                       | <u><u>1</u></u> | <u><u>2</u></u> |

Cairn Homes and Services Limited (company number SC341478) was incorporated on 16 April 2008. The company was dormant for the year ended 31 March 2015.

Cairn Housing Association Limited acquired 1 ordinary £1 share in Cairn Homes and Services Limited, at par. This represents a 100% shareholding.

**(f) Securities**

Securities have been provided on various housing properties (see note 16).

| <b>13. Debtors</b>             | <b>2015</b>             | <b>2014</b>             |
|--------------------------------|-------------------------|-------------------------|
|                                | <b>£</b>                | <b>£</b>                |
| Rent arrears                   | 678,386                 | 708,070                 |
| Less: provision for bad debts  | 322,806                 | 373,697                 |
|                                | <u>355,580</u>          | <u>334,373</u>          |
| HAG receivable                 | -                       | 448,910                 |
| Prepayments and accrued income | 1,372,157               | 927,580                 |
|                                | <u>1,727,737</u>        | <u>1,710,863</u>        |
|                                | <u><u>1,727,737</u></u> | <u><u>1,710,863</u></u> |

**14. Creditors: amounts falling due within one year**

|  | <b>2015</b>             | <b>Restated</b>         |
|--|-------------------------|-------------------------|
|  | <b>£</b>                | <b>2014</b>             |
|  |                         | <b>£</b>                |
| Current instalments due on loans (note 16) | 2,084,323               | 2,079,921               |
| Overdraft                                  | 599,175                 | 359,056                 |
| Trade creditors                            | 331,515                 | 123,387                 |
| Prepaid rents and service charges          | 677,426                 | 670,547                 |
| Accruals and deferred income               | 1,398,849               | 956,580                 |
| Other taxes and social security            | 2,798                   | 14,601                  |
| HAG repayable                              | 122,257                 | 1,063,942               |
|  | <u>5,216,343</u>        | <u>5,268,034</u>        |
|  | <u><u>5,216,343</u></u> | <u><u>5,268,034</u></u> |
| Secured creditors                          | 2,683,498               | 2,438,977               |
|  | <u><u>2,683,498</u></u> | <u><u>2,438,977</u></u> |



**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

| <b>15. Creditors: amounts falling due after more than one year</b> | <b>2015<br/>£</b> | <b>2014<br/>£</b> |
|--|-------------------|-------------------|
| Accruals and deferred income                                       | -                 | 144,460           |
| Housing loans (note 16)  | 40,245,399        | 42,326,954        |
|  | <u>40,245,399</u> | <u>42,471,414</u> |
| Secured creditors  | <u>40,245,399</u> | <u>42,326,954</u> |

| <b>16. Loans</b>   | <b>2015<br/>£</b> | <b>2014<br/>£</b> |
|--|-------------------|-------------------|
| Loans or mortgages secured by charges on the Association's housing land and buildings: |                   |                   |
| Loans advanced by:   |                   |                   |
| Private lenders  | <u>42,329,722</u> | <u>44,406,875</u> |
| Amounts falling due in:  |                   |                   |
| One year (note 14)   | 2,084,323         | 2,079,921         |
| One year or more but less than two years (note 15)                                     | 2,088,761         | 2,084,323         |
| Two years or more but less than five years (note 15)                                   | 6,587,925         | 6,279,735         |
| Five years or more (note 15)   | <u>31,568,713</u> | <u>33,962,896</u> |
|  | <u>42,329,722</u> | <u>44,406,875</u> |

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 4.51%.

| <b>17. Share capital</b>                | <b>2015<br/>£</b> | <b>2014<br/>£</b> |
|---|-------------------|-------------------|
| Shares of £1 each issued and fully paid |                   |                   |
| At 1 April 2014                         | 154               | 147               |
| Cancelled during the year               | (58)              | (4)               |
| Issued during the year                  | -                 | 11                |
| At 31 March 2015                        | <u>96</u>         | <u>154</u>        |

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

| <b>18. Revenue reserve</b>        | <b>2015<br/>£</b> | <b>Restated<br/>2014<br/>£</b> |
|-----------------------------------|-------------------|--------------------------------|
| At 1 April 2014                   | 19,548,098        | 19,603,186                     |
| Prior year adjustment             | -                 | (583,563)                      |
| Restated balance at 1 April 2014  | <u>19,548,098</u> | <u>19,019,623</u>              |
| Surplus for year                  | 727,152           | 528,475                        |
| Transfer from restricted reserves | 3,218             | -                              |
| At 31 March 2015                  | <u>20,278,468</u> | <u>19,548,098</u>              |

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

| <b>19. Restricted reserves</b>   | <b>2015</b>    | <b>Restated</b> |
|----------------------------------|----------------|-----------------|
|                                  | <b>£</b>       | <b>2014</b>     |
|                                  |                | <b>£</b>        |
| At 1 April 2014                  | 370,276        | -               |
| Prior year adjustment            | -              | 370,276         |
|                                  | <u>370,276</u> | <u>370,276</u>  |
| Restated balance at 1 April 2014 | 370,276        | 370,276         |
| Transfer to revenue reserve      | (3,218)        | -               |
|                                  | <u>367,058</u> | <u>370,276</u>  |
| At 31 March 2015                 | <u>367,058</u> | <u>370,276</u>  |

The restricted reserves represent monies received from the public that are to be used for the development of the community.

| <b>20. Revaluation reserve</b>      | <b>2015</b>      | <b>Restated</b>  |
|-------------------------------------|------------------|------------------|
|                                     | <b>£</b>         | <b>2014</b>      |
|                                     |                  | <b>£</b>         |
| At 1 April 2014                     | 1,482,208        | -                |
| Prior year adjustment - revaluation | -                | 1,482,208        |
|                                     | <u>1,482,208</u> | <u>-</u>         |
| Restated balance at 1 April 2014    | 1,482,208        | -                |
| Revaluation in year                 | -                | -                |
|                                     | <u>1,482,208</u> | <u>1,482,208</u> |

The revaluation reserve is in respect of the investment properties owned by the Association. Please see note 12(b).

**21. Capital commitments**

|                                 | <b>2015</b>      | <b>2014</b>      |
|---------------------------------|------------------|------------------|
|                                 | <b>£</b>         | <b>£</b>         |
| Contracted                      | 1,245,749        | 440,000          |
| Approved but not contracted for | 775,000          | 800,000          |
|                                 | <u>2,020,749</u> | <u>1,240,000</u> |

This is to be funded by:

|                 |                  |                  |
|-----------------|------------------|------------------|
| HAG             | 873,000          | -                |
| Private finance | 1,147,749        | 1,240,000        |
|                 | <u>2,020,749</u> | <u>1,240,000</u> |

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 22. Operating Leases

At 31 March 2015 the Association had aggregate annual commitments under non-cancellable operating leases as set out below:

|                  | Land &<br>Buildings<br>2015<br>£ | Other<br>2015<br>£ | Land &<br>Buildings<br>2014<br>£ | Other<br>2014<br>£ |
|------------------|----------------------------------|--------------------|----------------------------------|--------------------|
| Within a year    | -                                | 79,368             | -                                | 52,244             |
| Within 2-5 years | 33,930                           | -                  | -                                | 12,866             |
| After 5 years    | 195,576                          | -                  | 183,782                          | -                  |
|                  | <u>229,506</u>                   | <u>79,368</u>      | <u>183,782</u>                   | <u>65,110</u>      |

#### 23. Pension scheme

##### (i) Defined Contribution Scheme

On 31 March 2014 the Association moved its pension provision from a defined benefit scheme via the Scottish Housing Associations' Pension Scheme to a defined contribution scheme via the Scottish Housing Associations' Pension Scheme and Standard Life.

98 members of staff are members of the Scottish Housing Association's Defined Contribution Pension Scheme. This scheme was closed to new entrants on 1 April 2014. The assets of the scheme are administered by The Pensions Trust and are independent of the Association.

41 members of staff are members of the Standard Life Group Personal Pension Scheme. This scheme is used for auto enrolment as well as being open to new members. The assets of the scheme are administered by Standard Life and are independent of the Association.

##### (ii) SHAP scheme

On 31 March 2014 the Association closed its participation in the Scottish Housing Associations' Pension Scheme ('the Scheme') to future accrual. 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.

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 23. Pension scheme (continued)

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

As part of the recovery plan, a deficit repayment plan is in place. During the year, the Association made a past service deficit contribution of £540,371 (2014: £283,158).

#### Financial assumptions

The key financial assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

|  | % pa |
|--|------|
| - Investment return pre-retirement                             | 5.3  |
| - Investment return post-retirement – Non - pensioners         | 3.4  |
| - Investment return post-retirement - Pensioners               | 3.4  |
| - Rate of salary increases                                     | 4.1  |
| - Rate of pension increases                                    |      |
| Pension accrued pre 6 April 2005 in excess of GMP              | 2.0  |
| Pension accrued post 6 April 2005                              | 1.7  |
| (for leavers before 1 October 1993 pension increases are 5.0%) |      |
| - Rate of price inflation                                      | 2.6  |

#### Mortality Tables

Non Pensioners – 44% of S1PMA (males) and S1PFA (females) projected using CMI\_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Pensioners – 90% of S1PMA (males) and S1PFA (females) projected using CMI\_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females.

#### Contribution Rates for Future Service (payable from 1 April 2015)

|                        |          |
|------------------------|----------|
| - Defined Contribution | %        |
|                        | variable |

#### Contribution Rates for Past Service Deficit (payable from 1 April 2015)

|                   |         |
|-------------------|---------|
| - Defined Benefit | £       |
|                   | 540,371 |

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 23. 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 2014. As of this date the estimated employer debt for the Association was £16,893,674.

##### (iii) 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.

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 23. Pension scheme (continued)

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.

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 2011 were completed in 2012 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 £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

|  | % pa |
|--|------|
| Investment return pre-retirement       | 4.9  |
| Investment return post-retirement      |      |
| Actives/deferrers                      | 4.2  |
| Pensioners                             | 4.2  |
| Bonuses on accrued benefits            | 0.0  |
| Inflation: Retail Prices Index (RPI)   | 2.9  |
| Inflation: Consumer Prices Index (CPI) | 2.4  |

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 is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

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.

## CAIRN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (cont'd)

For the year ended 31 March 2015

#### 23. Pension scheme (continued)

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. During the year, the Association made a past service deficit contribution of £3,422 (2014: £3,422) on the basis that no additional contributions from participating employers are required at this point in time. The past service deficit contribution for 2015/16 will be £3,524.

A copy of the recovery plan must be sent to The Pensions Regulator. The Pensions 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 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012.

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 and The Pensions act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. 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 30 September 2014 the estimated employer debt on withdrawal from the Growth Plan was £50,467.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

#### 24. Payments to members and Board members

No member of the Association received any fee or remuneration during the year (2014: £Nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £7,075 (2014: £12,180).

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

For the year ended 31 March 2015

**25. 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.

Cairn Homes and Services Limited is a 100% subsidiary of the Association. Cairn Homes and Services Association Limited was dormant this year. The Association has made an advance to the company to enable it to pay its set up costs. At the year-end £3,250 (2014: £3,250) was due to the Association.

| <b>26. Reconciliation of surplus for the year to cash inflow from operating activities</b> | <b>2015</b>         | <b>Restated<br/>2014</b> |
|--|---------------------|--------------------------|
|  | <b>£</b>            | <b>£</b>                 |
| Operating surplus for the year   | 1,933,815           | 1,508,227                |
| Depreciation charges   | 2,566,110           | 2,372,695                |
| Impairment charge  | 25,000              | 90,000                   |
| Decrease in creditors  | (440,671)           | (1,023,863)              |
| Increase in debtors  | (16,874)            | (99,531)                 |
| Share capital cancelled  | (58)                | (4)                      |
| Investment disposed of   | 1                   | -                        |
|  | <u>4,067,323</u>    | <u>2,847,524</u>         |
| Net cash inflow from operating activities  |                     |                          |
|  | <u>4,067,323</u>    | <u>2,847,524</u>         |
|  |                     |                          |
| <b>27. Capital expenditure and financial investment</b>                                    | <b>2015</b>         | <b>2014</b>              |
|  | <b>£</b>            | <b>£</b>                 |
| Payments to acquire and improve housing stock  | (3,343,088)         | (2,367,335)              |
| Purchase of other fixed assets   | (262,848)           | (407,609)                |
| Sale of other fixed assets   | -                   | 837,000                  |
| HAG and other capital grants received in year  | 51,223              | 308,490                  |
| Sale of houses (including Homestake)   | 1,225,660           | 940,267                  |
| HAG repaid   | (59,892)            | (86,752)                 |
|  | <u>(2,388,945)</u>  | <u>(775,939)</u>         |
| Net cash outflow from capital expenditure and financial investment                         |                     |                          |
|  | <u>(2,388,945)</u>  | <u>(775,939)</u>         |
|  |                     |                          |
| <b>28. Financing</b>   | <b>2015</b>         | <b>2014</b>              |
|  | <b>£</b>            | <b>£</b>                 |
| Housing loans repaid   | (2,077,153)         | (2,195,905)              |
| Proceeds from shares   | -                   | 11                       |
|  | <u>(2,077,153)</u>  | <u>(2,195,894)</u>       |
| Net cash outflow from financing  |                     |                          |
|  | <u>(2,077,153)</u>  | <u>(2,195,894)</u>       |
|  |                     |                          |
| <b>29. Reconciliation of net cash flow to movement in net debt</b>                         | <b>2015</b>         | <b>2014</b>              |
|  | <b>£</b>            | <b>£</b>                 |
| Decrease in cash in the year   | (1,824,736)         | (1,516,953)              |
| Loans repaid   | 2,077,153           | 2,195,905                |
|  | <u>252,417</u>      | <u>678,952</u>           |
| Net debt at 1 April 2014   | (39,674,173)        | (40,353,125)             |
|  | <u>(39,421,756)</u> | <u>(39,674,173)</u>      |
| Net debt at 31 March 2015  |                     |                          |
|  | <u>(39,421,756)</u> | <u>(39,674,173)</u>      |



**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

For the year ended 31 March 2015

| <b>30. Analysis of net debt</b>    | <b>Restated<br/>At 1 April<br/>2014<br/>£</b> | <b>Cash<br/>Flows<br/>£</b> | <b>Non-Cash<br/>Changes<br/>£</b> | <b>At 31 March<br/>2015<br/>£</b> |
|------------------------------------|---|-----------------------------|-----------------------------------|-----------------------------------|
| Amounts held on short term deposit | 4,000,000                                     | (1,000,000)                 | -                                 | 3,000,000                         |
| Cash at bank                       | 1,091,758                                     | (584,617)                   | -                                 | 507,141                           |
| Bank overdraft                     | (359,056)                                     | (240,119)                   | -                                 | (599,175)                         |
|                                    | <u>4,732,702</u>                              | <u>(1,824,736)</u>          | -                                 | <u>2,907,966</u>                  |
| Debt due within 1 year             | (2,079,921)                                   | 2,077,153                   | (2,081,555)                       | (2,084,323)                       |
| Debt due after 1 year              | (42,326,954)                                  | -                           | 2,081,555                         | (40,245,399)                      |
| <b>Total</b>                       | <u><u>(39,674,173)</u></u>                    | <u><u>252,417</u></u>       | -                                 | <u><u>(39,421,756)</u></u>        |

| <b>31. Continuing and discontinued operations</b> | <b>Continued<br/>operations<br/>£</b> | <b>Discontinued<br/>operations<br/>£</b> | <b>2015<br/>Total<br/>£</b> |
|---|---------------------------------------|--|-----------------------------|
| Turnover  | 16,778,994                            | 215,081                                  | 16,994,075                  |
| Operating costs                                   | (14,824,113)                          | (236,147)                                | (15,060,260)                |
| Operating surplus/(deficit)                       | <u><u>1,954,881</u></u>               | <u><u>(21,066)</u></u>                   | <u><u>1,933,815</u></u>     |

|                   | <b>Continued<br/>operations<br/>£</b> | <b>Discontinued<br/>operations<br/>£</b> | <b>Restated<br/>2014<br/>Total<br/>£</b> |
|-------------------|---------------------------------------|--|--|
| Turnover          | 15,609,529                            | 490,849                                  | 16,100,378                               |
| Operating costs   | (14,139,682)                          | (452,469)                                | (14,592,151)                             |
| Operating surplus | <u><u>1,469,847</u></u>               | <u><u>38,380</u></u>                     | <u><u>1,508,227</u></u>                  |

Four very sheltered housing units were transferred to another provider and another was closed down during the year ended 31 March 2015.

**CAIRN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (cont'd)**

**For the year ended 31 March 2015**

**32. Prior year adjustment**

The following prior year adjustments were made to the opening reserves at 1 April 2013:

|   | £         |
|---|-----------|
| Impairment of four very sheltered housing units     | (664,934) |
| Reversal of depreciation on investment properties   | 684,759   |
| Impairment of two care homes                        | (268,962) |
| Release of legacy creditor                          | 370,276   |
| Depreciation of heritable office properties         | (60,910)  |
| Depreciation of shared ownership housing properties | (273,516) |
|   | <hr/>     |
|   | (213,287) |

The following prior year adjustments were made to the opening reserves at 1 April 2014:

|   |           |
|---|-----------|
| Revaluation of investment property                  | 1,482,208 |
| Depreciation of heritable office properties         | (14,525)  |
| Depreciation of shared ownership housing properties | (20,732)  |
| Correction of gain on disposal of housing costs     | 9,132     |
|   | <hr/>     |
|   | 1,456,083 |
|   | <hr/>     |
| Cumulative adjustment to opening reserves           | 1,242,796 |
|   | <hr/>     |

(£26,125) of this adjustment is reflected in the restated surplus for 2013/14 with the remaining £1,268,921 going straight to reserves.

Allocated to:

|                     |           |
|---------------------|-----------|
| Revenue reserve     | (609,688) |
| Restricted reserve  | 370,276   |
| Revaluation reserve | 1,482,208 |
|                     | <hr/>     |
|                     | 1,242,796 |
|                     | <hr/>     |

In addition to the above, there was an overdraft of £359,056 netted off in cash at bank and in hand in the prior year financial statements. This has been reallocated to creditors: amounts falling due within one year via a prior year adjustment.

The prior year adjustment had the following impact on the surplus for the year ended 31 March 2014:-

|   | £        |
|---|----------|
| Surplus for the year ended 31 March 2014                              | 554,600  |
| Depreciation of heritable office properties                           | (14,525) |
| Depreciation of shared ownership housing properties                   | (20,732) |
| Correction of gain on disposal of shared ownership housing properties | 9,132    |
|   | <hr/>    |
| Restated surplus for the year ended 31 March 2014                     | 528,475  |
|   | <hr/>    |

**33. Post balance sheet event**

During 2015/16 the Association plans to dispose of its two Care Homes to a specialist care provider, as well as properties at Grange Loan and Polwarth Terrace. The Association is in discussion with its lenders to restructure the debt to allow an increased spend on planned investment over 2015/16 and 2016/17.