



CAIRN HOUSING ASSOCIATION LIMITED
GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

The Scottish Housing Regulator: HEP218
Scottish Charity Number: SC016647

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

D Jamieson, Chairperson
A Lamont, Vice-Chairperson
S E G Guest
W Gillespie
H Barton
N Wood
L Casserly
L Crawford
N Chapman
E Peveril (appointed 9 September 2021)
D Reid (appointed 9 September 2021)
S Travers (co-optee)
K Green (appointed 1 April 2022)

Executive Officers

J MacGilp, Chief Executive and Secretary
D Adam, Director of Finance and People Services
M Boyter, Director of Business Services
MC Deasley, Director of Property Services
S Connor, Director of Customer Services

Secretary

J MacGilp

Head Office

Bellevue House
22 Hopetoun Street
Edinburgh
EH7 4GH

Auditor

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Bankers

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

Other Lenders

Metlife Investment Management Ltd
34th Floor
One Canada Square
London
E14 5AA

Registration numbers

Financial Conduct Authority
The Scottish Housing Regulator
Registered Scottish Charity

2335R(S)
HEP218
SC016647

CAIRN HOUSING ASSOCIATION LIMITED
GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Contents	Page
Report of the Board of Management (incorporating the Strategic Report)	1-8
Independent Auditor's Report to the members of Cairn Housing Association Limited on the financial statements	9-12
Report of the Auditor to the members of Cairn Housing Association Limited on Internal Financial Control	13
Group Statement of Comprehensive Income	14
Association Statement of Comprehensive Income	15
Group Statement of Changes in Capital and Reserves	16
Association Statement of Changes in Capital and Reserves	17
Group Statement of Financial Position	18
Association Statement of Financial Position	19
Group Statement of Cash Flows	20-21
Association Statement of Cash Flows	22-23
Notes to the Financial Statements	24-67

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

The Board of Management present their Report and the audited financial statements for the year ended 31 March 2022.

Principal activities

The principal activity of the Group is the provision of affordable housing for rent and related services for tenants and other parties.

Cairn Housing Group consists of:-

- Cairn Housing Association Limited (as Group Parent), a registered social landlord incorporated in Scotland;
- ANCHO Limited, which is a subsidiary of Cairn Housing Association Limited, and a registered social landlord incorporated in Scotland and based in North Ayrshire. Its principal activity is the provision of affordable housing for rent and related services for tenants and other parties; and
- Cairn Homes and Services Limited (trading as Cairn Living), which undertakes a range of non-charitable and commercial activities including management of homes at mid-market rent, full-market rent and garage management services.

Review of the Group's business

The recent lifting of operating restrictions and new Scottish Government guidance around Covid-19 are very welcome, though the full financial year ended March 2022 was dominated by the impact of, and responses to, the global Covid-19 pandemic. Over the full year, at national and organisational level, this led to major disruption to services, working arrangements with significantly negative impacts on the lives of customers, communities and staff throughout the country. The pandemic has had the same negative impact on our contractors and suppliers and local authority partners with whom we have continued to work positively.

The year has seen Cairn Housing Group respond to the changing environment and reorganise service arrangements that has ensured that, despite the restrictions and the hardships – services were still able to be provided to customers within the limits required by the Scottish Government and good practice in health and safety. The welfare of customers and staff safety has been paramount.

During the second full year of Covid-19 restrictions the organisation has continued to show itself to be flexible, resilient and determined to respond positively and continue to deliver our strategic objectives and service obligations to customers in the face of these challenges. All staff, board members and our contractor partners are thanked for all their continued efforts and the last 12 months has shown the strength, skills and core values of Cairn Housing Group.

Highlights during the year have included:-

- Following the very positive tenant ballot result last year, the final stages of the transfer process took place during the year, and on 1st April 2022, Pentland Housing Association Limited formally transferred their engagements to Cairn Housing Association Limited. The housing stock and tenants of Pentland have now successfully transferred and services to customers in Caithness is being delivered by the new combined team. Operational integration continues and work is well underway to begin to deliver the Tenant Promises including the affordable rent guarantee – including a rent freeze in the first year, locally based services, and preparation for delivery of the significant £6.2 million stock investment programme.
- From 1st April 2022, the Group now includes Pentland Community Enterprises Limited (PCE) including the significant garage portfolio in Caithness. On 1st April 2022, the trade and assets of Cairn Homes and Services Limited were transferred into PCE. Cairn Homes and Services Limited will now be struck off.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2022

Review of the Group's business (continued)

- The Covid-19 restrictions over the year meant that our planned programme of stock improvement was adversely affected, though with delivery partners, we still achieved a substantial investment programme of over £7 million across the Group in our existing homes across Scotland, including delivery of investment promises to ANCHO tenants. This has directly improved the quality of life for tenants and supported our commitment to our vision of Great Homes including investment in new kitchens, new bathrooms, energy efficiency work and heating systems. The next two years will see a significant increase in the scale of stock improvements;
- As part of our active newbuild development programme, we completed 113 new homes, with preparation well advanced to enable us to deliver a further 173 new homes in the coming twelve months to meet local housing needs which will be the highest numbers of new homes built by the Cairn Group in over 10 years;
- Continued progress has been made in the delivery of the Tenant Promises to ANCHO tenants as part of the commitments in the 2018 constitutional partnership, including over £1.3million of stock investment (with some Covid-19 delivery restrictions) including new roofs, boilers, rewiring, windows and doors, the affordable rent guarantee and continued locally based services;
- Work on further integration between Cairn Housing Association and ANCHO has continued with shared IT systems, policies and processes and joint management across the Group, and the two Boards have made a joint commitment to begin a governance integration project and consultation with tenants, with a view to moving towards a proposals for full transfer of engagements by 2024;
- The new Executive Team consisting of the Chief Executive and four Directors has now been fully in place for a year and are charged with advising the board and the delivery of the business plan and services across all parts of the Group, as part of the ongoing operational integration of Cairn Housing Association and ANCHO;
- Business performance on key performance indicators remain satisfactory or good in most areas. Significant improvements have been made in customer contact call responses, increases in the proportion of digital enquiries and substantial improvement in void rent loss performance and average void re-let times within the context of significant Covid-19 impacts;
- Despite the significant challenges of Covid-19 and the disruption to the wider economy and employment, the Group's income management has held up very well, with very good performance on rent collection for ANCHO at 100% and an excellent 103% for Cairn Housing Association;
- The Tenancy Sustainment team has again secured over £900,000 of direct additional payments to customers through pro-active advice and support on benefit entitlement. This has been particularly important as the wider economic challenges and cost of living crisis begins to impact on tenants and communities;
- The Group continued its work on staff engagement including a programme of learning and development for staff, staff mental health and wellbeing sessions during the Covid-19 restrictions, and access to a range of individual wellbeing support and also approved a new Equality & Diversity Strategy and a new Procurement Strategy;

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Review of the Group's business (continued)

- The Group submitted its third Annual Assurance Statement to the Scottish Housing Regulator (SHR) in October 2021 setting out confirmation that Cairn Housing Association Limited and ANCHO Limited both comply with all required statutory and regulatory requirements. The Statement committed to a continuous improvement in preparations for next year's statement;
- Compliance with regulatory standards and best practice will continue to drive our governance and management of the Group and our positive working relationship with the Regulator;
- The Group delivered a number of successful Community Development projects in communities across Scotland through the Cairn Community Fund, largely focussed on support for vulnerable customers and communities through the global pandemic including support to local foodbanks;
- Activity around the new Tenant Participation Strategy has been restricted during the Covid-19 restrictions, but a range of digital consultations have taken place and we aim to increase opportunities for tenants to engage through a range of routes in coming years;
- The Group's Board Development & Succession Policy continues to be applied to strengthen and develop our governance and compliance with regulatory and good practice requirements; and
- Following extended consultation with staff and our recognised trades union, a new Pay & Reward Policy was introduced for all Cairn staff, to include fair pay, benchmarking and spot salaries for all staff to support recruitment and retention of staff in a competitive jobs market.

Financial performance

The Association's operating surplus increased from £1,926,311 in 2020/21 to £2,249,621 in 2021/22 mainly due to the impairment of social housing units of £799,298 in 2020/21. The Association generated a deficit for the year of £15,644 (2021: £3,157,693).

The Group generated a surplus after taxation of £349,241 (2021 restated: deficit (£2,242,522)) which included the significant items noted above. ANCHO returned an overall surplus of £395,510 (2021: £866,569) for the full year ended 31 March 2022 with Cairn Homes and Services generating a profit after tax of £72,149 (2021: £73,172). The Group surplus for the year has been taken to the Revenue Reserve.

The Group acknowledges that effective treasury management supports the achievement of its business and service objectives. The Group maintains an adequate loan portfolio to support its business activities.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2022

Future Developments

The reduction of Covid-19 restrictions is welcome and enables the organisation to now largely deliver services unimpeded, however the operating and economic environment continues to be challenging, particularly with the "cost of living" crisis, rapidly increasing energy costs and spiralling inflation bringing costs pressures. The Group continues to be self-aware and pro-active in making 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, in their role as Group parent, actively monitor risks and remain confident about the future of the Group as a whole and are focused on delivering our vision of Great Homes, Great Services, and Great People. We will continue our commitment to continue to modernise and change where required - including further delivery of our Digital Strategy and to operate the business in the long-term interests of current and future customers in communities throughout Scotland.

The Group's commercial subsidiary will be Pentland Community Enterprises Limited (PCE), from 1st April 2022, with Cairn Living's (Cairn Homes and Services Limited) trade and assets being transferred to PCE and struck off later this year. This will combine management of all the Group's mid-market rent properties, the garage portfolio, factoring and other commercial initiatives in future. There are ongoing plans to increase the Company's activities in the coming year.

As part of our business and financial planning we have the financial capacity to sustain our new build development activity in the coming years. We intend to complete the delivery of our significant new build development programme over the next five years, with decisions to be made on the size and balance of the programme along with the requirements for retrofit of existing stock, and to develop a new Energy & Assets Strategy to contribute to the Scottish Government's national strategic objective of moving to Net Zero by 2045.

Growth & Partnerships

The transfer of Pentland Housing Association Limited into Cairn Housing Association Limited has further strengthened the Group's financial position, with plans to further improve services and deliver efficiencies, and consolidating our operational presence in Caithness.

Proposals for a full merger of Cairn Housing Association and ANCHO through a possible transfer of engagements in 2024 will be developed over the next year with full consultation with ANCHO tenants.

We will also continue to explore collaboration and potential organisational and service partnerships with other housing associations, as we look to strengthen business resilience and capacity to have a greater impact on the quality of lives of our customers and communities throughout Scotland.

Risks and Uncertainties

The Group has updated its Strategic Risk Register to reflect the recent experiences and ongoing challenges of the Covid-19 related lockdowns and changed operational environment. The Cairn Group continues to be a strong and resilient social business. There continue to be a number of opportunities ahead such as growth through new build development and constitutional partnership opportunities.

We will continue to robustly identify and manage our risk profile and take mitigating actions as required and to pay close attention to the wider financial, economic and political environments, such as the continuing economic and supply impacts of Brexit, and the constitutional future of the country, which may affect our business and our customers. We will continue to develop our business continuity planning and oversee key risks such as securing income to the organisation and our response to ongoing changes to welfare and social security; the wider financial environment, regulatory compliance and our asset management strategy.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Key performance indicators

The Group continues to closely monitor key performance indicators, including those required under the Annual report on The Scottish Social Housing Charter. We also pay particular attention to key financial indicators on gearing and interest cover to ensure ongoing financial stability and to meet our lending covenants.

Governance

Cairn Housing Association Limited has a Board of Management elected by the shareholding members of the Association at the AGM each year. The Board directs the strategy, sets policies, oversees the overall direction and monitors the business plan of the Association and its two subsidiaries, ANCHO Limited and Cairn Homes and Services Limited.

The Board also ensures appropriate levels of assurance and strategic risk management, including external advice where appropriate, and compliance with regulatory standards. The members of the Board of Management are currently unpaid, other than expenses.

We review the Board Succession & Development Plan each year, following annual personal development meetings, to ensure the appropriate level and mix of skills and experience and keeping up to date with regulatory requirements and best practice standards. There were 2 resignations from ANCHO Board during 2021/22. There were also 2 resignations from the Cairn Homes and Services Limited Board.

Cairn Housing Association Limited and ANCHO Limited are members of the Scottish Federation of Housing Associations and we continue positive working relationships with our Regulators, (SHR and OSCR), local authorities and other partners.

The Group is committed to continuous improvement and the Board sets challenging business targets, which are regularly monitored and reviewed by the Board and Executive Team.

Group governance arrangements include an Audit & Performance Committee, a Remuneration Committee and a revised Tenant Participation Strategy working with the Group to provide an additional level of scrutiny and to support improvement activities. There are also Board Meetings for ANCHO and Cairn Homes and Services Limited. The boards of ANCHO and Cairn Housing Association introduced joint governing bodies meeting during 2021/22 whilst still maintaining the distinct governance administration and minutes of decisions as required in the regulatory standards.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2022

The Board of Management and Executive Officers

The Board of Management and executive officers of the Association are listed on the first page of the financial statements. Each member of the Board of Management holds one fully paid share of £1 in Cairn Housing 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. The Schedule of Delegated Authorities ensures the appropriate balance of enabling operational effectiveness with proper board oversight and decisions making where required.

Statement of the Board of Management's Responsibilities

The Board of Management is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require 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 the Group and of the income and expenditure of the Association and the Group for that period. In preparing these 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdiction.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Statement on internal financial control

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

Internal financial controls are those procedures established by the senior management team, and reviewed by the Group Audit & Performance Committee, in order to provide reasonable assurance on the safeguarding of assets and the maintenance of proper accounting records and the reliability of financial information used within the Group and the Parent Association or for publication. Such a system of controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

- (a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Group. A comprehensive programme of internal audit covering over time all the Group's main activities is on-going. Reports are made to the Group Audit & Performance Committee with appropriate action taken where necessary.
- (b) Management information systems have been developed to provide accurate and timely 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 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 Group and the Parent Association to the executive officers.

In May 2021, it was reported to the Chief Executive, the Board, and then to our external auditor, Azets, that in the previous weeks there has been four fraudulent invoices presented to Cairn Housing Association for payment by an unknown third party/parties, using hacking/phishing email identities. Three of these invoices were paid to the total value of £35,683. One further attempted fraudulent invoice was blocked and not paid. Our internal auditor RSM were commissioned to undertake a special audit and this was presented to the Group's Audit & Performance Committee in July 2021 and to the Cairn HA Board in August 2021. Recommendations for improved controls, training and other follow up actions were agreed.

The Board of Management has reviewed the system of internal financial control in the Group and the Association during the year ended 31 March 2022 including the improvements introduced in respect of the fraud noted above. No other weaknesses were found in internal financial control which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Post balance sheet events

On 1st April 2022, Pentland Housing Association Limited formally transferred their engagements to Cairn Housing Association Limited. The housing stock and tenants of Pentland have now successfully transferred and services to customers in Caithness are being delivered by the new combined team.

From 1st April 2022, the Group now includes Pentland Community Enterprises Limited (PCE) including the significant garage portfolio in Caithness. On 1st April 2022, the trade and assets of Cairn Homes and Services Limited were transferred into PCE. Cairn Homes and Services Limited will now be struck off.

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 Group'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 Group's auditor is aware of the information.

Auditor

The auditor, Azets Audit Services, have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

The Report of the Board of Management (incorporating the Strategic Report) has been approved by the Board of Management:

By order of the Board



J MacGilp
Secretary

Date: 1 September 2022

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Opinion

We have audited the financial statements of Cairn Housing Association Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Changes in Capital and Reserves, the Group and Association Statements of Financial Position, the Group and Association Statements of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Association's affairs as at 31 March 2022 and of the Group's and the Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Management with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board of Management is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's 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.

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 6, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Group's and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Group or the Parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

Auditor's responsibilities for the audit of the financial statements (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Group and the Parent Association, their activities, their control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Group and the Parent Association are complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Group and the Parent Association that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Group and the Parent Association through discussions with the Board members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Group and the Parent Association, including the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and taxation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Board of Management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Board of Management and relevant sub-committees;
- enquiring of the senior management team and the Board of Management as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Group's and Parent Association's legal advisors.

CAIRN HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2022

Auditor's responsibilities for the audit of the financial statements (continued)

We assessed the susceptibility of the Group's and the Parent Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Board of Management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Use of our report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date:

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

CAIRN HOUSING ASSOCIATION LIMITED

**REPORT OF THE AUDITOR TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED
ON INTERNAL FINANCIAL CONTROL**

FOR THE YEAR ENDED 31 MARCH 2022

In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 concerning the Group's and the Parent Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Group's and the Parent 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 7 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 control 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 of Management and Officers of the Group and the Parent Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Group's and the Parent Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.

Azets Audit Services, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date:

Azets Audit Services is eligible for appointment as auditor of the Group and Parent Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	Restated 2021 £
Turnover	4	21,662,354	21,275,370
Operating expenditure	4	(18,637,622)	(18,274,935)
Operating surplus	4	3,024,732	3,000,435
(Loss)/gain on sale of property, plant and equipment	10	(5,239)	207,353
Interest receivable	11	37,112	134,503
Interest payable and similar charges	12	(2,716,388)	(3,241,972)
Loan breakage costs	21	-	(2,342,841)
Gain on revaluation of investment properties	14c	11,797	-
Surplus for the year before taxation		352,014	(2,242,522)
Taxation	13	(2,773)	-
Surplus after taxation		349,241	(2,242,522)
Other comprehensive income			
Actuarial gain/(loss) in respect of the SHAPS defined benefit pension scheme	23	1,483,000	(2,533,000)
Actuarial gain/(loss) in respect of the Strathclyde defined benefit pension scheme	23	602,000	(113,000)
Total comprehensive income for the year		2,434,241	(4,888,522)

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Turnover	4	18,796,865	<i>18,254,720</i>
Operating expenditure	4	(16,547,244)	<i>(16,328,409)</i>
Operating surplus	4	2,249,621	<i>1,926,311</i>
(Loss)/gain on sale of property, plant and equipment	10	(5,239)	<i>207,353</i>
Interest receivable	11	88,079	<i>183,451</i>
Interest payable and similar charges	12	(2,612,022)	<i>(3,131,967)</i>
Loan breakage costs	21	-	<i>(2,342,841)</i>
Gain on revaluation of investment properties	14d	263,917	-
Surplus/(deficit) for the year before taxation		(15,644)	<i>(3,157,693)</i>
Taxation	13	-	-
Surplus/(deficit) after taxation		(15,644)	<i>(3,157,693)</i>
Other comprehensive income			
Actuarial gain/(loss) in respect of the SHAPS defined benefit pension scheme	23	1,483,000	<i>(2,533,000)</i>
Total comprehensive income for the year		1,467,356	<i>(5,690,693)</i>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 31 MARCH 2022

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2021 as restated	88	63,664,136	63,664,224
Total comprehensive income for the year	-	2,434,241	2,434,241
Issue of shares during the year	2	-	2
Cancelled shares during the year	(5)	-	(5)
Balance at 31 March 2022	<u>85</u>	<u>66,098,377</u>	<u>66,098,462</u>

AS AT 31 MARCH 2021

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2020 as restated	88	68,552,658	68,552,746
Total comprehensive income for the year as restated	-	(4,888,522)	(4,888,522)
Balance at 31 March 2021 as restated	<u>88</u>	<u>63,664,136</u>	<u>63,664,224</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 31 MARCH 2022

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2021 as restated	88	48,766,023	48,766,111
Total comprehensive income for the year	-	1,467,356	1,467,356
Issue of shares during the year	2	-	2
Cancelled shares during the year	(5)	-	(5)
Balance at 31 March 2022	<u>85</u>	<u>50,233,379</u>	<u>50,233,464</u>

AS AT 31 MARCH 2021

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2020 as restated	88	54,456,716	54,456,804
Total comprehensive income for the year	-	(5,690,693)	(5,690,693)
Balance at 31 March 2021 as restated	<u>88</u>	<u>48,766,023</u>	<u>48,766,111</u>

The notes form part of these financial statements.


CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2022

	Notes	£	2022 £	£	Restated 2021 £
Tangible fixed assets and investments					
Housing properties	14a		157,349,654		139,308,094
Investment properties	14c		9,246,424		8,187,576
Other fixed assets	14e		1,219,700		1,247,865
			<u>167,815,778</u>		<u>148,743,535</u>
Current assets					
Debtors	16	2,897,288		1,638,975	
Cash and cash equivalents	17a	31,696,991		7,164,801	
Investments	17b	36,917		10,219,497	
			<u>34,631,196</u>	<u>19,023,273</u>	
Creditors: amounts falling due within one year	18	(8,243,219)		(5,302,095)	
Net current assets			<u>26,387,977</u>		<u>13,721,178</u>
Total assets less current liabilities			<u>194,203,755</u>		<u>162,464,713</u>
Creditors: amounts falling due after more than one year	19		(128,093,632)		(96,272,248)
SHAPS defined benefit pension scheme	23		(11,661)		(2,008,165)
Strathclyde defined benefit pension scheme	23		-		(520,000)
Deferred taxation	24		-		(76)
Net assets			<u>66,098,462</u>		<u>63,664,224</u>
Capital and reserves					
Share capital	25		85		88
Revenue reserves	26		66,098,377		63,664,136
			<u>66,098,462</u>		<u>63,664,224</u>


Approved and authorised for issue by the Board of Management on 1 September 2022 and signed on its behalf

 Chairperson

Mr D Jamieson

 Vice Chairperson

Mr A Lamont

 Secretary

Mr J MacGill

The notes form part of these financial statements.




CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	£	2022 £	£	Restated 2021 £
Tangible fixed assets and investments					
Housing properties	14b		135,036,645		117,656,728
Investment properties	14d		8,911,424		7,600,456
Other fixed assets	14f		1,147,490		1,175,015
Investments	14g		1		1
			<u>145,095,560</u>		<u>126,432,200</u>
Current assets					
Debtors due after one year	15	1,460,000		1,460,000	
Debtors within one year	16	3,129,269		1,392,171	
Cash and cash equivalents	17a	30,889,679		6,672,676	
Investments	17b	36,917		10,219,497	
		<u>35,515,865</u>		<u>19,744,344</u>	
Creditors: amounts falling due within one year	18	(7,077,951)		(4,433,393)	
Net current assets			<u>28,437,914</u>		<u>15,310,951</u>
Total assets less current liabilities			<u>173,533,474</u>		<u>141,743,151</u>
Creditors: amounts falling due after more than one year	19		(123,288,349)		(90,968,875)
SHAPS defined benefit pension scheme	23		(11,661)		(2,008,165)
Net assets			<u>50,233,464</u>		<u>48,766,111</u>
Capital and reserves					
Share capital	25		85		88
Revenue reserves	26		50,233,379		48,766,023
			<u>50,233,464</u>		<u>48,766,111</u>

Approved and authorised for issue by the Board of Management on 1 September 2022 and signed on its behalf by:

 Chairperson
D Jamieson
 Vice Chairperson
A Lammont
 Secretary
J MacGilp

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Net cash generated from operating activities	27	9,246,755	7,665,043
Cash flow from investing activities			
Payments to acquire and improve housing stock		(22,641,246)	(14,586,632)
Purchase of other fixed assets		(229,918)	(145,831)
HAG and other capital grants received		10,078,436	9,427,015
Proceeds from sale of tangible fixed assets and investment properties		21,009	290,579
Movement of cash from/(to) investments	17b	10,182,580	6,812,016
Interest received		37,112	129,503
Improvement to investment properties		(69,910)	(14,028)
		(2,621,937)	1,912,622
Taxation paid		(2,849)	(9,638)
Cash flow from financing activities			
Interest paid		(2,667,138)	(3,233,972)
Housing loans repaid		(1,237,420)	(17,926,629)
Housing loans received		23,000,000	17,000,000
Loan breakage costs		-	(2,342,841)
Arrangement fee		(220,890)	(500,000)
SHAPS past service deficit payment		(551,754)	(654,372)
Issue of share capital		2	-
		18,322,800	(7,657,814)
Net change in cash and cash equivalents		24,944,769	1,910,213
Cash and cash equivalents at beginning of year	17a	6,752,222	4,842,009
Cash and cash equivalents at end of the year	17a	31,696,991	6,752,222

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

(i) Analysis of changes in net debt

	At 1 April 2021 £	Cash flows £	Other non- cash changes £	At 31 March 2022 £
Cash and cash equivalents				
Cash	7,164,801	24,532,190	-	31,696,991
Overdrafts	(412,579)	412,579	-	-
	<u>6,752,222</u>	<u>24,944,769</u>	<u>-</u>	<u>31,696,991</u>
Current asset investments	10,219,497	(10,182,580)	-	36,917
Borrowings				
Debt due within one year	(1,203,051)	1,237,420	(1,232,930)	(1,198,561)
Debt due after one year	(75,281,797)	(23,000,000)	1,374,945	(96,906,852)
	<u>(76,484,848)</u>	<u>(21,762,580)</u>	<u>142,015</u>	<u>(98,105,413)</u>
Total	<u>(59,513,129)</u>	<u>(7,000,391)</u>	<u>142,015</u>	<u>(66,371,505)</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Net cash generated from operating activities	27	6,918,060	6,444,930
Cash flow from investing activities			
Payments to acquire and improve housing stock		(21,245,541)	(14,009,813)
Purchase of other fixed assets		(225,811)	(145,831)
HAG and other capital grants received		10,078,436	9,427,015
Proceeds from sale of tangible fixed assets and investment properties		20,316	290,348
Movement of cash balance from/(to) investments	17b	10,182,580	6,812,016
Interest received		88,079	178,451
Improvement to investment properties		(69,910)	(14,028)
		<u>(1,171,851)</u>	<u>2,538,158</u>
Taxation paid		-	-
Cash flow from financing activities			
Loan to ANCHO Limited		-	(250,000)
Interest paid (excluding amortised fees)		(2,573,772)	(3,129,410)
Housing loans repaid		(748,723)	(17,447,728)
Housing loans received		23,000,000	17,000,000
Arrangement fee		(220,890)	(500,000)
Loan breakage costs		-	(2,342,841)
Repayment of other loans		(21,490)	-
Issue of share capital		2	-
SHAPS past service deficit payment		(551,754)	(654,372)
		<u>18,883,373</u>	<u>(7,324,351)</u>
Net change in cash and cash equivalents		24,629,582	1,658,737
Cash and cash equivalents at beginning of year	17a	6,260,097	4,601,360
Cash and cash equivalents at end of the year	17a	<u>30,889,679</u>	<u>6,260,097</u>

CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

(i) Analysis of changes in net debt

	At 1 April 2021 £	Cash flows £	Other non- cash changes £	At 31 March 2022 £
Cash and cash equivalents				
Cash	6,672,676	24,217,003	-	30,889,679
Overdrafts	(412,579)	412,579	-	-
	<u>6,260,097</u>	<u>24,629,582</u>	<u>-</u>	<u>30,889,679</u>
Current asset investments	10,219,497	(10,182,580)	-	36,917
Borrowings				
Debt due within one year	(715,519)	748,723	(735,372)	(702,168)
Debt due after one year	(70,001,812)	(23,000,000)	877,387	(92,124,425)
	<u>(70,717,331)</u>	<u>(22,251,277)</u>	<u>142,015</u>	<u>(92,826,593)</u>
Total	<u>(54,237,737)</u>	<u>(7,804,275)</u>	<u>142,015</u>	<u>(61,899,997)</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. General Information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Group's and the Association's accounting policies (note 3).

The Association is defined as a public benefit entity and thus complies with all disclosure requirements relating to public benefit entities.

These financial statements represent the results of the Group and Association and are presented in £GPB.

The Association is a Co-operative and Community Benefit Society Limited by shares and is incorporated in Scotland. The Association is a registered social landlord (HEP218) and a registered charity (SC016647). The registered address of the Group is Bellevue House, 22 Hopetoun Street, Edinburgh EH7 4GH.

2. Principal Accounting policies

(a) Basis of accounting and consolidation

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards and statements of recommended practice. The effect of events relating to the year ended 31 March 2022, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2022 and of the results for the year ended on that date.

(b) Going concern

The financial statements have been prepared on a going concern basis by the Board of Management as group surpluses are expected in 2022/23 and 2023/24, maintaining a healthy cash position across the Group. The Association is expected to generate manageable deficits. This going concern review includes the Board's assessment of the impact of COVID-19 and the current inflationary and cost of living pressures on the Group's and the Association's operations and financial performance in the 12 months following the signing of these financial statements. Thus, the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

The transfer of engagements from Pentland HA to Cairn HA concluded on 1st April 2022. At this point Cairn Homes and Services Limited will transfer into Pentland Community Enterprises Limited. As a consequence of this, the financial statements of Cairn Homes and Services Limited for the year ended 31 March 2022 have been prepared on a basis other than going concern.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

(c) Turnover

Turnover represents rental and service charge income, fees receivable and revenue grants receivable from local authorities and from the Scottish Government. Also included is any income from first tranche shared ownership disposals and management fees from the factoring of properties for private owners as the provision of factoring services is accounted for on an agency basis.

(d) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of the number of units (excluding garages) relevant to that area of the business.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year which they are incurred.

(e) Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

(f) Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

(g) Tangible fixed assets - housing properties

Housing properties are stated at deemed cost based on an Existing Use Value at 1 April 2014. From this date, housing properties have been accounted for under historical cost. The development cost of housing properties includes the following:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure; and
- (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.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

(h) Shared ownership transactions

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

(i) Government capital grants

Government capital grants, at amounts approved by The Scottish Government or local authorities, are paid directly to the Group as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Group to recognise income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

(j) Government revenue grants

Government revenue grants are recognised using the accrual model which means the Group recognises the grant in income on a systematic basis over the period in which the Group recognises the related costs for which the grant is intended to compensate.

(k) Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable. A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

(I) Depreciation

Housing properties

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

Freehold land is not depreciated.

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

Component	Useful Economic Life
Structure	60 years
Kitchens	20 years
Bathrooms	25 years
Central heating systems (excl boilers)	30 years
Boilers	25 years
Lifts	25 years
Roofs	60 years
Windows and doors	25 years
Rewiring	30 years
LD2	25 years
Fire doors	25 years
Fire stopping	25 years
Solar panels	25 years

In the year of replacement, the Net Book Value of the component being replaced is written off and is included in the depreciation charge for the year in accordance with the RSL SORP.

Shared ownership housing properties

Depreciated over 60 years.

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Principal Accounting policies (continued)

(m) Pensions (Note 24)

SHAPS

Up until 1 April 2014, Cairn HA participated in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

On 1 April 2014 these employees were transferred to a Defined Contribution Scheme within the Scottish Housing Association Pension Scheme (SHAPS). All new staff members are eligible to participate in a defined contribution scheme provided by Standard Life.

The SHAPS defined benefit is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, with an accounting update prepared by the actuary to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Group has a legal or constructive obligation to settle the liability.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Principal Accounting policies (continued)

(n) Pensions (Note 24) (continued)

Strathclyde Pensions Trust

ANCHO participates in the centralised Strathclyde Pensions Trust defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating employers taken as a whole.

The expected cost to the Association of pensions is charged to Total Comprehensive Income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognized in the Group's Statement of Financial Position as a pension scheme liability.

Standard Life and AVIVA Auto Enrolment scheme

The Association operates these two defined contribution schemes. Employer contributions are charged to the Statement of Comprehensive Income on an accruals basis.

(n) Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

(o) Investment properties

Investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income.

(p) Investments

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

(q) Debtors

Short term debtors are measured at transaction price, less any impairment.

(r) Rental arrears

Rental arrears represent amounts due by tenants for rental of affordable housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 17.

(s) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

2. Principal Accounting policies (continued)

(t) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(u) Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks and financial institutions.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Group terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation, or expiry.

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The members of the Board of Management consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

3. Judgements in applying policies and key sources of estimation uncertainty (continued)

The Board of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition to FRS 102 of 1 April 2014.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Group, with reference to expected asset life cycles.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and are based on costing models.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the SHAPs and the Strathclyde defined benefit pension schemes	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The valuation of investment properties	The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4. Particulars of turnover, operating expenditure and operating surplus

Group	Turnover £	Operating Expenditure £	2022 Operating Surplus £	Turnover £	Operating Expenditure £	2021 Restated Operating Surplus £
Affordable lettings (note 5a)	19,515,504	16,761,043	2,754,461	19,062,322	16,562,970	2,499,352
Other activities (note 6a)	1,953,028	1,846,638	106,390	2,017,301	1,686,814	330,487
Cairn Homes and Services Limited*	193,822	29,941	163,881	195,747	25,151	170,596
	<u>21,662,354</u>	<u>18,637,622</u>	<u>3,024,732</u>	<u>21,275,370</u>	<u>18,274,935</u>	<u>3,000,435</u>

Association	Turnover £	Operating Expenditure £	2022 Operating Surplus £	Turnover £	Operating Expenditure £	2021 Operating Surplus £
Affordable lettings (note 5b)	16,556,336	14,740,884	1,815,452	16,127,353	14,720,231	1,407,122
Other activities (note 6b)	2,240,529	1,806,360	434,169	2,127,367	1,608,178	519,189
	<u>18,796,865</u>	<u>16,547,244</u>	<u>2,249,621</u>	<u>18,254,720</u>	<u>16,328,409</u>	<u>1,926,311</u>

*this is after removal of intergroup charges for consolidation purposes

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

5a. Particulars of turnover, operating expenditure and operating surplus or (deficit) from affordable letting activities	General Needs Housing	Amenity Housing	Sheltered Housing	Supported Housing	Shared Ownership	2022	2021
Group	£	£	£	£	£	£	£
Rent receivable net of service charges	13,878,763	1,561,653	1,953,021	74,628	82,843	17,550,908	17,123,650
Service charges net of voids	283,700	558,462	1,060,239	53,184	4,687	1,960,272	1,981,868
Gross income from rents and service charges	14,162,463	2,120,115	3,013,260	127,812	87,530	19,511,180	19,105,518
Less: Rental voids	(217,934)	(60,313)	(79,601)	(4,714)	-	(362,562)	(519,177)
Net income from rents and service charges	13,944,529	2,059,802	2,933,659	123,098	87,530	19,148,618	18,586,341
Release of deferred capital government grant	249,805	-	-	-	-	249,805	104,777
Grants from the Scottish Ministers	74,912	13,246	17,722	150	1,051	107,081	371,204
Other revenue grants	-	4,277	5,723	-	-	10,000	-
Total turnover from affordable letting activities	14,269,246	2,077,325	2,957,104	123,248	88,581	19,515,504	19,062,322
Management and maintenance administration costs	4,167,346	737,494	986,670	8,362	58,531	5,958,403	6,445,607
Service costs	264,031	623,676	1,063,146	1,820	6,738	1,959,411	2,201,808
Planned and cyclical maintenance	795,208	132,921	177,831	1,507	10,549	1,118,016	894,498
Responsive maintenance costs	2,555,246	385,599	515,880	4,372	30,603	3,491,700	2,763,581
Bad debt provision	144,035	88,904	275,945	334	-	509,218	403,307
Write offs	107,212	14,095	18,857	160	-	140,324	159,619
Non-refundable rent	-	-	-	-	-	-	(2,778)
Impairment	-	-	-	-	-	-	799,298
Depreciation of affordable housing	2,701,855	369,650	494,543	4,191	13,732	3,583,971	2,898,030
Operating expenditure for affordable letting activities	10,734,933	2,352,339	3,532,872	20,746	120,153	16,761,043	16,562,970
Operating surplus or (deficit) for affordable lettings 2022	3,534,313	(275,014)	(575,768)	102,502	(31,572)	2,754,461	-
Operating surplus for affordable lettings – 2021	3,220,357	(226,902)	(438,375)	(25,359)	(30,369)	-	2,499,352
Number of units in management:							
2022	3,001	441	590	5	35	4,072	-
2021	2,893	440	590	19	38	3,980	-

Included in depreciation of affordable housing is £410,593 (2021: £71,062) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

5b. Particulars of turnover, operating expenditure and operating surplus or (deficit) from affordable letting activities	General Needs Housing	Amenity Housing	Sheltered Housing	Supported Housing	Shared Ownership	2022	2021
Association	£	£	£	£	£	£	£
Rent receivable net of service charges	10,910,663	1,561,653	1,953,021	74,628	82,843	14,582,808	14,168,798
Service charges net of voids	283,700	558,462	1,060,239	53,184	4,667	1,960,272	1,981,869
Gross income from rents and service charges	11,194,363	2,120,115	3,013,260	127,812	87,530	16,543,080	16,150,667
Less: Rental voids	(208,470)	(60,313)	(79,601)	(4,714)	-	(353,098)	(498,763)
Net income from rents and service charges	10,985,893	2,059,802	2,933,659	123,098	87,529	16,189,982	15,651,904
Release of deferred capital government grant	249,273	-	-	-	-	249,273	104,245
Grants from the Scottish Ministers	74,912	13,246	17,722	150	1,051	107,081	371,204
Other revenue grants	-	4,277	5,723	-	-	10,000	-
Total turnover from affordable letting activities	11,310,078	2,077,325	2,957,104	123,248	88,581	16,556,336	16,127,353
Management and maintenance administration costs	3,519,686	737,494	986,670	8,362	58,531	5,310,743	5,646,888
Service costs	264,031	623,676	1,063,146	1,820	6,738	1,959,411	2,201,808
Planned and cyclical maintenance	701,982	132,921	177,831	1,507	10,549	1,024,790	849,406
Responsive maintenance costs	2,036,416	386,599	515,880	4,372	30,603	2,972,870	2,300,610
Bad debt provision	144,035	88,904	275,945	334	-	509,218	403,307
Write offs	80,831	14,095	18,857	160	-	113,943	137,640
Non-refundable rent	-	-	-	-	-	-	(2,778)
Impairment	-	-	-	-	-	-	799,298
Depreciation of affordable housing	1,967,793	369,650	494,543	4,191	13,732	2,849,909	2,384,052
Operating expenditure for affordable letting activities	8,714,774	2,352,339	3,532,872	20,746	120,153	14,740,884	14,720,231
Operating surplus or (deficit) for affordable lettings 2022	2,595,304	(275,014)	(575,768)	102,502	(31,572)	1,815,452	
<i>Operating surplus for affordable lettings – 2021</i>	<i>2,128,127</i>	<i>(226,902)</i>	<i>(438,375)</i>	<i>(25,359)</i>	<i>(30,369)</i>		<i>1,407,122</i>
Number of units in management:							
2022	2,329	441	590	5	35	3,400	
2021	2,221	440	590	19	38	3,308	

Included in depreciation of social housing is £206,809 (2021: 45,971) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

6a. Particulars of turnover, operating expenditure and operating surplus or (deficit) from other activities

Group

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating Expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) 2022 £	Operating surplus or (deficit) 2021 £
Care and repair of property	400,861	-	-	41,945	442,806	-	378,477	64,329	11,365
Wider role	30,791	-	-	-	30,791	-	30,450	341	10,507
Commercial rent from investment properties	-	-	-	793,059	793,059	-	625,528	167,531	182,220
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	37,921	-	5,222	-	43,143	-	28,455	14,688	(35,439)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	143,572	143,572	-	93,011	50,561	131,554
Service charge admin recharge	-	-	-	7,051	7,051	-	-	7,051	35,612
Third party recharge costs	-	-	-	20,395	20,395	-	20,395	-	22,199
NSSE sales	-	-	-	388,800	388,800	-	388,800	-	-
Other activities	-	-	-	83,411	83,411	-	281,522	(198,111)	(27,531)
Total from other activities 2022	469,573	-	5,222	1,478,233	1,953,028	-	1,846,638	106,390	
Total from other activities 2021	479,662	33,194	52,256	1,452,189	2,017,301	2,158	1,684,656		330,487

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2019) do not apply.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

6b. Particulars of turnover, operating expenditure and operating surplus or (deficit) from other activities

Association

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating Expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) 2022 £	Operating surplus or (deficit) 2021 £
Care and repair of property	400,861	-	-	41,945	442,806	-	378,477	64,329	11,365
Commercial rent from investment properties	-	-	-	847,894	847,894	-	625,528	222,367	238,590
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	5,222	-	5,222	-	-	5,222	(22,559)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	92,299	92,299	-	88,404	3,895	46,584
Service charge admin recharge	-	-	-	7,051	7,051	-	-	7,051	35,612
Third party recharge costs	-	-	-	43,629	43,629	-	43,629	-	46,444
NSSE sales	-	-	-	388,800	388,800	-	388,800	-	-
Other activities	-	-	-	412,828	412,828	-	281,522	131,305	163,153
Total from other activities 2022	400,861	-	5,222	1,834,446	2,240,529	-	1,806,360	434,169	
Total from other activities 2021	404,196	33,194	52,256	1,637,721	2,127,367	2,158	1,606,020		519,189

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2019) do not apply. Included in other activities is a management charge of £50,000 (2021: £50,000), recharged payroll costs of £184,132 (2021: £96,116) and recharged IT costs of £47,390 (2021: £nil) to ANCHO Limited, gift aid income of £100,000 (2021: £61,341) from Cairn Homes and Services Limited with no job retention grant claimed in the year (2021: £48,952).

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

7a. Employees – Group	2022 £	2021 £
Staff costs during year:		
Wages and salaries	4,569,025	4,669,308
Social security costs	445,001	436,000
Pension costs	664,397	648,941
Defined benefit pension charge – SHAPs (Note 23) Pension		
Admin cost	18,000	21,000
Pension costs – Strathclyde Pension Scheme	71,000	52,000
Death in service	45,814	43,994
Accrued holiday pay	338,674	328,143
Agency costs	37,917	62,014
Redundancy and compensation payments (including NI)	69,394	138,953
Staff recruitment costs	37,648	33,217
	<u>6,289,870</u>	<u>6,433,570</u>

During the year past service deficit contributions of £551,753 (2021: £633,372) were paid net of £18K (2021: £21K) of administration expenses.

	2022 Ave No.	2022 FTE No.	2021 Ave No.	2021 FTE No.
Average weekly number and the full time equivalent (FTE) employees of the Association including staff on an agency basis during the year was				
Office staff	109	104	106	94
HomeWorks staff	15	13	15	15
Housing managers and other staff	67	29	70	35
	<u>191</u>	<u>146</u>	<u>191</u>	<u>144</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

7b. Employees –Association	2022	2021
	£	£
Staff costs during year:		
Wages and salaries	4,306,180	4,332,116
Social security costs	418,812	401,215
Pension costs	630,250	604,247
Death in service	45,814	27,420
Defined benefit pension charge – SHAPs (Note 23) Pension		
Admin cost	18,000	21,000
Accrued holiday pay	336,303	325,425
Agency costs	37,917	31,924
Redundancy and compensation payments (including NI)	69,394	113,058
Staff recruitment costs	37,648	33,217
	5,900,318	5,889,622

During the year past service deficit contributions of £551,753 (2021: £633,372) were paid were paid net of £18K (2021: £21K) of administration expenses.

	2022	2022	2021	2021
	Ave	FTE	Ave	FTE
	No.	No.	No.	No.
Average weekly number and the full time equivalent (FTE) employees of the Association including staff on an agency basis during the year was				
Office staff	109	104	106	94
HomeWorks staff	13	11	13	13
Housing managers and other staff	61	23	61	26
	183	138	180	133

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

8a. Directors' emoluments – Group

The directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management. The Association considers key management personnel to be the Board of Management and the senior management team of the Group only.

	2022	2021
	£	£
Aggregate emoluments payable to all the officers earning > £60k) (excluding pension contributions and redundancy payments) amounted to:	638,891	266,221
Redundancy payments to officers who earned > £60k (this is in addition to the above)	-	104,018

Total pension payments to officers earning > £60K was £75,726 (2021: £29,468). This does not take into account any past service deficit payments.

Total emoluments paid to key management personnel including Eer NI was £542,317 (2021: £514,786). There were no redundancy costs to any members of the key management team (2021: £129,913 to two members).

Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	115,768	115,095
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The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions and including redundancy costs) in the following ranges were:

	Number	Number
£60,001 - £70,000	3	-
£70,001 - £80,000	-	1
£80,001 - £90,000	4	1
£110,001 - £120,000	1	1
£160,001 - £170,000	-	1

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 23. The Association's contributions for the Chief Executive in the year amounted to £12,979 (2021: £12,914).

	2022	2021
	£	£
Aggregate emoluments payable to the Chairperson & Vice Chairperson amounted to:	7,545	7,500
	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	715	94

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

8b. Directors' emoluments –Association

The directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management. The Association considers key management personnel to be the Board of Management and the senior management team of the Group only.

	2022 £	2021 £
Aggregate emoluments payable to all the officers earning > £60k) (excluding pension contributions and redundancy payments) amounted to:	<u>638,891</u>	<u>266,221</u>
Redundancy payments to officers who earned > £60k (this is in addition to the above)	<u>-</u>	<u>104,018</u>

Total pension payments to officers earning > £60k was £75,726 (2021: £29,468). This does not take into account any past service deficit payments.

Total emoluments paid to key management personnel including Eer NI was £542,317 (2021: £451,213). There were no redundancy costs to any members of the key management team (2021: £129,913 to two members).

Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	<u>115,768</u>	<u>115,095</u>
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The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions and including redundancy costs) in the following ranges were:

	Number	Number
£60,001 - £70,000	3	-
£80,001 - £90,000	4	1
£110,001 - £120,000	1	1
£160,001 - £170,000	<u>-</u>	<u>1</u>

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 24. The Association's contributions for the Chief Executive in the year amounted to £12,979 (2021: £12,914).

	2022 £	2021 £
Aggregate emoluments payable to the Chairperson & Vice Chairperson amounted to:	<u>7,545</u>	<u>7,500</u>
	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	<u>651</u>	<u>94</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

9. Operating surplus	2022 £	2021 £
Operating surplus is stated after charging:		
Group		
Depreciation:		
- charge	3,428,493	2,826,968
- loss on disposal of components	410,593	71,062
Auditor's remuneration:		
- External audit services	39,863	35,680
- non-audit services	451	4,400
- internal audit services	19,699	19,152
Operating lease rentals	742,569	936,596
Association		
Depreciation:		
- charge	2,894,161	2,338,081
- loss on disposal of components	206,809	45,971
Auditor's remuneration:		
- External audit services	23,673	21,000
- non-audit services	451	4,400
- internal audit services	19,699	19,152
Operating lease rentals	721,573	915,600
10. Gain on sale on property, plant and equipment	2022 £	2021 £
Group and association		
Gain on shared ownership tranches	(5,239)	43,218
Gain on Retirement Court sales	-	100,000
Gain on other fixed assets	-	64,135
	<u>(5,239)</u>	<u>207,353</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

11. Interest receivable	2022	2021
Group	£	£
Interest receivable on bank deposits	37,112	129,503
SHAPS – interest received (note 23)	-	5,000
	<u>37,112</u>	<u>134,503</u>
	2022	2021
Association	£	£
Interest on group loans to ANCHO	51,240	49,015
Interest receivable on bank deposits	36,839	129,436
SHAPS – interest received (note 23)	-	5,000
	<u>88,079</u>	<u>183,451</u>
12. Interest payable and similar charges	2022	2021
Group	£	£
On bank loans	2,665,233	3,233,099
SHAPS – finance cost (note 23)	38,250	-
Strathclyde Pension Scheme – finance cost (note 23)	11,000	8,000
Bank charges	1,905	873
	<u>2,716,388</u>	<u>3,241,972</u>
	2022	2021
Association	£	£
On bank loans	2,573,772	3,131,967
SHAPS – finance cost (note 23)	38,250	-
	<u>2,612,022</u>	<u>3,131,967</u>
13. Taxation		
Group		
The Association is a Scottish Charity and no liability to Corporation Tax arises on its charitable activities in the year. Corporation tax is due on the profit generated by Cairn Homes and Services Limited in 2021/22.		
	2022	2021
	£	£
Corporation Tax due on other activities (Cairn Homes and Services Limited)	2,849	-
Deferred tax provision (Cairn Homes and Services Limited)	(76)	-
	<u>2,773</u>	<u>-</u>
	2022	2021
Association	£	£
Corporation Tax due on other activities	-	-

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14a. Tangible fixed assets and investments	Housing Properties held for letting	Shared Ownership held for letting	Housing Properties in the course of construction	Housing Properties Total
Group	£	£	£	£
Cost or valuation				
At the start of the year	139,976,415	823,489	15,380,130	156,180,034
Additions during year				
- properties	-	-	-	-
- new developments	-	-	19,989,441	19,989,441
- improvements to existing property	2,651,805	-	-	2,651,805
Transfer	18,486,337	(17,301)	(18,486,337)	(17,301)
Transfer to investment properties	(1,102,100)	-	-	(1,102,100)
Disposals during year				
- properties	-	(26,432)	-	(26,432)
- replaced components	(520,084)	-	-	(520,084)
At the end of the year	159,492,373	779,756	16,883,234	177,155,363
Depreciation				
At the start of the year	16,775,813	96,127	-	16,871,940
Charge for year	3,158,107	12,996	-	3,171,103
Transfer	-	(2,007)	-	(2,007)
Transfer to investment properties	(122,684)	-	-	(122,684)
Disposals during year				
- properties	-	(3,152)	-	(3,152)
- replaced components	(109,491)	-	-	(109,491)
At the end of the year	19,701,745	103,964	-	19,805,709
Net book value				
At 31 March 2022	139,790,628	675,792	16,883,234	157,349,654
At 31 March 2021	123,200,602	727,362	15,380,130	139,308,094

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

14b. Tangible fixed assets and investments	Housing Properties held for letting	Shared Ownership held for letting	Housing Properties in the course of construction	Housing Properties Total £
(b) Housing properties				
Association	£	£	£	£
Cost or valuation				
At the start of the year	114,792,699	823,489	15,380,130	130,996,318
Additions during year				
- properties	-	-	-	-
- new developments	-	-	19,989,441	19,989,441
- improvements to existing property	1,256,100	-	-	1,256,100
Transfer	18,486,337	(17,301)	(18,486,337)	(17,301)
Transfer to investment properties	(1,102,100)	-	-	(1,102,100)
Disposals during year				
- properties	-	(26,432)	-	(26,432)
- replaced components	(252,857)	-	-	(252,857)
At the end of the year	133,180,179	779,756	16,883,234	150,843,169
Depreciation				
At the start of the year	13,243,463	96,127	-	13,339,590
Charge for year	2,627,829	12,996	-	2,640,825
Transfer	-	(2,007)	-	(2,007)
Transfer to investment properties	(122,684)	-	-	(122,684)
Disposals during year				
- properties	-	(3,152)	-	(3,152)
- replaced components	(46,048)	-	-	(46,048)
At the end of the year	15,702,560	103,964	-	15,806,524
Net book value				
At 31 March 2022	117,477,619	675,792	16,883,234	135,036,645
At 31 March 2021	101,549,236	727,362	15,380,130	117,656,728

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14 a/b. Tangible fixed assets and investments (cont'd)

Group

Total cost of replacement components (capitalised maintenance) for the year amounted to £2,651,805 (2021: £1,124,334). The amount spent on maintenance of housing properties held for letting can be seen in note 5a.

Additions to Housing Properties during the year includes £nil capitalised interest (2021: £nil) and £nil capitalised administration costs (2021: £nil). All housing properties are freehold.

Included in freehold housing properties is land with a historic cost allocation of £20,093,444 (2021: £17,423,897).

The housing properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) on an existing value basis and this value was used as the deemed cost from that date in accordance with FRS 102.

Association

Total cost of replacement components (capitalised maintenance) for the year amounted to £1,256,100 (2021: £642,608). The amount spent on maintenance of housing properties held for letting can be seen in note 5b.

Additions to Housing Properties during the year includes £nil capitalised interest (2021: £nil) and £nil capitalised administration costs (2021: £nil). All housing properties are freehold.

Included in freehold housing properties is land with a historic cost allocation of £17,087,787 (2021: £14,418,240).

The housing properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) on an existing value basis and this value was used as the deemed cost from that date in accordance with FRS 102.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. Tangible fixed assets and investments (cont'd)

14 (c) Investment properties Group	2022 £	Restated 2021 £
At 1 April as restated	8,187,576	8,173,548
Component additions during year	69,910	14,028
Property disposals during year	(2,275)	-
Transfer from housing properties	979,416	-
Gain on revaluation	11,797	-
	<u>9,246,424</u>	<u>8,187,576</u>

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6a. There are 344 (2021: 330) investment properties.

The investment properties were revalued as at 17 August 2022 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £1,045,853 (2021: £1,222,993).

14 (d) Investment properties Association	2022 £	Restated 2021 £
At 1 April as restated	7,600,456	7,586,428
Component additions during year	69,910	14,028
Property disposals during year	(2,275)	-
Transfer from housing properties	979,416	-
Gain on revaluation	263,917	-
	<u>8,911,424</u>	<u>7,600,456</u>

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6b. There are 165 (2021: 151) investment properties.

The investment properties were revalued as at 17 August 2022 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £798,986 (2021: £705,323).

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

14. Tangible fixed assets and investments (cont'd)

	Heritable Office Property £	Office Furniture and Equipment £	Fixtures and Fittings £	Other Fixed Assets Total £
14 (e) Other fixed assets Group				
Cost				
At start of year	777,265	2,165,839	-	2,943,104
Additions during year	92,002	137,916	-	229,918
Disposals	(1,460)	(85,604)	-	(87,064)
At end of year	867,807	2,218,151	-	3,085,958
Depreciation				
At start of year	250,662	1,444,577	-	1,695,239
Provided during year	14,997	242,393	-	257,390
Disposals	(767)	(85,604)	-	(86,371)
At end of year	264,892	1,601,366	-	1,866,258
Net book value				
At 31 March 2022	602,915	616,785	-	1,219,700
At 31 March 2021	526,603	721,262	-	1,247,865

	Heritable Office Property £	Office Furniture and Equipment £	Other Fixed Assets Total £
14 (f) Other fixed assets Association			
Cost			
At start of year	697,001	2,058,683	2,755,684
Additions during year	87,895	137,916	225,811
Disposals	-	(85,604)	(85,604)
At end of year	784,896	2,110,995	2,895,891
Depreciation			
At start of year	227,994	1,352,675	1,580,669
Provided during year	13,108	240,228	253,336
Disposals	-	(85,604)	(85,604)
At end of year	241,102	1,507,299	1,748,401
Net book value			
At 31 March 2022	543,794	603,696	1,147,490
At 31 March 2021	469,007	706,008	1,175,015

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. Tangible fixed assets and investments (cont'd)

14 (g) Investments Association	2022 £	2021 £
Investment in subsidiary undertaking: Cairn Homes and Services Limited	<u>1</u>	<u>1</u>

Cairn Housing Association Limited owns 1 ordinary £1 share in Cairn Homes and Services Limited (SC341478). The investment is held at cost. This represents a 100% shareholding in Cairn Homes and Services Limited, a company registered in Scotland, whose principal activity is the rental of housing units at mid-market rent. Cairn Homes and Services Limited made a profit of £72,149 (2021: £73,172) for the year ended 31 March 2022 and had net assets of £22,138 (2021: £49,989).

The Association's other subsidiary is ANCHO Limited. ANCHO Limited made a surplus of £647,630 (2021: £866,569) for the year ended 31 March 2022 and had net assets of £16,094,981 (2021: £14,845,352).

15. Debtors due after more than one year Association	2022 £	2021 £
Amounts owed by subsidiary	<u>1,460,000</u>	<u>1,460,000</u>
	<u>1,460,000</u>	<u>1,460,000</u>

The loan to ANCHO is a fixed interest loan and is repayable on the 25th anniversary of the date of the first advance which was 27 September 2018. The interest rate is 3.5% per annum.

16. Debtors due within one year Group	2022 £	2021 £
Rent arrears	747,542	859,064
Less: provision for bad debts	(437,106)	(517,519)
	<u>310,436</u>	<u>341,545</u>
Prepayments and accrued income	2,400,637	467,186
Other debtors	164,735	804,209
Factoring arrears	21,480	26,035
	<u>2,897,288</u>	<u>1,638,975</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

16. Debtors due within one year (cont'd)

Association	2022 £	2021 £
Rent arrears	629,403	722,610
Less: provision for bad debts	(339,987)	(419,524)
	<u>289,416</u>	<u>303,086</u>
Amounts owed by subsidiary	397,812	36,575
Prepayments and accrued income	2,325,286	327,686
Other debtors	116,755	724,824
	<u>3,129,269</u>	<u>1,392,171</u>

17a. Cash and cash equivalents
Group

	2022 £	2021 £
Deposit accounts < 3 months	3,629,281	228,064
Current account	28,067,710	6,936,737
	<u>31,696,991</u>	<u>7,164,801</u>
Overdraft	-	(412,579)
	<u>31,696,991</u>	<u>6,752,222</u>

Association	2022 £	2021 £
Deposit accounts < 3 months	3,094,582	404
Current account	27,795,097	6,672,272
	<u>30,889,679</u>	<u>6,672,676</u>
Overdraft	-	(412,579)
	<u>30,889,679</u>	<u>6,260,097</u>

17b. Investments
Group & Association

	2022 £	2021 £
Deposit accounts > 3 months	36,917	10,219,497
	<u>36,917</u>	<u>10,219,497</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

18. Creditors: amounts falling due within one year	2022	2021
Group	£	£
Bank overdraft	-	412,579
Housing loans due in less than 1 year (note 20)	1,198,561	1,203,051
Other loans	21,490	-
Trade creditors	2,460,111	81,079
Retentions	185,857	-
Prepaid rents and service charges	1,010,789	641,957
Accruals	2,175,808	2,838,507
Other taxes and social security	128,301	4,031
Deferred Government capital grant (note 22)	249,805	104,777
Corporation tax	-	-
Other creditors	812,497	16,114
	<u>8,243,219</u>	<u>5,302,095</u>
Secured creditors	<u>1,198,561</u>	<u>1,615,630</u>
	2022	2021
Association	£	£
Bank overdraft	-	412,579
Housing loans due in less than 1 year (note 21)	702,168	715,519
Other loans	21,490	-
Trade creditors	2,075,263	29,712
Retentions	185,857	-
Amounts owed to subsidiary	1	1
Prepaid rents and service charges	840,842	494,217
Accruals	2,079,671	2,673,152
Other taxes and social security	128,301	3,968
Deferred Government capital grant (note 22)	249,273	104,245
Other creditors	795,085	-
	<u>7,077,951</u>	<u>4,433,393</u>
Secured creditors	<u>702,168</u>	<u>1,128,098</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

19. Creditors: amounts falling due after more than one year	2022 £	2021 £
Group		
Housing loans (note 20)	96,906,852	75,281,797
Deferred Government capital grant (note 22)	30,536,541	20,990,451
Other loans	86,044	-
Retentions	487,045	-
Other creditors	77,150	-
	<u>128,093,632</u>	<u>96,272,248</u>
Secured creditors	<u>96,906,852</u>	<u>75,281,797</u>
Association	2022 £	2021 £
Housing loans (note 21)	92,124,425	70,001,812
Deferred Government capital grant (note 22)	30,513,685	20,967,063
Other loans	86,044	-
Retentions	487,045	-
Other creditors	77,150	-
	<u>123,288,349</u>	<u>90,968,875</u>
Secured creditors	<u>92,124,425</u>	<u>70,001,812</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

20. Loans Group	2022 £	2021 £
Loans or mortgages secured by charges on the Group's housing properties:		
Loans advanced by:		
Private lenders	98,105,413	76,484,848
Amounts falling due in:		
One year (note 18)	1,198,561	1,203,051
One year or more but less than two years (note 19)	1,207,316	1,211,912
Two years or more but less than five years (note 19)	3,684,841	3,754,004
Five years or more (note 19)	92,014,695	70,315,881
	98,105,413	76,484,848

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 1.49% and 5.87%.

The Group's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £103,000,113.

In 2020/21, Cairn Housing Association restructured the loan portfolio, settling some longstanding loans with Santander. The costs associated with breaking these loans are detailed below:

	2022 £	2021 £
Term Loan Breakage Costs	-	2,339,597
Commitment Fee	-	3,244
	-	2,342,841

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21. Loans Association	2022 £	2021 £
Loans or mortgages secured by charges on the Association's housing properties:		
Loans advanced by:		
Private lenders	92,826,593	70,717,331
Amounts falling due in:		
One year (note 18)	702,168	715,519
One year or more but less than two years (note 19)	702,168	715,519
Two years or more but less than five years (note 19)	2,113,236	2,146,557
Five years or more (note 19)	89,309,021	67,139,736
	92,826,593	70,717,331

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 2.10% and 5.87%.

The Association's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £85,738,319.

In 2020/21, Cairn Housing Association restructured the loan portfolio, settling some longstanding loans with Santander. The costs associated with breaking these loans are detailed below:

	2022 £	2021 £
Term Loan Breakage Costs	-	2,339,597
Commitment Fee	-	3,244
	-	2,342,841

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

22. Deferred capital grants		2022 £	2021 £
Group			
Deferred capital grants 1 April		21,095,228	11,772,990
Grants received in year		10,078,436	9,427,015
Grant released in year		(249,805)	(104,777)
Disposal in year		(137,513)	-
Deferred capital grants 31 March		<u>30,786,346</u>	<u>21,095,228</u>
Split:			
< 1 year		249,805	104,777
1-2 years		249,805	104,777
2-5 years		749,815	314,331
> 5 years		<u>29,536,921</u>	<u>20,571,343</u>
Total		<u>30,786,346</u>	<u>21,095,228</u>
Association			
Deferred capital grants 1 April		21,071,308	11,748,538
Grants received in year		10,078,436	9,427,015
Grant released in year		(249,273)	(104,245)
Disposal in year		(137,513)	-
Deferred capital grants 31 March		<u>30,762,958</u>	<u>21,071,308</u>
Split:			
< 1 year		249,273	104,245
1-2 years		249,273	104,245
2-5 years		747,819	312,735
> 5 years		<u>29,516,593</u>	<u>20,550,083</u>
Total		<u>30,762,958</u>	<u>21,071,308</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association

(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.

61 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.

The contributions paid in respect of the Scottish Housing Association's Defined Contribution Pension Scheme are variable with the maximum employer contribution of 12%.

65 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.

The contributions paid in respect of the Standard Life Group Personal Pension Scheme are variable with the maximum employer contribution of 10%.

(ii) SHAPS defined benefit scheme

Cairn Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme). Cairn Housing Association Limited has elected to operate the Defined Contributions Option for existing members, with this defined benefit scheme closed to new members from 1 April 2014. However, the Association is still required to fund the past service deficit liability.

The scheme is a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. With effect from 1 April 2021, the pension scheme is accounted for under FRS102 as a defined benefit scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

The SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets	20,829	19,866
Present value of defined benefit obligation	(20,841)	(21,875)
Defined benefit liability to be recognised	(12)	(2,009)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended	Year ended
	31 March 2022	31 March 2021
	£'000	£'000
Defined benefit obligation at start of period	(21,875)	(18,359)
Current service cost	-	-
Expenses	(18)	(21)
Interest expense	(470)	(431)
Actuarial gain/(loss) due to scheme experience	-	125
Actuarial gain/(loss) due to changes in demographic assumptions	-	-
Actuarial gain/(loss) due to changes in financial assumptions	1,100	(3,667)
Benefits paid and expenses	422	478
Defined benefit liability at the end of the period	(20,841)	(21,875)

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended	Year ended
	31 March 2022	31 March 2021
	£'000	£'000
Fair value of plan assets at start of the period	19,866	18,245
Interest income	432	436
Experience on plan assets (excluding amounts included in interest inc - gain)	383	1,009
Contributions by the employer	570	654
Benefits paid and expenses	(422)	(478)
Fair value of plan assets at end of period	20,829	19,866

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current service cost	-	-
Admin expenses	18	21
Net interest expense	38	(5)
	<u> </u>	<u> </u>
Defined benefit costs recognised in Statement of Comprehensive Income	56	16
	<u> </u>	<u> </u>

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2022 £'000	Period ended 31 March 2021 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain	383	1,009
Experience gains and losses arising on the plan liabilities – (loss)/gain	(555)	125
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(72)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	1,727	(3,667)
	<u> </u>	<u> </u>
Total amount recognised in other comprehensive income – actuarial (loss)/gain	1,483	(2,533)
	<u> </u>	<u> </u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

Fund allocation for employer's calculated share of assets

	31 March 2022 £'000	31 March 2021 £'000
Global Equity	4,118	3,073
Absolute Return	955	979
Distressed Opportunities	747	679
Credit Relative Value	668	573
Alternative Risk Premia	860	797
Fund of Hedge Funds	-	-
Emerging Markets Debt	775	801
Risk Sharing	679	710
Insurance-Linked Securities	437	415
Property	540	356
Infrastructure	1,300	1,109
Private Debt	524	468
Opportunistic Liquid Credit	690	509
High Yield	202	521
Opportunistic Credit	73	543
Cash	58	7
Corporate Bond Fund	1,317	1,498
Liquid Credit	133	343
Long Lease Property	600	461
Secured Income	1,113	1,091
Over 15 Year Gilts	9	9
Index Linked all stock gilts	-	-
Liability Driven Investment	5,040	4,776
Currency Hedging	(76)	-
Net Current Assets	67	148
Total Assets	20,829	19,866

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2022 % per annum
Discount rate	2.79
Inflation (RPI)	3.57
Inflation (CPI)	3.19
Salary growth	4.19
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2022	21.6
Female retiring in 2022	23.9
Male retiring in 2042	22.9
Female retiring in 2042	25.4

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	20	868	52
Females	32	989	52
Total	52	1,857	52

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	28	101	53
Females	56	133	54
Total	84	234	53

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	27	143	70
Females	59	263	73
Total	86	406	72

Employer debt on withdrawal

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 buyout 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.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

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 TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2021. As of this date the estimated employer debt for the Association was £11,312,285.

(iii) Strathclyde Pension Fund

ANCHO Limited contributes to Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. The date of the valuation was 31 March 2022.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:-

	2022
Inflation / Pension Increase Rate	3.15%
Salary scale increases per annum	3.85%
Discount rate	2.75%

The estimated split of assets in the scheme and expected rate of return were:-

	2022
Equities	61%
Bonds	26%
Property	11%
Cash	2%

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males 19.6 years	Females 22.4 years
	21.0 years	24.5 years
Current pensioners	2022	2021
Future pensioners	£	£
Estimated employer asset share	5,178,000	4,962,000
Present value of scheme liabilities	(5,178,000)	(5,482,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	(5,178,000)	(5,482,000)
Net Pension (Liability)	-	(520,000)
Analysis of amount charged to operating surplus	2022	2021
	£	
Service costs	(105,000)	(98,000)
Employers' contributions	34,000	46,000
Total operating charge	(71,000)	(52,000)
Analysis of amount credited to other finance income	2022	2021
	£	£
Interest Income on Plan Assets	102,000	97,000
Interest on pension scheme liabilities	(113,000)	(105,000)
Total Net interest	(11,000)	(8,000)
Total defined benefit cost in Total Comprehensive Income	(82,000)	(60,000)
Analysis of recognised Comprehensive Income	2022	2021
	£	£
Actual return less expected return on pension scheme assets	119,000	958,000
Experience gains and losses arising on the scheme liabilities	(12,000)	113,000
Changes in financial assumptions underlying the present	463,000	(1,330,000)
Changes in demographic assumptions	32,000	146,000
Actuarial gain/(loss) in pension plan recognised in Other Comprehensive Income	602,000	(113,000)

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

23. Pension scheme – Group and Association (continued)

Movement in pension deficit during the year	2022	2021
	£	£
Deficit at the beginning of the year	(520,000)	(347,000)
Current service cost	(105,000)	(98,000)
Employers contributions	34,000	46,000
Net returns on assets	(11,000)	(8,000)
Actuarial gain/(loss)	602,000	(113,000)
Deficit at the end of the year	-	(520,000)

24. Deferred tax

	2022	2021
	£	£
At beginning of the year	76	76
Charged to profit or loss (in respect of Cairn Homes and Services Limited)	(76)	-
At end of year	-	76

The deferred taxation balance is made up as follows:-

	2022	2021
	£	£
Fixed asset timing differences	-	76
At end of year	-	76

25. Share capital

	2022	2021
	£	£
Group and Association		
Shares of £1 each issued and fully paid		
At 1 April 2021	88	88
Issue of shares during the year	2	-
Cancelled during the year	(5)	-
At 31 March 2022	85	88

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled, and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

26. Reserves

The revenue reserve includes all current and prior year retained surpluses or deficits.

27. Net cash inflow from operating activities	2022	Restated 2021
Group	£	£
Surplus/(deficit) for the year	349,241	(2,242,522)
<u>Adjustment for non-cash items</u>		
Taxation charge	2,773	-
Depreciation charges including loss on disposal of components	3,839,086	3,174,647
Impairment charge	-	799,298
Increase/(decrease) in creditors	3,867,698	(318,123)
(Increase)/decrease in debtors	(1,258,313)	1,033,563
Share capital cancelled	(5)	-
Carrying amount of tangible fixed asset disposals and investment properties	26,248	83,226
SPF – Finance cost	11,000	8,000
SPF – staff costs	71,000	52,000
Amortisation of RBS arrangement fee	78,875	20,000
Gain on revaluation of investment properties	(11,797)	-
<u>Adjustments for investing or financing activities</u>		
Proceeds from the sale of fixed assets	(21,009)	(290,579)
Release of deferred government grants	(387,318)	(104,777)
Interest payable	2,716,388	3,241,972
Interest receivable	(37,112)	(134,503)
Loan breakage costs	-	2,342,841
Net cash inflow from operating activities	<u>9,246,755</u>	<u>7,665,043</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

27. Net cash inflow from operating activities (continued)

Association	2022	2021
	£	£
Surplus/deficit for the year	(15,644)	(3,157,693)
<u>Adjustment for non-cash items</u>		
Depreciation charges including loss on disposal of components	3,100,970	2,655,171
Impairment charge	-	799,298
Increase in creditors	3,612,481	202,458
Decrease/(increase) in debtors	(1,737,096)	945,937
Share capital cancelled	(5)	-
Carrying amount of tangible fixed asset disposals and investment properties	25,555	82,995
Amortisation of RBS arrangement fee	78,875	20,000
Gain on revaluation of investment properties	(263,917)	-
<u>Adjustments for investing or financing activities</u>		
Proceeds from the sale of fixed assets	(20,316)	(290,348)
Release of deferred Government Grants	(386,786)	(104,245)
Interest payable	2,612,022	3,131,967
Interest receivable	(88,079)	(183,451)
Loan breakage costs	-	2,342,841
	<u>6,918,060</u>	<u>6,444,930</u>

28. Payments to members, Board members and Key Management

Group

Remuneration paid to members of the Association during the year were £7,545 (2021: £7,500). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £715 (2021: £94).

Some 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.

The total rent and service charge payable in the year relating to tenant Board members is £nil (2021: £7,388).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £542,317 (2021: £514,786). In addition, there was redundancy costs of £nil (2021: £129,913).

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

28. Payments to members, Board members and Key Management (continued)

Association

Remuneration paid to members of the Association during the year were £7,545 (2021: £7,500). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £651 (2021: £94).

There are no members of the Board of Management that are tenants of the Association.

The total rent and service charge payable in the year relating to tenant Board members is £nil (2021: £3,876).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £542,317 (2021: £451,213). There were no redundancy costs (2021: £104,018)

29. Capital commitments

Group	2022 £	2021 £
Contracted	28,604,921	17,328,051
Approved but not contracted for	1,676,390	-
	<u>30,281,311</u>	<u>17,328,051</u>
This is to be funded by:		
Private finance	21,999,295	12,936,511
Grants	8,282,016	4,391,540
From reserves	-	-
	<u>30,281,311</u>	<u>17,328,051</u>
Association	2022 £	2021 £
Contracted	27,879,921	15,727,801
Approved but not contracted for	1,676,390	-
	<u>29,556,311</u>	<u>15,727,801</u>
This is to be funded by:		
Private finance	21,274,295	11,336,261
Grants	8,282,016	4,391,540
From reserves	-	-
	<u>29,556,311</u>	<u>15,727,801</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

30. Revenue commitments

Group

At 31 March 2022 the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

Group	Land & Buildings 2022 £	Other 2022 £	Land & Buildings 2021 £	Other 2021 £
Within a year	108,700	76,519	109,599	107,249
Within 2-5 years	281,148	33,145	359,874	-
After 5 years	63,385	-	359,874	-
	<u>453,233</u>	<u>109,664</u>	<u>829,347</u>	<u>107,249</u>
Association	Land & Buildings 2022 £	Other 2022 £	Land & Buildings 2021 £	Other 2021 £
Within a year	89,070	76,109	89,969	105,883
Within 2-5 years	281,148	33,145	359,874	-
After 5 years	63,385	-	359,874	-
	<u>433,603</u>	<u>109,254</u>	<u>809,717</u>	<u>105,883</u>

31. Prior Year Restatement

In a group combination, when the net assets of the entity being acquired are higher than the acquisition cost, negative goodwill is created as part of the consolidation of the group financial statements, being the difference between the net assets and the acquisition cost. This negative goodwill is then amortised over its expected useful life.

When ANCHO joined the Cairn Housing Association Group on 1 November 2018, there was negative goodwill of £12,699,545 recognised as part of the consolidation, which was the net assets of ANCHO as at 31 October 2018. This was then being amortised over 5 years with this amortisation recognised as a credit (a gain) in the Group Statement of Comprehensive Income each year. £6,138,113 has been amortised as at 31 March 2021 to leave unamortised goodwill of £6,561,432.

However, as this was a combination of public benefit entities which meets the definition of a gift, the negative goodwill of £12,699,539 should have been recognised as a credit (a gain) in the Group Statement of Comprehensive Income in full in the year ended 31 March 2019. Therefore, a prior year adjustment has been recognised within the Group financial statements for the year ended 31 March 2022. This in effect accelerates the release of the negative goodwill and increases the net asset position of the Cairn Housing Association Group.

The investment properties were held at market value on the basis of vacant possession. However, after consideration, a more appropriate basis should be existing use value social housing EUV-SH (where properties are built for a specific purpose) and market value subject to tenancy MV-T for other investment properties. This has been corrected via a prior year adjustment as at 1 April 2020, which has the effect of reducing the net assets as at 1 April 2020 by £1,896,246.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

31. Prior Year Restatement (continued)

Impact on the Group financial statements

	Total comprehensive income for the year ended 31 March 2021 £	Total comprehensive income for the year ended 31 March 2020 £
As previously stated	(2,348,611)	6,646,623
<u>Prior year adjustment</u>		
Recognition of gift on acquisition of ANCHO	-	-
Reversal of negative goodwill amortisation	(2,539,909)	(2,539,909)
ANCHO share movement	(2)	8
	<u>(4,888,522)</u>	<u>4,106,722</u>

	Capital and reserves at 1 April 2021 £	Capital and reserves at 1 April 2020 £
As previously stated	58,999,038	61,347,649
<u>Prior year adjustment</u>		
Recognition of gift on acquisition of ANCHO	12,699,539	12,699,539
Reversal of negative goodwill amortisation	(6,138,113)	(3,598,204)
ANCHO share movement	6	8
Change in revaluation basis for investment properties	<u>(1,896,246)</u>	<u>(1,896,246)</u>
	<u>63,664,224</u>	<u>68,552,746</u>

Impact on the Association financial statements

	Capital and reserves at 1 April 2021 £	Capital and reserves at 1 April 2020 £
As previously stated	50,662,357	56,353,050
<u>Prior year adjustment</u>		
Change in revaluation basis for investment properties	<u>(1,896,246)</u>	<u>(1,896,246)</u>
	<u>48,766,111</u>	<u>54,456,804</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

32. Post balance sheet events

On 1st April 2022, Pentland Housing Association Limited formally transferred their engagements to Cairn Housing Association Limited. The housing stock and tenants of Pentland have now successfully transferred and services to customers in Caithness is being delivered by the new combined team.

From 1st April 2022, the Group now includes Pentland Community Enterprises Limited (PCE) including the significant garage portfolio in Caithness. On 1st April 2022, the trade and assets of Cairn Homes and Services Limited were transferred into PCE. Cairn Homes and Services Limited will now be struck off.

