

home Scotland

Home in Scotland Limited

**Annual Report and Financial Statements
For the year ended 31 March 2015**

Registered Co-operative and Community Benefit Societies and Credit Unions Act 2014 No: 1935R (S)
Scottish Housing Regulator Registered No: HAL90
Scottish Charity No: SC005247

Part of the Home Group

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Registered Office and Head Office

Home in Scotland Limited
20 Harvest Road
Newbridge
Edinburgh
EH28 8LW

Co-operative and Community Benefit Societies and Credit Unions Act 2014 No: 1935R (S)
Scottish Housing Regulator Registered No: HAL90
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Part of Home Group

HOME IN SCOTLAND LIMITED CHAIR'S REPORT 2014-15

This time last year we were awaiting the outcome of the Referendum and anticipating changes that this may bring for us. The outcome and the subsequent Smith's Commission along with the recent general election results will bring new devolved powers and legislation for Scotland. We can only speculate as to the impact these new powers will bring for us, however, we have effective governance, we are financially strong and have good services and therefore we remain confident that we are in a strong position to meet any new challenges.

Customer Service

This year we submitted our first Annual Return on the Scottish Social Housing Charter (ARC). The ARC return allows us to demonstrate that we are working towards achieving all of the outcomes in the Charter. We know that there are a number of areas where we must improve our services to increase customer satisfaction. Delivering a better repairs service has been a focus throughout this year. This work resulted in some great improvements around customer appointments which we know is important to our customers. We developed a Charter Improvement Plan and will do this again following our ARC submission for this year. We want to maintain that process of continuous improvement and our focus on improving the repairs service will continue.

Our voids and arrears continue to challenge us and these have been, and continue to be, the main priority for our Customer Service Partners. We have developed a range of actions to mitigate the impact of Welfare Reform and ensure our colleagues are equipped with the skills and knowledge to support our customers.

We were delighted to secure funding again from the Scottish Legal Aid Board to allow us to continue to fund our Housing Options and Welfare Advisor posts. These posts form part of our strategy to mitigate the impact of welfare reforms. This new service has helped a number of our customers in Dundee access additional income to help them enjoy a better quality of life and sustain their tenancies.

We have successfully completed our Planned Works Programme for the year with our contractor, Novus, with whom customer satisfaction remains good. Bathroom replacements in Rosyth, new doors and windows in Dundee were completed. Replacement doors, windows insulation upgrades and new boilers in East Balornock and replacement kitchens and windows in Dumfries will be completed in the next few weeks.

The process of analysing the comprehensive 100% stock condition survey got underway and early indications are that the stock is in good condition and our 5 year Business Plan does not need a great deal of adjustment. We have continued our drive to ensure we are compliant in all areas of Health and Safety to meet all of our statutory requirements.

New Build and Regeneration

Dundee

Mill O'Mains Phase 3 started on site in March 2015 and progress is now well underway. This phase will see the completion of 70 properties which will bring the total completions in Mill O'Mains to 205.

Whitfield Phase 4 in Dundee also started on site in November 2014 and will see the delivery 38 new houses for rent which will complete in 2015/16. An additional element of housing for sale is due to start alongside our units by a private partner developer.

Edinburgh

In Edinburgh we completed the final properties at Kirkliston Phase 2 which comprised a total of 81 properties in a mixed development of social and mid market rent (MMR). We have now completed 162 new houses at Kirkliston.

In 2014/15 we also started on site at Fairmilehead with a new development of 32 flats for mid-market rent which are due for completion in May/June 2015.

Burdiehouse Terrace was also under construction during 2014/15 and final completions of the 28 units, a mixture of MMR and social housing were achieved in May 2015.

In March 2015 we also started on site with a 32 unit flatted development in South Queensferry on the site of the former Agilent Technologies site near Dalmeny station for social housing and MMR.

Glasgow

East Balornock Phase 3 (46 units) achieved practical completion in 2014/15 and Phase 4 (41 units) is due to start on site on August 2015.

At Cathcart, we completed 16 flats for social housing at Holmlea Court which follows on from our recent successful 66 unit development at nearby Cathcart Rd. We are currently working up a further joint development with Cathcart and District Housing Association at the grade B listed Holmlea Primary School.

HOME IN SCOTLAND LIMITED
CHAIR'S REPORT 2014-15

2014/15 saw work progress on a new 60 unit flatted development for MMR flats and houses at Linthouse Point adjacent to the new Southern General Hospital which has been the subject of a comprehensive £847m regeneration project. Linthouse Point is due for completion in October 2015.

At the former Benburb Juniors Football Club in Drumoyne, Glasgow we are also currently under construction with a development of 73 low rise 2 storey development of social rented properties which are due for final completion in May 2016 (12 units were completed early in 2014/15).

Detailed proposals are also being developed to build 33 social rented houses at Muirsketh Rd in Newlands, Glasgow which will also comprise a Social Work children's facility. A November 2015 start on site is anticipated.

Care and Support

Our Care and Support Services have continued to perform well over the past year however we have been subject to some slight reductions in funding and the Glasgow Floating Support contract ended on 31 March 2015.

After undertaking consultation with residents we have restructured the staffing in the older person services to reflect similar changes across the organisation.

We commissioned consultants to undertake a market evaluation of potential growth opportunities for our Care and Support business in Scotland. In response to the conclusions we are placing our strategic focus on positioning ourselves for growth in Dundee.

Community Involvement

Our new customer involvement group, Viewpoint Team, has been meeting regularly and are now starting to get involved in assessing and scrutinizing our services. We published our first Charter Performance Report for our customers and through their involvement we captured the areas of performance that matter to our customers.

We have started the process of reviewing our Customer Involvement Strategy and aim to increase the level of customer engagement and involvement across Scotland. A series of consultations and local events are being planned for 2015. As well as working with customers on service improvements we want to improve our understanding of what value for money services mean to our customers and this will be a key theme for the year ahead.

We also hope to recruit a second customer to fill the remaining vacancy on our Board. We will continue to promote Board membership at all of our customer events.

Colleagues

I would like to thank colleagues warmly for successfully managing to move to two new offices in Edinburgh and Dundee. That was a significant achievement whilst continuing to deliver our full range of services. Our 'Great Place to Work' outcomes for 2014 remained good at similar levels to the other regions in Home Group.

Warm thanks are due to board members for their hard work and commitment through the year and for their readiness to volunteer for additional activities outside of Board Meetings. Our workload has been heavy this year but it has always been interesting and worthwhile.

By order of the board.



Ray Macfarlane MA, LLB, MBA
Chair

1 September 2015

HOME IN SCOTLAND LIMITED
THE BOARD, THE DIRECTOR AND THE ASSOCIATION'S ADVISERS

Board

Ray Macfarlane, MA, LLB, MBA (Chair)
Marjorie Cuthbert, MSc, MPhil
Rosie Du Rose
James McHale
Mark Henderson, BSc (Hons)
Andy Jack, BSc, MBA, DBA, RD, CEng
Jennifer Makin, BSc (Hons), ACA
Vicky Peterkin, MA, FCIH
Colin Strachan, FCIOB

Resignations:

Jennifer Makin, BSc (Hons), ACA - Resigned 24 September 2014

Director (Home in Scotland) and Company Secretary

Margarita Morrison, FCIH, Dip in Hsg Studies - Appointed 16 May 2014
Nicola Jane Donaldson, MBA, MCMI, Cert CIH - Resigned 16 May 2014

Advisers

Independent auditors

KPMG LLP
Quayside House
110 Quayside
NEWCASTLE UPON TYNE
NE1 3DX

Bankers

Bank of Scotland plc
Business Banking Centre
2 West Marketgait
DUNDEE
DD1 1QN

Solicitors

T C Young
7 West George Street
GLASGOW
G2 1BA

Miller Hendry
3 Ward Road
DUNDEE
DD1 1LU

**HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015**

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

Registration of the Association

Home in Scotland Limited (the Association) is registered with the Scottish Federation of Housing Associations' Federal Model Rules H1166 under the Co-operative and Community Benefit Societies and Credit Unions Act 2014 - registered number 1935R(S) - and with The Scottish Housing Regulator under the Housing (Scotland) Act 2010 - registered number HAL90.

Parent Association

Home Group Limited (HGL) is registered with the Financial Services Authority under the Co-operative and Community Benefit Societies and Credit Unions Act 2014 - registered number 22981R - and with The Homes and Communities Agency - registered number L3076.

Principal Activity

The principal activity of the Association is the provision of rented accommodation for those in housing need and the development of low cost home ownership schemes.

Results

The Association has made a surplus of £4,440,000 in the year to 31 March 2015. This is compared with £4,474,000 in the previous year. Annual surpluses are required to cover long term maintenance obligations, repayment of loans and future risks.

Review of Business

A brief review of the business is given on pages 3 and 4 in the Chair's report. Further information is available in the Association's Annual Review, available on request from the registered office.

Statement of Board's Responsibilities

The Board is responsible for preparing the Board Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies and Credit Unions Act 2014 law requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 Association will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies and Credit Unions Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

Disclosure of Information to Auditors

The Board members and Director who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member and Director has taken all the steps that he/she ought to have taken as a Board member or Director to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015

Treasury Policy

Treasury management is operated within a framework of clearly defined Board approved policies and procedures that serve to control the use of financial instruments. The overall aim is to ensure sufficient liquidity is available to meet foreseeable needs, surplus cash is invested prudently and financial risk is minimised. The Board receives regular reports on relevant treasury matters.

The Association finances its operations through a mixture of retained earnings, grants, long term loans and short term facilities. Borrowings are in sterling at both fixed and floating rates of interest. The Association entered a five year £10 million intercompany derivative transaction with HGL that began in September 2010.

A 364 day £10m intercompany loan with HGL which expired in March 2014, was renewed for a further year and was subsequently extended to a three year facility which expires in March 2017. As at 31 March 2015, the Association had £4.1 million committed and undrawn facilities, all of which were immediately available for drawing. During August 2015, the Association secured an additional £20 million of external funding.

Statement on Internal Financial Controls

The Home in Scotland Board acknowledges its overall responsibility for establishing and maintaining the system of internal control and reviewing its effectiveness across the Association.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing significant risks faced by the Association is on-going, and has been in place throughout the period 1 April 2014 up to the date of approval of the Financial Statements. This process is set out in the Groups Risk Management Framework which is followed by Home in Scotland.

Key elements of the Association's internal control framework include:

- board approved terms of reference and clear delegated authorities throughout the Association;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- risk registers which are regularly reviewed by senior management, Executive, the Risk Management Steering Group, the Audit Committee of the Group and the Board;
- a robust operational planning process with detailed financial budgets, forecasts and performance measures;
- regular reporting to senior management and the Board of key performance indicators to monitor progress against strategic and operational objectives;
- a structured approach to the appraisal and authorisation of all significant new business initiatives and commitments through Action Committees;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- detailed policies and procedures in each area of the Association's operations; and
- Business Assurance Services which reviews internal controls across the Association and provides regular reports to each Board meeting on any significant control weaknesses.

The Board has reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31st March 2015. During the year there were no significant findings or weaknesses identified in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements or in the report of the auditors.

**HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2015**

Creditor Payment Policy

The Association's current policy concerning the payment of its trade creditors is to:

- Settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- Ensure that the suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations.

Payments are made by HGL and recharged via inter-company account to the Association; therefore the 45 day (2013 : 42.1 day) average payment period is as recorded by HGL. At year end there are no trade creditors reported in the Association's financial statements, as reflected in the Balance Sheet.

Employees

Home's policy is to discuss and consult with employees, through its Colleague Forum frameworks (which involve recognised Unions and non-union representatives), on all matters likely to affect employees' interests. Information on matters of concern to employees is given through bulletins, newsletters and briefings, which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting Home's performance. Home's approach to equality and diversity is centred on the benefits a diverse workforce can bring to an organisation and encompasses gender, transgender, race, disability, religious belief, sexual orientation and age.

Going Concern

The Board has a reasonable expectation that the Association has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Post Balance Sheet Events

The Board consider that there have been no events since the year-end that have had a significant effect on the Association's financial position.

Independent Auditors

A resolution to reappoint KPMG LLP as auditor to the company will be proposed at the Annual General Meeting on 1 September 2015.

On behalf of the Board



Ray Macfarlane, MA, LLB, MBA,
Chair, Home in Scotland Limited
1 September 2015

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF HOME IN SCOTLAND LIMITED**

We have audited the financial statements of Home in Scotland Limited for the year ended 31 March 2015 set out on pages 10 to 24 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 69 of the Housing (Scotland) Act 2010 and 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 Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 6, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2015 and of its surplus for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 7:

- does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

M. R. Thompson

**Mick Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

14 September 2015

HOME IN SCOTLAND LIMITED
INCOME AND EXPENDITURE ACCOUNT
AND STATEMENT OF TOTAL RECOGNISED SUPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2015

INCOME AND EXPENDITURE ACCOUNT

		2015 £000	2014 £000
	Notes		
Turnover	2(a)	16,058	17,002
Cost of sales	2(a)	(494)	(1,808)
Operating costs	2(a)	<u>(9,919)</u>	<u>(9,577)</u>
Operating surplus	2(a)	5,645	5,617
Surplus on disposal of housing properties	6	546	78
Interest receivable and similar income	7	20	14
Interest payable and similar charges	8	(1,771)	(1,235)
Surplus for the year	9, 19	<u>4,440</u>	<u>4,474</u>

STATEMENT OF TOTAL RECOGNISED SUPLUSES AND DEFICITS

	2015 £000	2014 £000
Total recognised surpluses for the year	<u>4,440</u>	<u>4,474</u>

All activities of the Association are classed as continuing.

There is no material difference between the surpluses as stated above and their historical cost equivalents.

There are no other surpluses or deficits to be recognised in the current or prior year than the surplus for the year reported above.

The notes on pages 13 to 24 form an integral part of the financial statements.

HOME IN SCOTLAND LIMITED
BALANCE SHEET AT 31 MARCH 2015

		2015	2014
		£000	£000
Tangible fixed assets	Notes		
Housing properties:			
Cost		240,223	210,341
Less: Depreciation and impairment		<u>(15,385)</u>	<u>(13,946)</u>
Net depreciated cost		224,838	196,395
Less: Social housing grant		(111,643)	(101,916)
Other public grants		<u>(4,741)</u>	<u>(4,722)</u>
	10	<u>108,454</u>	89,757
Investments	11	407	-
Other tangible fixed assets	12	<u>314</u>	<u>327</u>
		<u>109,175</u>	90,084
Current assets			
Stocks	13	221	836
Debtors	14	1,113	1,079
Cash at bank and in hand		<u>4</u>	<u>5,282</u>
		1,338	7,197
Creditors: amounts falling due within one year	15	<u>(5,977)</u>	<u>(11,793)</u>
Net current liabilities		<u>(4,639)</u>	<u>(4,596)</u>
Total assets less current liabilities		104,536	85,488
Creditors: amounts falling due after more than one year	16	<u>(77,858)</u>	<u>(63,250)</u>
		<u>26,678</u>	<u>22,238</u>
Capital and reserves			
Called-up share capital	17	-	-
Designated reserves	18	308	197
Revenue reserves	19	<u>26,370</u>	<u>22,041</u>
Total capital and reserves	20	<u>26,678</u>	<u>22,238</u>

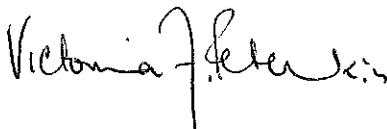
The notes on pages 13 to 24 form an integral part of the financial statements.

The financial statements on pages 10 to 27 were approved by the Board on 1 September 2015 and were signed on its behalf by:

Ray Macfarlane
Chair



Victoria Forrest Peterkin
Vice Chair




Margarita Morrison
Director (Home in Scotland)
and Company Secretary

HOME IN SCOTLAND LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 £000	2014 £000
Net cash flow from operating activities	21	7,186	7,201
Returns on investment and servicing of finance			
Interest received		19	17
Interest paid		<u>(2,194)</u>	<u>(1,283)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(2,175)</u>	<u>(1,266)</u>
Capital expenditure and financial investment			
Purchase of housing properties		(30,220)	(25,069)
Purchase of other tangible fixed assets		(18)	(13)
Purchase of investment properties		(407)	-
Sale of housing properties		643	111
Sale of other tangible fixed assets		9	5
Capital grants received - social housing grant		10,163	12,904
(Capital grants received - other)		<u>38</u>	<u>31</u>
Net cash outflow from capital expenditure and financial investment		<u>(19,792)</u>	<u>(12,031)</u>
Net cash outflow before financing	23	<u>(14,781)</u>	<u>(6,096)</u>
Financing			
Loan advances		11,503	13,086
Loan principal repayments		<u>(2,000)</u>	<u>(2,000)</u>
Net cash inflow from financing		<u>9,503</u>	<u>11,086</u>
(Decrease) / Increase in cash		<u>(5,278)</u>	<u>4,990</u>

The notes on pages 13 to 24 form an integral part of the financial statements.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Co-operative and Community Benefit Societies and Credit Unions Act 2014, the Housing (Scotland) Act 2010, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice - Accounting by registered social housing providers Update 2010 (SORP 2010).

Whilst the balance sheet shows net current liabilities, the Association has in place external loan agreements as detailed at Note 15 which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £10 million intercompany facility.

A summary of the principal accounting policies is set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income receivable, income from support services, management fees receivable from the parent company and other fees receivable from third parties and all revenue grants receivable from local authorities and other agencies.

Supporting People income

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in turnover in Note 2(b) to the financial statements. The related support costs are matched against this income.

Other tangible fixed assets and depreciation

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected useful economic lives of the assets.

Estimated useful lives:	Years
Freehold offices – short lease	over the life of the lease
Freehold offices – long lease	over their useful economic life or life of the lease if shorter
Fixtures, furniture and equipment	8
Computer equipment	3
Leased equipment and software	over the life of the lease

Housing properties

Housing properties are stated at cost less depreciation and social housing and other grants.

Housing properties in the course of construction are stated at cost less social housing and other grants and are transferred into housing properties when completed.

The cost of a property comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Directly attributable costs include the employment costs of development staff, in-house architects, legal staff and surveyors arising directly from the construction or acquisition of the property, together with other incremental costs which would have been avoided only if the property had not been constructed or acquired.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Housing properties (continued)

As required by the SORP 2010, component accounting has been adopted and as a result housing properties have been split between their land, structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such components is capitalised and depreciated on a straight line basis over the estimated useful economic life of components as follows:-

<u>Component</u>	<u>Years</u>
Property structure	100
Roof	40
Windows	30
Doors	20
Boiler	15
Kitchen	15
Bathroom	30
Heating distribution	30
Electrics	30

Freehold land is not depreciated.

Housing Association Grant

Where developments have been financed wholly or partly by Housing Association Grant, the cost of those developments has been reduced by the amount of the grant received.

Housing Association Grant is repayable under certain circumstances, primarily following the sale of property, but such repayment will normally be restricted to the net proceeds of sale.

Other grants

Where developments have been financed wholly or partly by other grants, the cost of those developments has been reduced by the amount of grant received. Other grants of a revenue nature are credited to the income and expenditure account when receivable.

Capitalisation of interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the period.

Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge in the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or value in use.

Provisions for liabilities and charges

The Association recognises in the accounts provisions to meet liabilities arising from past events, which are likely or certain to be incurred, but for which the amount or timing cannot be determined accurately.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Disposal of housing properties

Where properties built for sale are disposed of during the year, the disposal proceeds are included in turnover and the attributable costs included in cost of sales.

The surplus or deficit on disposal of housing properties held as fixed assets, including second or subsequent tranches of shared ownership properties, is accounted for on the face of the income and expenditure account.

Where a component is replaced or restored, the old component is written off to the income and expenditure account, to avoid double counting, and the new component is capitalised. Charges arising from the early replacement of a component are reflected as part of the overall depreciation charge.

Where any Housing Association Grant (HAG) to be repaid is less than the HAG relating to the disposal, the difference is treated as abated HAG and included as a component of the surplus or deficit on disposal.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion.

The first tranche portion is accounted for as a current asset and on disposal the first tranche sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the fixed asset. Subsequent tranches sold ("stair casing") are accounted for as disposals of housing properties, as noted above.

Stocks - Homestake

Stocks and work in progress are stated at the lower of cost and net realisable value.

Grants are received from the Scottish Ministers for the construction of properties under the Homestake scheme. The costs net of grants up to the point of sale are reflected as stock within current assets. Upon sale of the Homestake properties to eligible beneficiaries the cost and grants relating to such properties are accounted for in the income and expenditure account as other activities; within turnover and operating costs respectively. 100% of the property is sold between the owner and the Government.

Mixed tenure developments

Where a development comprises a number of different tenures, the cross subsidy which may exist is explicitly recognised in accounting for the development by restricting the surplus generated on certain tenures to the overall scheme surplus. This is achieved through the apportionment of costs to each element of the scheme.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Cyclical and major repairs

The costs of cyclical and major repairs are charged to the income and expenditure account in the year in which they are incurred.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Improvements to property

The Association capitalises expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or significantly reduces future maintenance costs. All other expenditure incurred in respect of general repairs to its housing stock is charged to the income and expenditure account in the year in which it is incurred.

Designated reserve: Service equipment replacement

The Association is under obligation to replace service equipment, such as warden call systems, special adaptations and part furnishings, in accordance with a planned programme of works paid for by tenants through service charges. Where any monies have been collected for an asset, which has not yet been replaced, the funds are transferred to a designated reserve.

2(a). TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	Cost of sales	Operating costs	Operating surplus	Operating surplus for previous period of account
	£000	£000	£000	£000	£000
Social lettings (2c)	13,926	-	(8,844)	5,082	4,864
Other activities (2b)	2,132	(494)	(1,075)	563	753
Total	<u>16,058</u>	<u>(494)</u>	<u>(9,919)</u>	<u>5,645</u>	<u>5,617</u>
Total for previous period of account	<u>17,002</u>	<u>(1,808)</u>	<u>(9,577)</u>	<u>5,617</u>	

2(b). TURNOVER, OPERATING COSTS AND OPERATING SURPLUS / (DEFICIT) FROM OTHER ACTIVITIES

	Supporting people income	Other income	Total turnover	Cost of sales and operating costs	Operating surplus / (deficit)	Operating surplus / (deficit) for previous period of account
	£000	£000	£000	£000	£000	£000
Support activities	568	-	568	(610)	(42)	42
Community investment	-	-	-	(16)	(16)	(20)
Development and marketing	-	-	-	(59)	(59)	(107)
Agency / management services for others	-	-	-	-	-	3
Factoring services	-	59	59	(82)	(23)	-
Lettings – market renting	-	1,011	1,011	(308)	703	399
Properties developed for outright sale	-	494	494	(494)	-	436
Total from other activities	<u>568</u>	<u>1,564</u>	<u>2,132</u>	<u>(1,569)</u>	<u>563</u>	<u>753</u>
Total from other activities for the previous period of account	<u>556</u>	<u>2,900</u>	<u>3,456</u>	<u>(2,703)</u>	<u>753</u>	

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2(c). TURNOVER, OPERATING COSTS AND SURPLUS FROM SOCIAL LETTINGS ACTIVITIES

	General Needs Housing	Supported Housing	Shared Ownership	Total	Total for prior year
	£000	£000	£000	£000	£000
Rents receivable net of service charges	13,007	338	82	13,427	12,440
Service charges	<u>446</u>	<u>142</u>	<u>-</u>	<u>588</u>	<u>658</u>
Gross income from rent and service charge	13,453	480	82	14,015	13,098
Less: voids	<u>(270)</u>	<u>(6)</u>	<u>(5)</u>	<u>(281)</u>	<u>(173)</u>
Net income from rents and service charges	13,183	474	77	13,734	12,925
Grants from the Scottish Ministers	84	13	-	97	67
Other government grants	<u>17</u>	<u>78</u>	<u>-</u>	<u>95</u>	<u>554</u>
Total income	<u>13,284</u>	<u>565</u>	<u>77</u>	<u>13,926</u>	<u>13,546</u>
Management and maintenance administration costs	2,817	140	1	2,958	2,872
Service costs	538	172	1	711	619
Planned and cyclical maintenance including major repairs	1,327	34	-	1,361	1,572
Reactive maintenance costs	1,735	40	-	1,775	1,661
Bad debts	156	-	-	156	193
Depreciation of social housing	1,843	37	3	1,883	1,918
Impairment of housing properties	-	-	-	-	(164)
Other	-	-	-	-	11
	<u>8,416</u>	<u>423</u>	<u>5</u>	<u>8,844</u>	<u>8,682</u>
Operating costs for social lettings activities	<u>8,416</u>	<u>423</u>	<u>5</u>	<u>8,844</u>	<u>8,682</u>
Operating surplus for social lettings	<u>4,868</u>	<u>142</u>	<u>72</u>	<u>5,082</u>	<u>4,864</u>
Operating surplus from social lettings for previous period of account	<u>4,657</u>	<u>132</u>	<u>75</u>	<u>4,864</u>	

The amount of service charges on housing accommodation not eligible for housing benefit was £68,000 (2014: £35,000).

3. HOUSING STOCK

	2015 Number	2014 Number
Number of units of housing accommodation in management at the year end:		
Owned by the Association and rented		
General needs	3,269	3,184
Supported housing accommodation	122	122
Shared ownership	27	31
Market Rent	<u>131</u>	<u>78</u>
Total owned and rented by the Association	3,549	3,415
Managed by the Association and rented	56	56
Leased to the Association and rented	<u>12</u>	<u>12</u>
Total in management at year end	<u>3,617</u>	<u>3,483</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4. DIRECTORS' EMOLUMENTS

There are no remunerated directors to disclose as the directors are paid through the parent undertaking, Home Group Limited. Details of the remunerated members of the Board (Ray Macfarlane, Mark Henderson, Rosie Du Rose and Jennifer Makin) are included within financial statements of Home Group Limited which are publicly available. No other Board members received any payment other than expenses.

	2015	2014
	£	£
Directors' expenses		
Expenses reimbursed to the directors not chargeable to United Kingdom income tax	<u>3,683</u>	<u>4,521</u>

5. EMPLOYEE INFORMATION

	2015	2014
	Number	Number

The employee costs of those persons employed by Home Group Ltd who are utilised wholly and exclusively by Home in Scotland Ltd are summarised below:

The average monthly number of persons, expressed as full time equivalents, employed during the year was:

Office staff	52	58
Wardens, caretakers and cleaners	<u>3</u>	<u>4</u>
	<u>55</u>	<u>62</u>
Average number of all posts ("Headcount" basis)	<u>58</u>	<u>67</u>

	2015	2014
	£000	£000
Staff costs for the above persons:		
Wages and salaries	1,682	1,867
Social security costs	155	175
Other pension costs (Note 28)	<u>269</u>	<u>150</u>
	<u>2,106</u>	<u>2,192</u>

6. SURPLUS ON SALE OF HOUSING PROPERTIES

	2015	2014
	£000	£000
Sales proceeds – social housing properties	649	214
Cost of sales – social housing properties	<u>(103)</u>	<u>(136)</u>
	<u>546</u>	<u>78</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£000	£000
Interest receivable from other group companies	-	1
Interest receivable from bank deposits	<u>20</u>	<u>13</u>
	<u>20</u>	<u>14</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£000	£000
On bank loans and overdrafts	2,056	1,299
Less: interest capitalised	<u>(285)</u>	<u>(64)</u>
	<u>1,771</u>	<u>1,235</u>

The average rate of interest applied to interest capitalised during the year was 1.91% (2014 : 0.82%).

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

9. SURPLUS FOR THE YEAR	2015	2014
	£000	£000
Surplus for the year is stated after charging:		
Depreciation:		
- Housing properties	1,883	1,918
- Tangible owned other fixed assets	22	26
Reversal of impairment of housing properties	-	(164)
Impairment of other fixed assets	-	11
Auditors' remuneration for audit services	9	9
Operating lease rentals – land & buildings	126	98
Operating lease rentals – housing properties	16	16
Operating lease rentals – other	7	8
Deficit on sale of other fixed assets	-	2

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Completed housing properties	Housing properties under construction	Shared ownership	Total
	£000	£000	£000	£000
Cost				
At 1 April 2014	124,953	83,993	1,395	210,341
Additions	-	28,264	-	28,264
Capitalised works	2,453	-	-	2,453
Transfer to completed schemes	83,906	(83,906)	-	-
Disposals	(835)	-	-	(835)
At 31 March 2015	<u>210,477</u>	<u>28,351</u>	<u>1,395</u>	<u>240,223</u>
Depreciation				
At 1 April 2014	13,769	129	48	13,946
Charge for year	1,880	-	3	1,883
Eliminated in respect of disposals	(444)	-	-	(444)
At 31 March 2015	<u>15,205</u>	<u>129</u>	<u>51</u>	<u>15,385</u>
Net depreciated cost at 31 March 2015	<u>195,272</u>	<u>28,222</u>	<u>1,344</u>	<u>224,838</u>
Net depreciated cost at 31 March 2014	<u>111,184</u>	<u>83,864</u>	<u>1,347</u>	<u>196,395</u>
Social housing grant				
At 1 April 2014	54,263	46,667	986	101,916
Receivable during year	-	10,021	-	10,021
Transfer to completed schemes	42,943	(42,943)	-	-
Disposals	(294)	-	-	(294)
At 31 March 2015	<u>96,912</u>	<u>13,745</u>	<u>986</u>	<u>111,643</u>
Other public grants				
At 1 April 2014	4,572	150	-	4,722
Receivable during year	-	19	-	19
At 31 March 2015	<u>4,572</u>	<u>169</u>	<u>-</u>	<u>4,741</u>
Net book value at 31 March 2015	<u>93,788</u>	<u>14,308</u>	<u>358</u>	<u>108,454</u>
Net book value at 31 March 2014	<u>52,349</u>	<u>37,047</u>	<u>361</u>	<u>89,757</u>

Additions to housing properties in the course of construction during the year included development administration costs of £268,700 (2014: £278,100).

There were assets under charge included in the above net book value amount of 2015: £61,769,000 as at 31 March 2015 (2014: £66,821,000).

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES (continued)

Total Housing Association Grant (HAG) received or receivable at the balance sheet date:

	2015	2014
	£000	£000
HAG in respect of housing properties shown at cost	111,643	101,916
HAG in respect of housing properties shown at fair values	8,043	8,043
Cumulative amount credited to income and expenditure account	<u>2,712</u>	<u>2,418</u>
Total HAG received or receivable at Balance sheet date	<u>122,398</u>	<u>112,377</u>

11. FIXED ASSET INVESTMENTS

£000

Other investments

Cost and net book value

As at April 2014	-
Additions	<u>407</u>
At 31 March 2015	<u>407</u>

12. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Freehold offices	Fixtures, furniture & equipment	Computer, equipment & software	Total
	£000	£000	£000	£000
Cost				
At 1 April 2014	605	144	48	797
Additions	-	13	5	18
Disposals	<u>-</u>	<u>-</u>	<u>(51)</u>	<u>(51)</u>
At 31 March 2015	<u>605</u>	<u>157</u>	<u>2</u>	<u>764</u>
Depreciation				
At 1 April 2014	294	138	38	470
Charge for year	12	4	6	22
Eliminated in respect of disposals	<u>-</u>	<u>-</u>	<u>(42)</u>	<u>(42)</u>
At 31 March 2015	<u>306</u>	<u>142</u>	<u>2</u>	<u>450</u>
Net book value 31 March 2015	<u>299</u>	<u>15</u>	<u>-</u>	<u>314</u>
Net book value 31 March 2014	<u>311</u>	<u>6</u>	<u>10</u>	<u>327</u>

The cost of fixtures, furniture and equipment above has been reduced by an amount of £23,000, being grants received for the purchase of equipment and fittings (2014: £23,000).

13. STOCKS

	2015	2014
	£000	£000
Housing properties for sale	87	145
Work in progress	<u>134</u>	<u>691</u>
	<u>221</u>	<u>836</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

14. DEBTORS

	2015	2014
	£000	£000
Rental debtors - housing accommodation	876	793
Rental debtors - shared ownership	3	3
Less: Provision for bad debts	<u>(432)</u>	<u>(337)</u>
Net rental debtors	447	459
Social Housing Grant receivable	-	189
Other grants receivable	185	171
Support grant receivable	22	55
Prepayments and accrued income	361	62
Other amounts due from group undertakings	-	63
Other debtors	<u>98</u>	<u>80</u>
	<u>1,113</u>	<u>1,079</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£000	£000
Housing loans from third parties	2,000	2,000
Loans from group undertakings	-	5,086
Rental creditors - housing accommodation	439	472
Rental creditors - shared ownership	1	3
Social housing grant in advance	218	265
Accruals and deferred income	2,009	3,171
Other amounts due to group undertakings	105	-
Other creditors	<u>1,205</u>	<u>796</u>
	<u>5,977</u>	<u>11,793</u>

The processing of supplier payments has been centralised within HGL and payments are recharged via an intercompany account to the Association. As a result of this there are no trade creditors reported in the Balance Sheet.

Whilst the balance sheet shows net current liabilities, the Association has in place external loan agreements which allow the Association sufficient funding to pay its liabilities as they fall due. The parent undertaking, HGL, acts as guarantor for some of these loans, as well as providing a £10 million intercompany facility. As at 31 March 2015, the Association had £4.1 million committed and undrawn facilities which were immediately available for drawing, during August 2015 the Association secured an additional £20 million of funding.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£000	£000
Housing loans	<u>77,858</u>	<u>63,250</u>

Housing loans are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest, from 0.73% to 3.96%, due as follows:

	2015	2014
	£000	£000
In instalments:		
In one year or less	2,000	7,086
Between one and two years	7,939	2,000
Between two and five years	6,000	6,000
In five years or more	<u>63,919</u>	<u>55,250</u>
	<u>79,858</u>	<u>70,336</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

17. CALLED UP SHARE CAPITAL

Each national member of the Association holds one voting share (nominal value £1). Each community member of the Association holds one non-voting share (nominal value £1). All shares are surrendered on the cessation of membership. Shares carry no rights to dividend or repayment of capital.

National Member shares	£
Allotted, issued and fully paid:	
As at 1 April 2014 and 31 March 2015	<u>2</u>
Allotted, not called up:	
As at 1 April 2014 and 31 March 2015	<u>6</u>
Community Member Shares	
Allotted, not yet paid:	
As at 1 April 2014 and 31 March 2015	<u>119</u>
Allotted, issued and fully paid:	
As at 1 April 2014 and 31 March 2015	<u>348</u>

18. DESIGNATED RESERVE

	£000
Reserve for the replacement of equipment in service schemes	
As at 1 April 2014	197
Transfer from revenue reserve (Note 19)	<u>111</u>
At 31 March 2015	<u>308</u>

19. REVENUE RESERVE

	£000
As at 1 April 2014	22,041
Surplus for the year	4,440
Transfer to designated reserve (Note 18)	<u>(111)</u>
As at 31 March 2015	<u>26,370</u>

20. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	2015	2014
	£000	£000
Opening capital and reserves	22,238	17,764
Surplus for the year	<u>4,440</u>	<u>4,474</u>
Closing capital and reserves	<u>26,678</u>	<u>22,238</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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21. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2015 £000	2014 £000
Operating surplus	5,645	5,617
Depreciation	1,905	1,944
Impairment of housing properties	-	(164)
Impairment of other fixed assets	-	11
Loss on disposal of other tangible fixed assets	-	2
Movements in:-		
Stocks	615	437
Rental debtors	12	(51)
Other debtors	(316)	23
Other creditors less than one year	(843)	(1,167)
Intercompany movement	<u>168</u>	<u>549</u>
Net cash inflow from operating activities	<u>7,186</u>	<u>7,201</u>

22. ANALYSIS OF NET DEBT

	At 1 April 2014 £000	Cash flow £000	Non-cash changes £000	At 31 March 2015 £000
Cash at bank and in hand	5,282	(5,278)	-	4
Debt due after one year: Housing Loans	(63,250)	(8,650)	(5,958)	(77,858)
Debt due within one year	<u>(7,086)</u>	<u>(853)</u>	<u>5,939</u>	<u>(2,000)</u>
Total net debt	<u>(65,054)</u>	<u>(14,781)</u>	<u>(19)</u>	<u>(79,854)</u>

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2015 £000	2014 £000
(Decrease)/ increase in cash in the period	(5,278)	4,990
Cash inflow from increase in debt	<u>(9,503)</u>	<u>(11,086)</u>
Change in net debt resulting from cash flows	(14,781)	(6,096)
Non cash changes	<u>(19)</u>	<u>(19)</u>
Movement in net debt in the period	(14,800)	(6,115)
Net debt at 1 April	<u>(65,054)</u>	<u>(58,939)</u>
Net debt at 31 March	<u>(79,854)</u>	<u>(65,054)</u>

24. CAPITAL COMMITMENTS

	2015 £000	2014 £000
Capital expenditure that has been contracted for but not provided for in the financial statements.	<u>20,830</u>	<u>11,340</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for.	<u>27,866</u>	<u>34,842</u>

The amounts contracted for at 31st March 2015 will be HAG funded, loan financed and funded from the Association's reserves.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. FINANCIAL COMMITMENTS

	2015	2014
	£000	£000
Annual commitments under operating leases were as follows:		
Housing properties		
Expiring over five years	<u>16</u>	<u>16</u>
Land and buildings		
Expiring within one year	60	-
Expiring between two and five years	42	95
Expiring over five years	<u>98</u>	<u>91</u>
	<u>200</u>	<u>186</u>
Other		
Expiring within one year	6	7
Expiring between two and five years inclusive	<u>-</u>	<u>-</u>
	<u>6</u>	<u>7</u>

The Association uses certain assets acquired under operating leases entered into by the parent association, Home Group Limited. The relevant lease charges are included in the income and expenditure account, and the commitments under these leases have been included in the above note.

26. TRANSACTIONS WITH RELATED PARTIES

Home Group Limited

The Association has taken advantage of the exemption under paragraph 3 (c) from the provisions of FRS8, "Related Party Disclosures", on the grounds that it is a wholly owned subsidiary of a group headed by Home Group Limited, whose accounts are publicly available.

27. PARENT ASSOCIATION

The Board regards Home Group Limited (HGL) as the ultimate parent company and the ultimate controlling party. Copies of the consolidated financial statements of HGL can be obtained from the Secretary, Home Group Limited, 2 Gosforth Park Way, Gosforth Business Park, Newcastle upon Tyne, NE12 8ET.

28. PENSION OBLIGATIONS

Employees of the parent undertaking, Home Group Limited, are eligible to participate in a number of pension schemes. Full disclosure of these schemes is included within the financial statements of Home Group Limited which are publicly available.