



**Home in Scotland Limited**

**Annual Report and Financial Statements  
For the year ended 31 March 2016**

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  
Scottish Charity No: SC005247

Part of Home Group

## HOME IN SCOTLAND LIMITED CHAIR'S REPORT

The Scottish Government recently announced early action to prepare for the new Scottish social security system as well as delivering 50,000 affordable homes over the next five years. As one of the largest providers of new affordable housing we welcome the challenge to work with our partners to meet these ambitious targets. Our services are good and whilst we are very aware of improvements needed we remain confident that we are in a strong position to meet any new challenges. We ended the year in a strong financial position achieving a surplus of £3.8 million which will enable us to continue working towards our ambitious targets for property maintenance and new housing development.

### **Customer Service**

We submitted our third 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 delivered a great number of improvements since the previous year's ARC and many of these have a direct and positive impact on our customers. We are working closely with our customers to deliver more improvements in the year ahead and enabling them to monitor our performance throughout the year. Our increased focus on customer involvement resulted in our customer group (Viewpoint Team) being finalists in the Tenant Information Service Scrutiny Excellence Awards.

We value and listen to feedback from our customers; customer research at Home Group and our customer involvement has been shaping our future services. Our customers have been telling us they want more consistent services as well as quicker resolution with services at times that suit them. We are launching a new customer service model early in June which will provide services from 8am till 8pm as well as Saturday mornings. These changes, shaped by our customers, will increase our ability to provide faster first time solutions when our customers need them.

Our voids and arrears continue to be a key priority for our Customer Service colleagues and working more closely with our colleagues across Home Group we are confident we can achieve improvements in our management of voids and arrears. We have implemented a range of actions to mitigate the impact of Welfare Reform and we have ensured that 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 and have helped customers enjoy a better quality of life. During 2015 / 16 through this service we supported 370 customers and achieved additional income for customers of just under £328,000 as well as securing more suitable housing for 71 households.

We have continued to improve our customer experience with our Planned Works Programme for the year which was delivered on time and within budget. Customer satisfaction improved and we invested in the 2<sup>nd</sup> phase of new bathrooms in Rosyth, replacing kitchens and windows in Dundee and kitchens and boilers in Castlemilk, Glasgow.

The process of analysing the comprehensive 100% stock condition survey has been completed and confirmed that our stock is in good condition. We achieved the Scottish Housing Quality Standards within the timescale of April 2015. There are a few exemptions where we are due to demolish properties and a very small number where customers haven't wanted works carried out to upgrade their homes. We are confident that we will achieve the new energy efficiency standard within the 2020 timescale. Our focus on ensuring compliance in all areas of health and safety and meeting all of our statutory requirements has continued with excellent results.

### **New Build and Regeneration**

Despite some setbacks the Home Scotland team were able to deliver 188 units within the 2015 / 16 financial year which represents the highest number of units delivered in a financial year. Highlights over the year include completions at Burdiehouse Terrace and Fairmilehead in Edinburgh as well as Benburb Juniors in Glasgow which completed 3 months ahead of schedule.

Within Dundee work is progressing well at Mill O Mains Phase 3 and Whitfield Phase 4 despite some delays due to the Scottish weather, with the former also being shortlisted on the Inside Housing Top 60 UK housing developments 2015 as well as winning the Home Group development of the year.

In Glasgow work has commenced on the fourth phase of the East Balornock regeneration project which is due to complete in January next year. Work at Linthouse Point is now also drawing to a close at this challenging project which will provide some much needed accommodation for workers at the recently expanded Southern General Hospital. In Edinburgh work has also been progressing steadily at Agilent, South Queensferry in partnership with Barratt Homes and will complete in September 2016.

Moving forward the recent increase in grant rates from the Scottish Government has been warmly welcomed and will help secure much of the future programme for the organisation. We look forward to site starts at Alnwickhill in Edinburgh, Muirsketh Rd in Glasgow and Holmlea Primary School in Glasgow which has recently been purchased. We also aim to start on site at Whitfield Phase 5 in Dundee.

**HOME IN SCOTLAND LIMITED  
CHAIR'S REPORT**

Longer term goals include continued growth to meet the group wide ethos of "Bigger Bolder Better Faster", which is being supported by Home Scotland's ability to build and maintain relationships within its three main areas of growth as well as with our key development partners such as AS Homes, Barratts and Merchant Homes all of whom play a key role in our ongoing programme. In addition to this we are also looking to develop new relationships with other developers such as with Edmonstone Homes who have significant land holdings to the south of the Royal Infirmary in Edinburgh and with Espresso Properties who have a live interest in Dundee's Waterfront regeneration area where we are also exploring outright sales opportunities.

**Care and Support**

Care and Support in Scotland, in the last two years, with guidance and support from Home Scotland Board, has focused growth and development energy in Dundee. Other contracts further afield have been withdrawn or are due to be withdrawn due to reductions in funding. We have been unable to grow our services due to limited opportunities of viable contracts in the right geographical locations.

The Home Scotland Board has decided that the time is right to withdraw from delivery and development of these services in Scotland. We will be working with our colleagues and customers to review the remaining services in Dundee.

**Colleagues**

During the year Marjorie Cuthbert and Rosie Du Rose resigned as Board members, I would like to thank them for their hard work and valued support during their tenure.

I would like to thank colleagues warmly for their hard work over the year. We carried out a Board recruitment campaign targeting our customers across Scotland. It was heartening to see the level of interest and the calibre of customers who took the time to apply. We were delighted to successfully recruit two new Board members – Mary Finnegan and Marc Douris who joined the Board in January.

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  
30 August 2016

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

**Board**

Ray Macfarlane, MA, LLB, MBA (Chair)  
John Hudson, BSc (Hons), PhD, ACA - Appointed 2 September 2015  
James McHale  
Mark Henderson, BSc (Hons)  
Andy Jack, BSc, MBA, DBA, RD, CEng  
Vicky Peterkin, MA, FCIH  
Colin Strachan, FCIQB  
Marc Douris - Appointed 26 January 2016  
Mary Finnegan - Appointed 26 January 2016

Resignations:

Marjorie Cuthbert, MSc, MPhil - Resigned 24 November 2015  
Rosie Du Rose - Resigned 24 November 2015

**Director (Home in Scotland) and Company Secretary**

Margarita Morrison, FCIH, Dip in Hsg Studies

**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 2016**

The Board presents its report and the audited financial statements for the year ended 31 March 2016.

**Registration of the Association**

Home in Scotland Limited (the Association) is a registered society under the Co-operative and Community Benefit Societies Act 2014 (registered number 1935R(S)) and has adopted the Scottish Federation of Housing Association Charitable Model Rules (Scotland) 2013. The Association is also a Registered Social Landlord, registered with the Scottish Housing Regulator under number HAL90 and a registered Scottish charity (Scottish Charity No. SC005247).

**Parent Association**

Home Group Limited (HGL) is an exempt charity and a registered society under the Co-operative and Community Benefit Societies Act 2014 (registered number 22981R). HGL is also a Registered Provider of Social Housing and is registered with the Homes and Communities Agency, the Regulator of Social Housing, under 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 £3,797,000 in the year to 31 March 2016. This is compared with £4,296,000 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 in Respect of the Board's Report and the Financial Statements**

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of its income and expenditure 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 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 books of account 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 Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements December 2014. 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 2016**

**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 has a 3 year £10m intercompany loan with HGL which expires in May 2017 but has the option for the final repayment date to be extended for a further 3 years. As at 31 March 2016, the Association had £18.3 million committed and undrawn facilities, all of which were immediately available for drawing.

**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. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

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 financial 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 2015 up to the date of approval of the Financial Statements. This process is set out in the Group's 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 Audit Committee of the Group and the Home in Scotland 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;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- detailed policies and procedures in each area of the Association's activities; and
- an assurance service which reviews internal controls across the Association and provides regular reports to Board on any significant control weaknesses.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**HOME IN SCOTLAND LIMITED**  
**REPORT OF THE BOARD**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**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 47 day (2015: 45 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 Statement of Financial Position.

**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 Association will be proposed at the Annual General Meeting on 30 August 2016.

On behalf of the Board



Ray Macfarlane, MA, LLB, MBA,  
Chair, Home in Scotland Limited  
30 August 2016



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

**Independent auditor's report to Home in Scotland Limited**

We have audited the financial statements of Home in Scotland Limited for the year ended 31 March 2016 set out on pages 10 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 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 more fully explained 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 2016 and of its income and expenditure 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 December 2014.

**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 requires us to report 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 for systemically important RSLs 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.



**Nick Plumb (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
Quayside House  
110 Quayside  
Newcastle  
NE1 3DX

30 August 2016

**HOME IN SCOTLAND LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 £000	2015 £000
Turnover	2	18,151	16,977
Cost of sales	2	(416)	(494)
Operating expenditure	2	(12,106)	(10,982)
Operating surplus from property sales	6	127	546
<b>Operating surplus</b>		<b>5,756</b>	<b>6,047</b>
Interest receivable	7	4	20
Interest payable and financing costs	8	(1,963)	(1,771)
<b>Surplus on ordinary activities before taxation</b>		<b>3,797</b>	<b>4,296</b>
Taxation		-	-
<b>Surplus for the year</b>		<b>3,797</b>	<b>4,296</b>

All activities of the Association are classed as continuing.

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 14 to 28 form part of the financial statements.

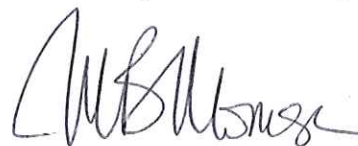
The financial statements on pages 10 to 28 were approved by the Board on 30 August 2016 and were signed on its behalf by:



Ray Macfarlane  
Chair



Victoria Forrest Peterkin  
Vice Chair



Margarita Morrison  
Director (Home in Scotland)  
and Company Secretary

**HOME IN SCOTLAND LIMITED**  
**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2016**

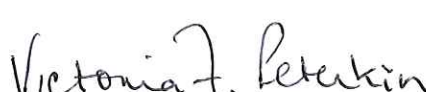
	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible fixed assets	10 & 11	228,810	216,029
Other investments	12	407	407
		<u>229,217</u>	<u>216,436</u>
<b>Current assets</b>			
Properties held for sale	13	269	221
Debtors	14	1,127	1,126
Cash and cash equivalents		61	4
		<u>1,457</u>	<u>1,351</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(7,050)</u>	<u>(7,007)</u>
<b>Net current liabilities</b>		<u>(5,593)</u>	<u>(5,656)</u>
<b>Total assets less current liabilities</b>		<u>223,624</u>	<u>210,780</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(190,673)</u>	<u>(181,626)</u>
<b>Net assets</b>		<u>32,951</u>	<u>29,154</u>
<b>Capital and reserves</b>			
Non-equity share capital	18	-	-
Income and expenditure reserve		32,951	29,154
<b>Total capital and reserves</b>		<u>32,951</u>	<u>29,154</u>

The notes on pages 14 to 28 form an integral part of the financial statements.

The financial statements on pages 10 to 28 were approved by the Board on 30 August 2016 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**  
**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR END 31 MARCH 2016**

	Notes	Income and expenditure reserve £000
As at 1 April 2014		22,238
Adjustments arising on adoption of FRS 102	23	2,620
Restated balance at 1 April 2014		<u>24,858</u>
Surplus from statement of comprehensive income		4,296
As at 31 March 2015		<u>29,154</u>
Surplus from statement of comprehensive income		3,797
<b>As at 31 March 2016</b>		<u><b>32,951</b></u>

The notes on pages 14 to 28 form an integral part of the financial statements.

**HOME IN SCOTLAND LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2016**

	Notes	2016 £000	2015 £000
<b>Net cash flow from operating activities</b>	19	<u>9,075</u>	<u>7,186</u>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(17,252)	(30,238)
Purchase of investments		-	(407)
Proceeds from sale of tangible fixed assets		523	652
Capital grants received		6,250	10,201
Interest received		3	19
<b>Net cash outflow from investing activities</b>		<u>(10,476)</u>	<u>(19,773)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(2,161)	(2,194)
New secured loans		14,233	11,503
Repayments of borrowings		(10,614)	(2,000)
<b>Net cash inflow from financing activities</b>		<u>1,458</u>	<u>7,309</u>
<b>Net change in cash and cash equivalents</b>		<u>57</u>	<u>(5,278)</u>
Cash and cash equivalents at the beginning of the year		<u>4</u>	<u>5,282</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>61</u>	<u>4</u>

The notes on pages 14 to 28 form an integral part of the financial statements.

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. PRINCIPAL ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Co-operative and Community Benefit Societies and Credit Unions Act 2014, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements December 2014 and the Statement of Recommended Practice – Accounting by registered social housing providers Update 2014 (SORP 2014). The Association transitioned from previous UK GAAP to FRS 102 as at 1 April 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in Note 23.

The Company's parent undertaking, Home Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Home Group Limited are prepared in accordance with FRS 102 and are available to the public and may be obtained from The Secretary, Home Group Limited, 2 Gosforth Park Way, Gosforth Business Park, Newcastle Upon Tyne, NE12 8ET.

As the consolidated financial statements of Home Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements. As the company is a wholly owned subsidiary of Home Group Limited the company has taken advantage of the exemption contained in FRS 102.33A and has therefore not disclosed transactions or balances with subsidiaries which form part of the group.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are prepared on the historical cost basis of accounting. There are no material differences between the surplus on ordinary activities before taxation and the surplus for the current or prior year and their historical cost equivalents.

As a public benefit entity, the Association has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

**Going concern**

The Association's business activities, its current financial position and factors likely to affect its future development are set out within this Annual Report and Financial Statements. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lender's covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

**Significant Judgements and Estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out below.

**Significant management judgements**

**Capitalisation of housing property development costs**

The Group capitalises development expenditure in accordance with the accounting policy set out on page 15. Initial capitalisation of costs is based on an assessment of the likelihood that a development project will proceed based on internal approval processes. After capitalisation, ongoing project monitoring is used to identify if any impairment is required.

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1. PRINCIPAL ACCOUNTING POLICIES (continued)**

**Categorisation of housing properties**

The Group has undertaken a detailed review of the intended use of all of its housing properties as required by the SORP. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn a commercial return. The review has resulted in all housing properties being deemed to be held for social benefit and therefore carried at historic cost.

**Impairment**

An impairment review has been carried out at 31 March 2016 to determine whether any assets required impairment. The review was undertaken at a scheme level and focused on whether there had been any triggers of impairment including a deterioration in scheme performance or outlook or unanticipated increases in scheme development costs.

In determining whether an impairment is required, the carrying amount of each scheme has been compared to the estimated recoverable amount which is the higher of a scheme's fair value less costs to sell and its value in use. The fair value reflects sales values achieved on the sale of similar housing properties where this data is available. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model reflecting future anticipated cash flows for the scheme discounted using an appropriate discount rate. Depreciated replacement cost reflects the anticipated costs of constructing or acquiring properties which deliver the same service potential as the existing property.

Following the assessment of impairment, no impairment has been recognised and included in the Statement of Comprehensive Income.

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expense is provided below.

**Tangible fixed assets**

Tangible fixed assets are depreciated over their useful economic lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. Experience and regulatory requirements may impact the frequency of replacement and therefore the useful economic lives of components within our housing properties. The charge for depreciation in the year across all assets was £3.9 million and accumulated depreciation was £27.8 million at 31 March 2016.

**Principal accounting policies**

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

**Turnover**

Rental income is recognised on a straight line basis in accordance with the terms of the tenancy agreement on an accrual basis. Revenue arising from the sale of property is recognised on legal completion. Income from contracts for support services is recognised in line with the contractual terms when the services are rendered. Fees receivable are recognised in line with the underlying management agreements.

**Supporting People income**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in turnover in Note 2(a) 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 – 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

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**1 PRINCIPAL ACCOUNTING POLICIES (continued)**

**Housing properties**

Housing properties are stated at cost less depreciation.

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.

Housing properties are split under component accounting 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. In addition stock condition surveys which will improve the efficiency of our projected long term planned maintenance programme are capitalised and written off over 15 years.

**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 statement of comprehensive income in the year in which it is incurred.

**Housing Association Grant**

Government grants include grants receivable from the Scottish Housing Regulator, Scottish Ministers and local authorities. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current assets or liabilities.

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**

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

**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 indicators of impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the statement of comprehensive income. An impairment is recognised where the carrying amount of an income generating unit exceeds its recoverable amount being the higher of its fair value less costs to sell and its value in use.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**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 statement of comprehensive income.

Where a component is replaced or restored, the old component is written off to the statement of comprehensive income, 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 are 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 element retained and held in liabilities. 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 statement of comprehensive income as other activities; within turnover and operating costs respectively. 100% of the property is sold between the owner and the Government.

**Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

**Financial instruments**

All financial instruments meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 and are accounted for under the amortised cost model.

**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 2016**

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

Year ended 31 March 2016	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
		£000	£000	£000	£000
<b>Income and expenditure from social housing lettings</b>					
	2b	15,717	-	(11,040)	4,677
<b>Other social housing activities</b>					
Supporting People income		408	-	(534)	(126)
Community investment		-	-	(11)	(11)
Development and marketing		-	-	(74)	(74)
Sale of social housing properties	6	-	-	-	127
Other		330	(305)	-	25
		738	(305)	(619)	(59)
<b>Non-social housing activities</b>					
Lettings - market renting		1,513	-	(355)	1,158
Properties developed for outright sale		111	(111)	-	-
Other		72	-	(92)	(20)
		1,696	(111)	(447)	1,138
<b>Total</b>		<b>18,151</b>	<b>(416)</b>	<b>(12,106)</b>	<b>5,756</b>
<b>Year ended 31 March 2015</b>					
Year ended 31 March 2015	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
		£000	£000	£000	£000
<b>Income and expenditure from social housing lettings</b>					
	2b	14,845	-	(9,907)	4,938
<b>Other social housing activities</b>					
Supporting People income		568	-	(610)	(42)
Community investment		-	-	(16)	(16)
Development and marketing		-	-	(59)	(59)
Sale of social housing properties	6	-	-	-	546
		568	-	(685)	429
<b>Non-social housing activities</b>					
Lettings - market renting		1,011	-	(308)	703
Properties developed for outright sale		494	(494)	-	-
Other		59	-	(82)	(23)
		1,564	(494)	(390)	680
<b>Total</b>		<b>16,977</b>	<b>(494)</b>	<b>(10,982)</b>	<b>6,047</b>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

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

	Housing accommodation	Supported housing and housing for older people	Shared Ownership	<b>2016 Total</b>	2015 Total
	£000	£000	£000	<b>£000</b>	£000
<b>Income</b>					
Rent receivable net of identifiable service charges	13,450	326	78	<b>13,854</b>	13,146
Service charges income	463	169	(1)	<b>631</b>	588
<b>Net rents receivable</b>	<b>13,913</b>	<b>495</b>	<b>77</b>	<b>14,485</b>	13,734
Amortised government grants	971	37	7	<b>1,015</b>	919
Revenue grants from local authorities and other agencies	127	90	-	<b>217</b>	192
<b>Total income from social housing lettings</b>	<b>15,011</b>	<b>622</b>	<b>84</b>	<b>15,717</b>	14,845
<b>Expenditure</b>					
Service charge costs	475	157	1	<b>633</b>	711
Management	2,681	78	-	<b>2,759</b>	2,962
Routine maintenance	1,803	69	1	<b>1,873</b>	1,775
Planned maintenance	1,242	32	-	<b>1,274</b>	1,211
Major repairs expenditure	402	-	-	<b>402</b>	150
Rent losses from bad debts	198	3	-	<b>201</b>	156
Property lease charges	17	-	-	<b>17</b>	-
Depreciation of housing properties	3,741	97	8	<b>3,846</b>	2,942
Other costs	35	-	-	<b>35</b>	-
<b>Total expenditure on social housing lettings</b>	<b>10,594</b>	<b>436</b>	<b>10</b>	<b>11,040</b>	9,907
<b>Operating surplus on social housing letting activities</b>	<b>4,417</b>	<b>186</b>	<b>74</b>	<b>4,677</b>	4,938
<b>Rent losses from voids</b>	<b>227</b>	<b>19</b>	<b>-</b>	<b>246</b>	281

The amount of service charges on housing accommodation not eligible for housing benefit was £31,000 (2015: £68,000).

**3. HOUSING STOCK**

	<b>2016 Number</b>	2015 Number
<i>Social housing:</i>		
General needs rented	<b>3,386</b>	3,269
Shared ownership	<b>25</b>	27
Supported housing bed spaces	<b>122</b>	122
<i>Non-social housing:</i>		
Market rent	<b>176</b>	131
<b>Total owned</b>	<b>3,709</b>	3,549
<i>Accommodation managed for others:</i>		
Social housing	<b>12</b>	12
Non-social housing	<b>56</b>	56
<b>Total owned and managed</b>	<b>3,777</b>	3,617

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**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 and John Hudson) are included within financial statements of Home Group Limited which are publicly available. No other Board members received any payment other than expenses.

	2016 £	2015 £
<b>Directors' expenses</b>		
Expenses reimbursed to the directors not chargeable to United Kingdom income tax	1,213	3,683
	1,213	3,683

**5. EMPLOYEE INFORMATION**

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

	2016 Number	2015 Number
Office staff	40	52
Wardens, caretakers, care workers and cleaners	7	3
	47	55
Employee costs (for the above persons):-	<b>£000</b>	<b>£000</b>
Wages and salaries	1,608	1,686
Social security costs	139	155
Other pension costs (see Note 26)	244	269
	1,991	2,110

The full time equivalent number of staff whose remuneration payable in the year fell above £60,000 was:-

	2016 Number	2015 Number
£60,000 - £70,000	2	2
	2	2

**6. GAIN ON THE SALE OF SOCIAL HOUSING PROPERTIES**

	2016 £000	2015 £000
Sales proceeds	215	649
Cost of sales	(88)	(103)
	127	546

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from bank and building society deposits	4	20
	<hr/>	<hr/>

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest payable to other group companies	129	165
On bank loans and overdrafts	847	716
On other loans	1,251	1,175
	<hr/>	<hr/>
Less: interest capitalised on housing properties under construction	2,227 (264)	2,056 (285)
	<hr/>	<hr/>
	<b>1,963</b>	<b>1,771</b>

The average rate of interest applied to interest capitalised during the year was 2.08% (2015 : 1.91%).

**9. SURPLUS FOR THE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Surplus on ordinary activities before taxation is stated after charging:-		
Depreciation:		
Housing properties	3,846	2,942
Other tangible fixed assets	10	22
External auditors' remuneration for audit services	9	9
Operating lease rentals	110	149
	<hr/>	<hr/>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES**

	Completed housing properties  £000	Housing properties under construction  £000	Shared ownership  £000	Total  £000
<b>Cost</b>				
At 1 April 2015	210,477	28,351	1,395	240,223
Additions	30	14,952	-	14,982
Capitalised interest	-	264	-	264
Capitalised works	1,785	-	-	1,785
Transfer to completed schemes	10,750	(10,750)	-	-
Disposals	(731)	-	-	(731)
<b>At 31 March 2016</b>	<b>222,311</b>	<b>32,817</b>	<b>1,395</b>	<b>256,523</b>
<b>Depreciation</b>				
At 1 April 2015	24,328	129	51	24,508
Charge for year	3,838	-	8	3,846
Eliminated in respect of disposals	(635)	-	-	(635)
<b>At 31 March 2016</b>	<b>27,531</b>	<b>129</b>	<b>59</b>	<b>27,719</b>
<b>Net book value at 31 March 2016</b>	<b>194,780</b>	<b>32,688</b>	<b>1,336</b>	<b>228,804</b>
Net book value at 31 March 2015	186,149	28,222	1,344	215,715
Completed housing properties, at net book value, comprise:-			<b>2016</b> <b>£000</b>	2015 £000
Freeholds			<b>196,116</b>	187,493
<b>Works to existing properties in the year:-</b>				
Components capitalised			<b>1,785</b>	2,453
Amounts charged to expenditure			<b>1,676</b>	1,361
			<b>3,461</b>	3,814

Additions to housing properties in the course of construction during the year included development administration costs of £262,800 (2015 : £268,700).

There were assets under charge included in the above net book value amount of £70,746,000 as at 31 March 2016 (2015 : £61,769,000).

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**11. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS**

	Freehold and long leasehold office accommodation	Plant machinery, fixtures and vehicles	Computer, equipment, leased equipment and software	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 April 2015	605	157	2	764
Additions	-	-	2	2
Disposals	(605)	(56)	(2)	(663)
<b>At 31 March 2016</b>	<b>-</b>	<b>101</b>	<b>2</b>	<b>103</b>
<b>Depreciation</b>				
At 1 April 2015	306	142	2	450
Charge for year	7	2	1	10
Eliminated in respect of disposals	(313)	(48)	(2)	(363)
<b>At 31 March 2016</b>	<b>-</b>	<b>96</b>	<b>1</b>	<b>97</b>
<b>Net book value 31 March 2016</b>	<b>-</b>	<b>5</b>	<b>1</b>	<b>6</b>
Net book value 31 March 2015	299	15	-	314

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 (2015 : £23,000).

**12. FIXED ASSET INVESTMENTS**

	2016 £000	2015 £000
Other Investments		
At 1 April	407	-
Additions	-	407
<b>At 31 March</b>	<b>407</b>	<b>407</b>

**13. PROPERTIES HELD FOR SALE**

	2016 £000	2015 £000
Outright sale properties:		
- Completed	95	221
- Work in progress	174	-
	<b>269</b>	<b>221</b>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. DEBTORS**

	<b>2016</b>	2015
	<b>£000</b>	£000
Accounts falling due within one year:-		
Rental debtors and service charges receivable	990	879
Less: Provision for bad debts	(435)	(432)
	<hr/>	<hr/>
Net rental debtors	555	447
Other grants receivable	135	207
Prepayments and accrued income	352	364
Other amounts due from group undertakings	-	12
Other debtors	85	96
	<hr/>	<hr/>
	<b>1,127</b>	<b>1,126</b>
	<hr/>	<hr/>

**15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2016</b>	2015
	<b>£000</b>	£000
Housing loans from third parties	2,000	2,000
Social Housing Grant in advance	-	218
Deferred capital grant	961	994
Accruals and deferred income	2,472	2,473
Other amounts due to group undertakings	550	117
Other creditors	1,067	1,205
	<hr/>	<hr/>
	<b>7,050</b>	<b>7,007</b>
	<hr/>	<hr/>

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 creditors falling due within one year.

Whilst the statement of financial position 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 2016, the Association had £18.3 million committed and undrawn facilities which were immediately available for drawing.



**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Housing loans	76,301	71,919
Deferred capital grant	109,157	103,678
Loans from group undertakings	5,215	5,939
	<b>190,673</b>	<b>181,626</b>

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:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
In instalments:		
In one year or less	2,000	2,000
Between one and two years	7,215	7,939
Between two and five years	10,762	6,000
In five years or more	63,539	63,919
	<b>83,516</b>	<b>79,858</b>

**17. DEFERRED CAPITAL GRANT**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
At 1 April 2015	104,762	95,935
Grant received in the year	6,396	10,040
Released to income in the year	(1,015)	(919)
Disposals	(25)	(294)
	<b>110,118</b>	<b>104,762</b>
At 31 March 2016	<b>110,118</b>	<b>104,762</b>
Amount due to be released within one year	961	994
Amount due to be released in more than one year	109,157	103,768
	<b>110,118</b>	<b>104,762</b>

**18. 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.

		<b>£</b>
Allotted, issued and fully paid:-		
At 1 April 2015		350
Issued during the year		-
Surrendered during the year		-
<b>At 31 March 2016</b>		<b>350</b>

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**19. RECONCILIATION OF SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Surplus for the year</b>	<b>3,797</b>	<b>4,296</b>
<b>Adjustments for:-</b>		
Depreciation of tangible fixed assets	3,856	2,964
(Increase) / decrease in properties held for sale	(48)	615
Increase in debtors	(72)	(304)
Increase / (decrease) in trade and other creditors	750	(671)
Carrying amount of tangible fixed asset disposals	393	106
<b>Adjustments for investing or financing activities:-</b>		
Proceeds from the sale of tangible fixed assets	(545)	(652)
Government grants utilised in the year	(1,015)	(919)
Interest received	(4)	(20)
Interest payable	1,963	1,771
<b>Net cash inflow from operating activities</b>	<b>9,075</b>	<b>7,186</b>

**20. CAPITAL COMMITMENTS**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>5,362</b>	<b>20,830</b>
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<b>29,395</b>	<b>27,866</b>

The amounts contracted for at 31st March 2016 will be HAG funded, loan financed and funded from the Association's reserves.

**21. FINANCIAL COMMITMENTS**

At the year end the total contractual payments under non-cancellable operating leases were as follows:-

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Less than one year	131	141
Between one and five years	206	336
	<b>337</b>	<b>477</b>

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 statement of comprehensive income, and the commitments under these leases have been included in the above note.

**HOME IN SCOTLAND LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**22. GRANT AND FINANCIAL ASSISTANCE**

The total accumulated government grant and financial assistance received or receivable at 31 March:-

	2016 £000	2015 £000
Held as deferred capital grant	110,118	104,762
Recognised as income in the statement of comprehensive income	8,720	7,706
Grant within cost on properties at fair values at acquisition	8,043	8,043
	<hr/>	<hr/>
	126,881	120,511
	<hr/>	<hr/>

**23. EXPLANATION OF TRANSITION TO FRS 102**

The Association has adopted FRS 102 from 1 April 2014 and restated the comparative prior year amounts. The impact on reserves is as presented below.

	Total reserves as at transition date 1 April 2014 £000	Surplus for the year ended 31 March 2015 £000	Restated total reserves as at 31 March 2015 £000
As previously stated under former UK GAAP	22,238	4,440	26,678
<b>Transitional adjustments</b>			
Reductions in carrying value of housing properties	a. (8,064)	(1,059)	(9,123)
Increase in amortisation of grants relating to housing properties	b. 7,055	919	7,974
Adjustment for non-government grant reserves	c. 3,648	-	3,648
Inclusion of holiday pay accrual	d. (19)	(4)	(23)
	<hr/>	<hr/>	<hr/>
<b>As stated in accordance with FRS 102</b>	24,858	4,296	29,154
	<hr/>	<hr/>	<hr/>

Explanations for changes to previously reported profit and equity:

- a. FRS 102 requires that depreciation is now charged against the cost of housing properties, rather than cost net of grant. This has resulted in reduction in the carrying value of housing properties at transition and a reduction in reserves of £8.1 million and a decrease in the surplus for the year ended 31 March 2015 of £1.1 million.
- b. Capital grant was deducted from the carrying cost of housing properties under previous UK GAAP. Under FRS 102, grant from a government source is recognised as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect is a reduction in capital grant recognised on the balance sheet and an increase in reserves of £7.1 million and an increase in the surplus for the year ended 31 March 2015 of £0.9 million.
- c. Grant received from non-government sources is recognised in the statement of comprehensive income when performance conditions are met under FRS 102. The Association received grant from Home Housing Trust in previous periods which was deducted from the cost of housing properties under previous UK GAAP. The effect of adoption of FRS 102 is to increase the reserves of Association by £3.6 million.
- d. FRS 102 requires that the cost of accumulating compensated absences such as holiday pay should be recognised as a cost in the reporting period in which the employee becomes entitled. This has resulted in a decrease in reserves on transition of £19,000, and a reduction in the surplus for the year ended 31 March 2015 of £4,000.

**Exemptions taken on transition to FRS 102**

The Association has taken the exemption relating to lease incentives, and has not applied the FRS 102 requirements to lease incentives where the lease commenced before the date of transition to this FRS.

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**24. TRANSACTIONS WITH RELATED PARTIES**

The Association has taken advantage of the exemption under paragraph 33.1A from the provisions of FRS 102, on the grounds that it is a wholly owned subsidiary of a group headed by Home Group Limited, whose accounts are publicly available.

During the year the Association entered into the following related party transactions with its customer and client board members:-

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Charges in respect of rent and service charges	<b>6,878</b>	4,824
Amounts owed from customer and client board members at the year end	<b>687</b>	1,331

**25. PARENT ASSOCIATION**

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

**26. 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.