



Home in Scotland Limited

Annual Report and Financial Statements For the year ended 31 March 2017

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



HOME IN SCOTLAND LIMITED CHAIR'S REPORT

As I write this, reflecting on the past year, I am aware that we face more uncertainty and political change across the UK. However, despite the challenges change and uncertainty may bring, we continue our work as one of the largest providers of new affordable housing in Scotland. We have been working successfully in partnership with the Scottish Government and other stakeholders to support the delivery of the Scottish Government's ambition to deliver 50,000 affordable homes by 2020. Our services continue to be re shaped to ensure we achieve better value for money as well as meeting our customers' expectations. Whilst we are aware of service improvements needed we remain confident that we are in a strong position to meet any new challenges and achieve further improvements. We participated in the development of Home Group's new Strategy which was published late in 2016 which will guide us to 2021 and beyond. We are now working at pace to start to deliver this new Strategy in Scotland. We ended the year in a strong financial position achieving a surplus of £4.8 million which will enable us to work towards our ambitious new targets.

Customer Service

We submitted our fourth 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 have delivered a great number of improvements since the ARCs introduction and much of this has been achieved in collaboration with our customers. We support our customers to enable them to challenge us and hold us to account. Amongst their many tasks, our customers carried out four Customer Promise Assessments during the year with all four achieving a silver rating. We were delighted that this hard work resulted in our customer group (Viewpoint Team) being recognised and awarded the Tenant Participation Advisory Service "Best Practice in Developing Tenant Led Scrutiny of the Charter". We will continue to build on this great work and take account of the revisions to the Charter with even more emphasis on supporting customers to scrutinise our services.

Our customer involvement will continue to shape our future services. We value and listen to feedback from our customers and I am delighted that our customer satisfaction with our repairs service has continued to increase with 93% customer satisfaction research in March 2017. Our customers asked for more consistent services, faster resolution with services and at times that suit them. We launched our new customer service model and this has been our first year of providing our services from 8am till 8pm as well as Saturday mornings. The changes take time to become embedded and we will spend time in 2017 asking customers about their experiences with our new service model.

Achieving improvements in our void management and arrears continue to be the key priorities for our Operations colleagues. 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.

Our Planned Works Programme for the year was delivered on time and within budget. Customer satisfaction improved and we invested in new kitchens and bathrooms in Dundee and Dumfries, additional loft insulation in Glasgow, Edinburgh and Dundee as well as new boilers and heating in Dumfries and Dundee.

We achieved the Scottish Housing Quality Standards (SHQS) within the timescale of April 2015 and we continue to deliver our planned works programme each year to ensure achievement of SHQS is ongoing. We remain confident that we will achieve the new energy efficiency standard within the 2020 timescale. We continued our focus on ensuring compliance in all areas of health and safety and meeting all of our statutory requirements achieving even better results throughout the year.

New Build and Regeneration

In the 2016 /17 financial year, we have successfully completed construction of 176 new properties in Scotland. This equates to an output of 16% of the total Home Group programme delivered nationally. During the year we have completed projects at Whitfield Phase 4 in Dundee, East Balornock Phase 4 and Linthouse Point in Glasgow and at the former Agilent Technologies site at South Queensferry in Edinburgh. We also achieved partial handover of Phase 3 of our regeneration project at Mill O Mains Phase 3 in Dundee which is expected to complete early within the next financial year.

We have also now achieved site starts at Muirsketh Rd, Glasgow where we are providing houses for rent and an 8 bed children's home for Social Work services. A further phase of development in Dundee also started on site at Whitfield Phase 5 and in Edinburgh we have begun construction at Liberton Grange where we will be developing 21 units for Shared Equity which will be our first venture into new build sales outside of a regeneration area. Other projects on the horizon over the next year include a 140 unit development at Maxwell Road in Glasgow as well as 40 flatted properties at Springburn, Glasgow both in conjunction with AS Homes who have a long standing and successful relationship working with Home Group. We are also expecting site starts at Ashtree Road and at Bellahouston Academy, Glasgow in partnership with Merchant Homes. Construction will get underway at Holmlea Primary school which will be a combination of refurbishment of the old school building and new build housing. We are progressing discussions for a joint development in Dundee with Cruden Homes East at Pitkerro Road.

HOME IN SCOTLAND LIMITED
CHAIR'S REPORT

Moving forward the current grant regime in Scotland has helped Home Scotland to maintain a strong social rented emphasis whilst also developing a diverse portfolio of Mid-Market Rent and Shared Equity properties. We will be looking to develop housing for outright sale in Scotland using the Group's soon to be launched Persona sales brand as well as the potential development of a new flexible rental model for certain specific large sites which will attract institutional investment.

Longer term goals include continued growth to meet the group wide ethos of Building Homes, Independence and Aspirations, which is being supported by Home Scotland's ability to build and maintain relationships within its three main areas of growth (Glasgow, Dundee and Edinburgh) as well as with our key development partners such as AS Homes, Barratt and Merchant Homes all of whom play a key role in our ongoing development programme. In addition to this we are also working with a range of new partners to bid for larger strategic development opportunities such as at Dundee waterfront and at Sighthill in Glasgow.

Colleagues

I would like to thank colleagues warmly for their hard work over the year. It has been a pleasure to welcome and work with our new customer Board members – Mary Finnegan and Marc Douris who joined the Board last year. Fresh input and insight, especially from our customers, really supports our work.

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

29 August 2017

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
James McHale BSc (Hons)
Mark Henderson, BSc (Hons)
Andy Jack, BSc, MBA, DBA, RD, CEng
Vicky Peterkin, MA, FCIH
Colin Strachan, FCIQB
Marc Douris
Mary Finnegan BA (Hons)

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 2017

The Board presents its report and the audited financial statements for the year ended 31 March 2017.

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 2014 - registered number HAL90.

Parent Association

Home Group Limited (HGL) is registered with the Financial Conduct 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 £4,823,000 in the year to 31 March 2017. This is compared with £3,797,000 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 2012. 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.

HOME IN SCOTLAND LIMITED
REPORT OF THE BOARD
FOR THE YEAR ENDED 31 MARCH 2017

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.

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 was due to expire in May 2017, but which has been extended by a further 3 years during May 2017 until May 2020. Of this facility, £7.8 million was committed, undrawn and immediately available as at 31 March 2017. In addition, the Association had a borrowing facility from an external funder of which £7.7 million was committed, undrawn and immediately available at 31 March 2017.

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 2016 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 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 2017. 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 2017

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 49 day (2016: 47 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 29 August 2017.

On behalf of the Board



Ray Macfarlane, MA, LLB, MBA,
Chair, Home in Scotland Limited

29 August 2017

**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 2017 set out on pages 10 to 27. 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.

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 2017 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 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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

11 September 2017

HOME IN SCOTLAND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2016 £000
Turnover	2	19,122	18,151
Cost of sales	2	(324)	(416)
Operating expenditure	2	(12,107)	(12,106)
Operating surplus from property sales	2	111	127
Operating surplus		<u>6,802</u>	<u>5,756</u>
Interest receivable	7	5	4
Interest payable and financing costs	8	(1,984)	(1,963)
Surplus on ordinary activities before taxation	9	<u>4,823</u>	<u>3,797</u>
Taxation		-	-
Surplus for the year		<u>4,823</u>	<u>3,797</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>4,823</u></u>	<u><u>3,797</u></u>

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 27 form part of the financial statements.

The financial statements on pages 10 to 27 were approved by the Board on 29 August 2017 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 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible fixed assets	10 & 11	240,088	228,810
Other investments	12	416	407
		<u>240,504</u>	<u>229,217</u>
Current assets			
Properties held for sale	13	163	269
Debtors	14	738	1,127
Cash and cash equivalents		774	61
		<u>1,675</u>	<u>1,457</u>
Creditors: amounts falling due within one year	15	<u>(8,839)</u>	<u>(7,050)</u>
Net current liabilities		<u>(7,164)</u>	<u>(5,593)</u>
Total assets less current liabilities		<u>233,340</u>	<u>223,624</u>
Creditors: amounts falling due after more than one year	16	<u>(195,566)</u>	<u>(190,673)</u>
Net assets		<u>37,774</u>	<u>32,951</u>
Capital and reserves			
Non-equity share capital	18	-	-
Income and expenditure reserve		37,774	32,951
Total capital and reserves		<u>37,774</u>	<u>32,951</u>

The notes on pages 14 to 27 form an integral part of the financial statements.

The financial statements on pages 10 to 27 were approved by the Board on 29 August 2017 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 2017

	Income and expenditure reserve £000
As at 1 April 2015	29,154
Total comprehensive income for the year	3,797
As at 31 March 2016	<u>32,951</u>
Total comprehensive income for the year	4,823
As at 31 March 2017	<u>37,774</u>

The notes on pages 14 to 27 form an integral part of the financial statements.

HOME IN SCOTLAND LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2016 £000
Net cash flow from operating activities	19	<u>9,434</u>	<u>9,075</u>
Cash flow from investing activities			
Purchase of tangible fixed assets		(15,735)	(17,252)
Purchase of investments		(9)	-
Proceeds from sale of tangible fixed assets		213	523
Capital grants received		8,234	6,250
Interest received		5	3
Net cash outflow from investing activities		<u>(7,292)</u>	<u>(10,476)</u>
Cash flow from financing activities			
Interest paid		(2,161)	(2,161)
New secured loans		17,251	14,233
Repayments of borrowings		(16,519)	(10,614)
Net cash (outflow) / inflow from financing activities		<u>(1,429)</u>	<u>1,458</u>
Net change in cash and cash equivalents		713	57
Cash and cash equivalents at the beginning of the year		<u>61</u>	<u>4</u>
Cash and cash equivalents at the end of the year		<u>774</u>	<u>61</u>

The notes on pages 14 to 27 form an integral part of the financial statements.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 Company's parent undertaking, Home Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Home Group Limited 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.

Capitalisation of housing property development costs

The Group capitalises development expenditure in accordance with the accounting policy set out on page 16. 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 2017

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 2017 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 £4.2 million and accumulated depreciation was £31.2 million at 31 March 2017.

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
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 2017

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 2017

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.

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 2017

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

Year ended 31 March 2017	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	16,547	-	(11,286)	5,261
Other social housing activities					
Supporting People income		170	-	(285)	(115)
Community investment		-	-	(2)	(2)
Development and marketing		-	-	(74)	(74)
Sale of social housing properties		-	-	-	111
		170	-	(361)	(80)
Non-social housing activities					
Lettings - market renting		1,996	-	(425)	1,571
Properties developed for outright sale		323	(324)	-	(1)
Other		86	-	(35)	51
		2,405	(324)	(460)	1,621
Total		19,122	(324)	(12,107)	6,802
Year ended 31 March 2016	Note	Turnover	Cost of sales	Operating expenditure	Operating surplus / (deficit)
		£000	£000	£000	£000
Income and expenditure from social housing lettings	2b	15,717	-	(11,040)	4,677
Other social housing activities					
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)
Non-social housing activities					
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
Total		18,151	(416)	(12,106)	5,756

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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

	Housing accommodation	Supported housing and housing for older people	Shared Ownership	2017 Total	2016 Total
	£000	£000	£000	£000	£000
Income					
Rent receivable net of identifiable service charges	14,151	333	71	14,555	13,854
Service charges income	482	158	1	641	631
Net rents receivable	14,633	491	72	15,196	14,485
Amortised government grants	1,073	37	7	1,117	1,015
Revenue grants from local authorities and other agencies	149	85	-	234	217
Total income from social housing lettings	15,855	613	79	16,547	15,717
Expenditure					
Service charge costs	504	161	-	665	633
Management	2,461	119	-	2,580	2,759
Routine maintenance	1,761	44	-	1,805	1,873
Planned maintenance	1,567	49	1	1,617	1,274
Major repairs expenditure	111	1	-	112	402
Rent losses from bad debts	239	2	-	241	201
Property lease charges	17	-	-	17	17
Depreciation of housing properties	4,042	129	8	4,179	3,846
Other costs	70	-	-	70	35
Total expenditure on social housing lettings	10,772	505	9	11,286	11,040
Operating surplus on social housing letting activities	5,083	108	70	5,261	4,677
Rent losses from voids	149	16	-	165	246

The amount of service charges on housing accommodation not eligible for housing benefit was £31,000 (2016: £31,000).

3. HOUSING STOCK

	2017 Number	2016 Number
<i>Social housing:</i>		
General needs rented	3,432	3,386
Shared ownership	24	25
Supported housing bed spaces	122	122
<i>Non-social housing:</i>		
Mid market rent	250	176
Total owned	3,828	3,709
<i>Accommodation managed for others:</i>		
Social housing	12	12
Non-social housing	56	56
Total owned and managed	3,896	3,777

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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.

	2017	2016
	£	£
Directors' expenses		
Expenses reimbursed to the directors not chargeable to United Kingdom income tax	<u>1,074</u>	<u>1,213</u>

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:-

	2017	2016
	Number	Number
Office staff	44	40
Wardens, caretakers, care workers and cleaners	<u>6</u>	<u>7</u>
	<u>50</u>	<u>47</u>
	2017	2016
Employee costs (for the above persons):-	£000	£000
Wages and salaries	1,547	1,608
Social security costs	150	139
Other pension costs (see Note 25)	<u>235</u>	<u>244</u>
	<u>1,932</u>	<u>1,991</u>

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

	2017	2016
	Number	Number
£60,000 - £70,000	1	2
£70,001 - £80,000	<u>1</u>	<u>-</u>

6. GAIN ON THE SALE OF SOCIAL HOUSING PROPERTIES

	2017	2016
	£000	£000
Sales proceeds	216	215
Cost of sales	<u>(105)</u>	<u>(88)</u>
	<u>111</u>	<u>127</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£000	£000
Interest receivable from bank and building society deposits	5	4

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£000	£000
Interest payable to other group companies	50	129
On bank loans and overdrafts	921	716
On other loans	1,241	1,382
	2,212	2,227
Less: interest capitalised on housing properties under construction	(228)	(264)
	1,984	1,963

The average rate of interest applied to interest capitalised during the year was 1.98% (2016 : 2.08%).

9. SURPLUS FOR THE YEAR

	2017	2016
	£000	£000
Surplus on ordinary activities before taxation is stated after charging :-		
Depreciation:		
Housing properties	4,179	3,846
Other tangible fixed assets	1	10
External auditors' remuneration for audit services	12	9
Operating lease rentals	157	110

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

10. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Completed housing properties £000	Housing properties under construction £000	Shared ownership £000	Total £000
Cost				
At 1 April 2016	222,311	32,817	1,395	256,523
Additions	-	14,664	-	14,664
Capitalised interest	-	228	-	228
Capitalised works	704	-	-	704
Transfer to completed schemes	26,840	(26,840)	-	-
Disposals	(966)	-	-	(966)
At 31 March 2017	248,889	20,869	1,395	271,153
Depreciation				
At 1 April 2016	27,531	129	59	27,719
Charge for year	4,171	-	8	4,179
Eliminated in respect of disposals	(829)	-	-	(829)
At 31 March 2017	30,873	129	67	31,069
Net book value at 31 March 2017	218,016	20,740	1,328	240,084
Net book value at 31 March 2016	194,780	32,688	1,336	228,804
Completed housing properties, at net book value, comprise:-			2017 £000	2016 £000
Freeholds			219,344	196,116
Works to existing properties in the year:-				
Components capitalised			704	1,785
Amounts charged to expenditure			1,729	1,676
			2,433	3,461

Additions to housing properties in the course of construction during the year included development administration costs of £274,000 (2016 : £262,800).

There were assets under charge included in the above net book value amount of £137,955,000 as at 31 March 2017 (2016 : £141,782,000).

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. TANGIBLE FIXED ASSETS – OTHER FIXED ASSETS

	Plant machinery, fixtures and vehicles	Computer, equipment, leased equipment and software	Total
	£000	£000	£000
Cost			
At 1 April 2016	101	2	103
Disposals	(8)	-	(8)
At 31 March 2017	<u>93</u>	<u>2</u>	<u>95</u>
Depreciation			
At 1 April 2016	96	1	97
Charge for year	1	-	1
Eliminated in respect of disposals	(7)	-	(7)
At 31 March 2017	<u>90</u>	<u>1</u>	<u>91</u>
Net book value 31 March 2017	<u>3</u>	<u>1</u>	<u>4</u>
Net book value 31 March 2016	5	1	6

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 (2016 : £23,000).

12. FIXED ASSET INVESTMENTS

	2017 £000	2016 £000
Other Investments		
At 1 April	407	407
Additions	9	-
At 31 March	<u>416</u>	<u>407</u>

13. PROPERTIES HELD FOR SALE

	2017 £000	2016 £000
Outright sale properties:		
- Completed	44	95
- Work in progress	119	174
	<u>163</u>	<u>269</u>

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

14. DEBTORS

	2017	2016
	£000	£000
Accounts falling due within one year:-		
Rental debtors and service charges receivable	1,088	990
Less: Provision for bad debts	(535)	(435)
	<hr/>	<hr/>
Net rental debtors	553	555
Other grants receivable	31	135
Prepayments and accrued income	58	352
Other debtors	96	85
	<hr/>	<hr/>
	738	1,127
	<hr/>	<hr/>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£000	£000
Housing loans from third parties	2,000	2,000
Loans from Group undertakings	2,172	-
Social Housing Grant in advance	526	-
Deferred capital grant	1,137	961
Accruals and deferred income	1,860	2,472
Other amounts due to group undertakings	185	550
Other creditors	959	1,067
	<hr/>	<hr/>
	8,839	7,050
	<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 2017, the Association had £15.5 million committed and undrawn facilities which were immediately available for drawing.

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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

	2017	2016
	£000	£000
Housing loans	80,133	76,301
Deferred capital grant	115,433	109,157
Loans from group undertakings	-	5,215
	195,566	190,673

Housing loans are secured by specific charges on the Association's housing properties. They are repayable at varying rates of interest, from 0.49% to 3.96%, due as follows:-

	2017	2016
	£000	£000
In instalments:		
In one year or less	4,172	2,000
Between one and two years	2,000	7,215
Between two and five years	18,174	10,762
In five years or more	59,959	63,539
	84,305	83,516

17. DEFERRED CAPITAL GRANT

	2017	2016
	£000	£000
At 1 April 2016	110,118	104,762
Grant received in the year	7,604	6,396
Released to income in the year	(1,117)	(1,015)
Disposals	(35)	(25)
	116,570	110,118
At 31 March 2017		
Amount due to be released within one year	1,137	961
Amount due to be released in more than one year	115,433	109,157
	116,570	110,118

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.

	£
Allotted, issued and fully paid:-	
At 1 April 2016 and at 31 March 2017	350

HOME IN SCOTLAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

	2017	2016
	£000	£000
Surplus for the year	4,823	3,797
Adjustments for:-		
Depreciation of tangible fixed assets	4,180	3,856
Decrease / (increase) in properties held for sale	106	(48)
Decrease / (increase) in debtors	285	(72)
Decrease / (increase) in other creditors	(712)	750
Carrying amount of tangible fixed asset disposals	106	393
Adjustments for investing or financing activities:-		
Proceeds from the sale of tangible fixed assets	(216)	(545)
Government grants utilised in the year	(1,117)	(1,015)
Interest payable	1,984	1,963
Interest received	(5)	(4)
Net cash inflow from operating activities	9,434	9,075

20. CAPITAL COMMITMENTS

	2017	2016
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>19,991</u>	<u>5,362</u>
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<u>52,329</u>	<u>29,395</u>

The amounts contracted for at 31st March 2017 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:-

	2017	2016
	£000	£000
Less than one year	126	131
Between one and five years	100	206
	<u>226</u>	<u>337</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 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 2017

22. GRANT AND FINANCIAL ASSISTANCE

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

	2017	2016
	£000	£000
Held as deferred capital grant	116,570	110,118
Recognised as income in the statement of comprehensive income	9,778	6,974
Grant within cost on properties at fair values at acquisition	8,043	8,043
	134,391	126,881

23. 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:-

	2017	2016
	£000	£000
Charges in respect of rent and service charges	15,764	6,878
Amounts owed from customer and client board members at the year end	246	687

24. 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.

25. 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.

