

SPARE
(FOR SCANNING)



Scott-Moncrieff
business advisers and accountants

CAIRN HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

The Scottish Housing Regulator: HEP218
Scottish Charity Number: SC016647

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Mr S E G Guest, Chairperson
Mr M Allan, Vice Chairperson
Mr D Venters
Ms G Walch
Mr D Jamieson
Mr W Gillespie
Mrs H Barton
Mr A Lamont
Mr N Wood
Mr L Casserly
Ms J Browne (co-opted 20/9/18)
Ms L Crawford (elected 20/9/18)
Mr N Chapman (elected 20/9/18)
Mr J Clark (resigned 23/04/19)
Mr G Colgan (resigned 20/09/18)
Mr J Woods (resigned 20/09/18)
Mrs M Mackenzie (resigned 22/05/18)

Executive Officers

Mr J MacGilp, Chief Executive and Secretary
Mr D Adam, Director of Finance and Business Services
Mr J Davidson, Director of Customer Services

Secretary

Mr J MacGilp

Head Office

Bellevue House
22 Hopetoun Street
Edinburgh
EH7 4GH

Auditor

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

Bankers

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

Other Lenders

Santander plc
Bridle Road
Bootle
Merseyside
L30 4GB

Registration numbers

Financial Conduct
The Scottish Housing Regulator
Registered Scottish Charity

2335R(S)
HEP218
SC016647

CAIRN HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The Board of Management present their Report and the audited financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of Cairn Housing Association Limited ('Cairn HA') is the provision of affordable housing for rent, and related services for tenants and other parties. The Association is a registered social landlord and was incorporated in Scotland. Cairn HA is the Parent organisation of Cairn Housing Group.

The principal activity of the Group's subsidiary, ANCHO Limited ('ANCHO'), is the provision of affordable housing rent and related services for tenants and other parties. The Association is a registered social landlord and was incorporated in Scotland

The principal activity of the Group's commercial subsidiary, Cairn Homes and Services Limited, is the rental of housing units at mid-market and full market rent.

Review of the business

The financial year to 31 March 2019 has been a significant year of growth and improvement with a number of important initiatives in services, funding and business structure. There has been sustained good business performance and service improvement across the new Cairn Housing Group, to the benefit of our tenants and other customers and the communities we work in.

Highlights during the year have included:-

- The constitutional partnership between Cairn HA and ANCHO commenced on 1 November 2018 following overwhelming support from tenants of ANCHO in the ballot and approvals from lenders, the Scottish Housing Regulator, OSCR and the Financial Conduct Authority;
- This was an important moment for both organisations and brings the establishment of Cairn Housing Group. Work is well under way to deliver the range of partnership promises made to the tenants of ANCHO during the ballot consultation. The accelerated investment in housing stock improvements is a key aspect of the partnership, with funds made available from Cairn HA alongside existing ANCHO funding. £1.9m has been invested in ANCHO homes during 2018/19 in this accelerated programme, including 53 new kitchens, 58 new roofs and 144 new doors & windows;
- The Transition & Integration Plan for the new Group is also well underway, with good progress made on a range of integration projects on HR and employment issues, IT/Systems modernisation, governance support and business improvement activity;
- Cairn HA secured a substantial refinancing deal during the year, with the securing of a £50 million Private Placement with a US-based insurance company. This gives Cairn HA, and the Group as a whole, significant financial capacity and the stability of long term, low rate loan finance to plan for investment improvement and business growth for many years to come. This gives the Group substantial business resilience in a challenging operating and economic environment;
- Cairn HA was successful in a number of important external quality accreditations during 2018/19, including a re-accreditation of the UK-wide Customer Service Excellence accreditation. This helps demonstrate our continuing commitment to providing the best service to our tenants and supports one of our core values of Customer First;

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Review of the business (continued)

- Cairn HA also achieved a prestigious Level Four, "Recognised for Excellence" accreditation from Quality Scotland under the internally recognised EFQM framework;
- Cairn Group's Care & Repair Service in Highland also achieved accreditation for its important work during the year;
- Cairn HA delivered of a substantial investment programme of £1.26 million in our existing homes across Scotland. This has directly improved the quality of life for tenants and supported our commitment to our vision of Great Homes including investment in 36 new kitchens, 42 new bathrooms, energy efficiency work, and heating systems;
- Despite significant challenges through the impact of the UK Government's welfare changes and roll out of Universal Credit, our income management has held up well, with a good level of performance at 98.3% of income collected;
- There have been challenges in maintaining Cairn HA's previous very good void re-let performance of previous years, and a new in-house Voids Squad has been established to seek to make progress on performance in the next 12 months;
- Staff engagement levels have continued to increase for the sixth year in a row. Cairn HA was again rated in the Top 50 Best not-for-profit Companies to work for award, through the Best Companies framework;
- Cairn HA moved its Head Office to new premises within Edinburgh during the year, with improved modern facilities, flexible working arrangements and significantly reduced lease costs, contributing to substantial overhead savings;
- Following a number of years of overhead cost reduction Cairn established a number of new posts in frontline services to support important work on protecting income to the Association and assisting customers with the challenging Universal Credit regime;
- The Scottish Housing Regulator has introduced a new Regulatory framework operating from 1 April 2019. Cairn and ANCHO have a new Engagement Plan and work is underway to prepare for the new requirement for an Annual Assurance Statement during 2019. Ensuring good standards of governance and assurance and regulatory compliance will continue to be a high priority across Cairn HA and its subsidiaries, ANCHO, and Cairn Homes & Services Limited;
- Cairn's growth objective has continued with the delivery of 88 new affordable homes during the year through our development strategy. Work is continuing by the in-house development team working closely with our partners across Scotland to deliver the completion, over the next three years, of our 400 new homes programme;
- Through our income maximisation and benefits advice service we have secured over £673k in additional benefits for our customers;
- Cairn HA delivered 12 successful Community Development projects in communities across Scotland;
- ANCHO continued the important delivery of the successful Better Off North Ayrshire programme and the Small Steps programme working with disadvantaged and vulnerable customers across North Ayrshire; and

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2019

Review of the business (continued)

- In order to mitigate the risk in relation to the Scottish Housing Association Pension Scheme (SHAPS), the Association closed the defined benefit scheme with all members transferring to the defined contribution scheme from 1 April 2014. Up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus SHAPS is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. Further details regarding SHAPS can be found in note 25 of the financial statements. The risks associated with the pension scheme, and how these are managed, are included within risks and uncertainties detailed below.

Financial performance

The Association's operating surplus decreased from £2,538,557 in 2017/18 to £2,148,509 in 2018/19 mainly due to increased expenditure in both responsive repairs works and staffing costs. These have been partially offset by the increase in turnover and the reduction in office costs following the Head Office relocation. The Association generated a surplus for the year of £543,971 (2018: £986,019), with the surplus being taken to the Revenue Reserve. The Association's Financial Statements reflect that from 1 April 2018 information became available allowing the assets and liabilities of the SHAPS defined benefit pension scheme to be separately identifiable and accounted for in accordance with FRS102 section 28.

With the commencement of the constitutional partnership between Cairn HA and ANCHO commencing on 1 November 2018, the results from ANCHO have been incorporated within the Group figures from that date. The Group generated a surplus after taxation of £2,025,651 (2018: £986,928) which included a release from negative goodwill of £1,058,295. ANCHO returned an overall surplus of £711,007 (2018: £462,843) for the full year ended 31 March 2019 with Cairn Homes and Services generating a profit after tax of £29,640 (2018: £909). The Group surplus for the year has been taken to the Revenue Reserve.

Future developments

The operating and financial environment continues to be very challenging, but the Associations and the Cairn Housing Group as a whole continues to be self-aware and pro-active in making important decisions on finance and strategy and set a direction to continue to build a resilient and successful organisation. The Board and the management team of Cairn HA are confident about the future and are focussed on delivering our vision of Great Homes, Great Services, Great People, and are focussed on working closely with ANCHO to ensure the success of the new Cairn Housing Group. We will continue our commitment to continue to modernise and change where required - including for example exploring new Digital Services and Digital Working strategies - and to operate the business in the long term interests of current and future customers in communities throughout Scotland.

Cairn Homes and Services Limited's continues to expand activities which have included increasing the number of units leased from Cairn HA which the company then rents out at mid-market and full market rent. In addition, the directors are considering other ways in which to increase the company's activities in the coming year, which will include the transfer of garage leases from Cairn HA.

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2019

Growth & Partnerships

Cairn continues to be open to a range of service partnerships and joint working with others to achieve our strategic objectives in the interest of current and future customers and the communities throughout Scotland.

Risks and Uncertainties

Cairn HA continues to be a strong and resilient social business. There are a number of opportunities ahead such as growth through new build development and partnership opportunities. We will continue to robustly manage our risk profile and take mitigating actions as required. We will continue to develop our business continuity planning and oversee key risks such as securing income to the organisation and our response to ongoing changes to welfare and Social Security; the wider financial environment, regulatory compliance and our asset management strategy. The risk in respect of the SHAPS defined benefit pension liability is being managed by being kept informed of the current developments through membership of the SHAPS Employer Support Group run by Employers in Voluntary Housing.

Key performance indicators

The Group continues to closely monitor key performance indicators, including those required under the Annual report on The Scottish Social Housing Charter with key performance information trends and analysis provided to the Boards of ANCHO and Cairn HA. We also pay particular attention to key financial indicators on gearing and interest cover to ensure ongoing financial stability.

Governance

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

The Board also ensures appropriate levels of assurance and strategic risk management, including external advice where appropriate, and compliance with regulatory standards. The members of the Board of Management are currently unpaid, other than expenses. Cairn HA employs a specialist Governance Services Manager who works with the Chief Executive to ensure all company secretary responsibilities and support is given to the boards in the Group.

We review the Board Succession & Development Plan each year, following annual personal development meetings, to ensure the appropriate level and mix of skills and experience and to ensure we keep up to date with regulatory requirements and best practice standards. There were four resignations or retirement during 2018/19 and five new Board members were elected or co-opted. Cairn HA is a member of the Scottish Federation of Housing Associations and ensures positive working relationships with our Regulators, (SHR and OSCR), local authorities and other partners.

Cairn HA is committed to continuous improvement and the Board sets challenging business targets, which are regularly monitored and reviewed by the Board and Senior Management Team.

Governance arrangements at Cairn include a Group Audit & Performance Committee, a Remuneration Committee and a Customer Panel working with the Group to provide an additional level of scrutiny and to support improvement activities.

CAIRN HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The Board of Management and Executive Officers

The Board of Management and executive officers of the Association are listed on the first page of the financial statements. Each member of the Board of Management holds one fully paid share of £1 in Cairn HA. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Board. The Schedule of Delegated Authorities was reviewed during 2018/19 to ensure the appropriate balance of enabling operational effectiveness with proper board oversight and decisions making where required.

Statement of the Board of Management's Responsibilities

Housing Association legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the income and expenditure of the Group and Association for that period. In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Association will continue in business.

The Board of Management, advised by the Senior Management Team, is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on internal financial controls

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

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

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

- (a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Group. A comprehensive programme of internal audit covering over time all the Group's main activities is on-going. Reports are made to the Group Audit & Performance Committee with appropriate action taken where necessary.
- (b) Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board of Management quarterly.

CAIRN HOUSING ASSOCIATION LIMITED

**REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

Statement on internal financial controls (continued)

- (c) Major business risks and their financial implications are assessed by reference to established criteria.
- (d) The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the Financial Regulations.
- (e) The Board of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

While retaining overall responsibility for internal financial control, the Board of Management has delegated the day to day administration of the Group and the Association to the executive officers.

The Board of Management confirms it is satisfied with the effectiveness of the Group's and the Association's system of internal financial control as it operated during the year under review.

Disclosure of information to the auditor

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

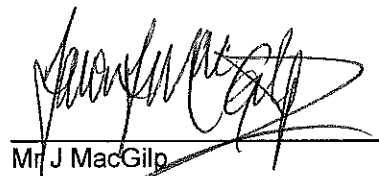
- So far as the Board members are aware, there is no relevant information of which the Group's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Group's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

Auditor

A resolution to re-appoint the Auditor, Scott-Moncrieff, will be proposed at the Annual General Meeting.

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

BY ORDER OF THE BOARD


Mr J MacGillp
Secretary

Date: 8 | 8 | 19

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Cairn Housing Association Limited (the 'Parent Association') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Changes in Capital and Reserves, the Group and Association Statements of Financial Position, the Group and Association Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Other information (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 5, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

CAIRN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

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

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: 8 AUGUST 2019

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 5 and 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 5 and 6 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

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

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Date: *8 AUGUST 2019*

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	4	18,173,708	16,063,327
Operating expenditure	4	(15,679,976)	(13,523,374)
Operating surplus	4	2,493,732	2,539,953
Gain on sale of property, plant and equipment	10	161,518	101,189
Interest receivable	11a	11,921	-
Interest payable and similar charges	12	(2,103,416)	(1,654,214)
Negative goodwill	14	1,058,295	-
Revaluation gain on investment properties	15c	409,135	-
Surplus for the year before taxation		2,031,185	986,928
Taxation	13	(5,534)	-
Surplus after taxation		2,025,651	986,928
Other comprehensive income			
Initial recognition of the SHAPS defined benefit pension scheme	25	(1,172,313)	-
Actuarial loss in respect of the SHAPS defined benefit pension scheme	25	(699,000)	-
Actuarial loss in respect of the Strathclyde defined benefit pension scheme	25	(222,000)	-
Total comprehensive income for the year		(67,662)	986,928

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	4	16,750,541	16,052,821
Operating expenditure	4	(14,602,032)	(13,514,264)
Operating surplus	4	2,148,509	2,538,557
Gain on sale of property, plant and equipment	10	161,518	101,189
Interest receivable	11b	6,875	-
Interest payable and similar charges	12	(2,042,446)	(1,653,727)
Revaluation gain on investment properties	15d	269,515	-
Surplus for the year before taxation		543,971	986,019
Taxation	13	-	-
Surplus after taxation		543,971	986,019
Other comprehensive income			
Initial recognition of the SHAPS defined benefit pension scheme	25	(1,172,313)	-
Actuarial loss in respect of the SHAPS defined benefit pension scheme	25	(699,000)	-
Total comprehensive income for the year		(1,327,342)	986,019

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 31 MARCH 2019

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2018	96	54,768,600	54,768,696
Total Comprehensive Income for the year	-	(67,662)	(67,662)
Cancelled shares during the year	(11)	-	(11)
Issued during the year	7	-	7
Balance at 31 March 2019	92	54,700,938	54,701,030

AS AT 31 MARCH 2018

	<i>Share capital £</i>	<i>Revenue reserve £</i>	<i>Total reserves £</i>
Balance at 1 April 2017	99	53,781,672	53,781,771
Total Comprehensive Income for the year	-	986,928	986,928
Cancelled shares during the year	(3)	-	(3)
Balance at 31 March 2018	96	54,768,600	54,768,696

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES****AS AT 31 MARCH 2019**

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2018	96	54,777,794	54,777,890
Total Comprehensive Income for the year	-	(1,327,342)	(1,327,342)
Cancelled shares during the year	(11)	-	(11)
Shares issued during the year	7	-	7
Balance at 31 March 2019	92	53,450,452	53,450,544

AS AT 31 MARCH 2018

	<i>Share capital £</i>	<i>Revenue reserve £</i>	<i>Total reserves £</i>
Balance at 1 April 2017	99	53,791,775	53,791,874
Total Comprehensive Income for the year	-	986,019	986,019
Cancelled shares during the year	(3)	-	(3)
Balance at 31 March 2018	96	54,777,794	54,777,890

The notes form part of these financial statements.

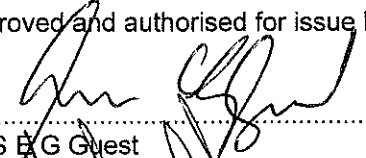
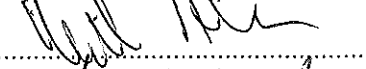
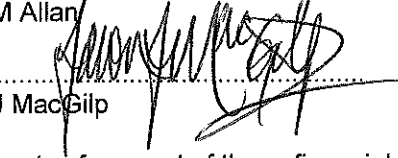
CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	£	2019 £	£	2018 £
Negative goodwill	14		(11,641,244)		-
Tangible fixed assets and investments					
Housing properties	15a		121,661,377		94,595,059
Investment properties	15c		12,515,682		9,078,833
Other fixed assets	15e		1,452,636		1,253,868
			<u>135,629,695</u>		<u>104,927,760</u>
Current assets					
Debtors	17	2,838,416		2,297,117	
Cash and cash equivalents	18	2,327,720		1,494,746	
		<u>5,166,136</u>		<u>3,791,863</u>	
Creditors: amounts falling due within one year	19	(10,542,916)		(4,454,725)	
Net current liabilities			<u>(5,376,780)</u>		<u>(662,862)</u>
Total assets less current liabilities			<u>118,611,671</u>		<u>104,264,898</u>
Creditors: amounts falling due after more than one year	20		(59,500,472)		(49,496,202)
SHAPS defined benefit pension scheme	25		(3,698,000)		-
Strathclyde defined benefit pension scheme	25		(712,000)		-
Deferred taxation	26		(169)		-
Net assets			<u>54,701,030</u>		<u>54,768,696</u>
Capital and reserves					
Share capital	27		92		96
Revenue reserves	28		54,700,938		54,768,600
			<u>54,701,030</u>		<u>54,768,696</u>

Approved and authorised for issue by the Board of Management on 8 AUGUST 2019


 Chairperson
 Mr S B G Guest

 Vice Chairperson
 Mr M Allan

 Secretary
 Mr J MacGilp

The notes form part of these financial statements.

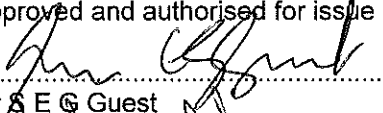
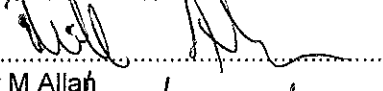
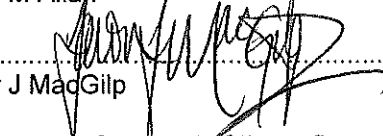
CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	£	2019 £	£	2018 £
Tangible fixed assets and investments					
Housing properties	15b		101,641,012		94,595,059
Investment properties	15d		11,928,562		9,078,833
Other fixed assets	15f		1,373,686		1,251,960
Investments	15g		1		1
			<u>114,943,261</u>		<u>104,925,853</u>
Current assets					
Debtors due after one year	16	700,000		-	
Debtors within one year	17	2,494,191		2,307,489	
Cash and cash equivalents	18	1,920,066		1,490,828	
		<u>5,114,257</u>		<u>3,798,317</u>	
Creditors: amounts falling due within one year	19	<u>(9,681,065)</u>		<u>(4,450,078)</u>	
Net current liabilities			<u>(4,566,808)</u>		<u>(651,761)</u>
Total assets less current liabilities			<u>110,376,453</u>		<u>104,274,092</u>
Creditors: amounts falling due after more than one year	20		<u>(53,227,909)</u>		<u>(49,496,202)</u>
SHAPS defined benefit pension scheme	25		<u>(3,698,000)</u>		<u>-</u>
Net assets			<u>53,450,544</u>		<u>54,777,890</u>
Capital and reserves					
Share capital	27		92		96
Revenue reserves	28		53,450,452		54,777,794
			<u>53,450,544</u>		<u>54,777,890</u>

Approved and authorised for issue by the Board of Management on 8 AUGUST 2019


 Mr S E G Guest Chairperson

 Mr M Allah Vice Chairperson

 Mr J MacGilp Secretary

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	£	2019 £	£	2018 £
Net cash generated from operating activities	29		4,449,816		3,816,915
Cash flow from investing activities					
Payments to acquire and improve housing stock		(10,208,436)		(4,120,874)	
Payments to acquire investment property		(3,092,220)		-	
Purchase of other fixed assets		(581,791)		(242,085)	
HAG and other capital grants received		5,531,324		1,407,072	
Proceeds from sale of tangible fixed assets		500,563		297,222	
HAG repaid		-		(52,532)	
Interest received		11,921		-	
Improvement to investment properties		(15,974)		(2,700)	
Cash acquired through acquisition		759,986		-	
			(7,094,627)		(2,713,897)
Taxation paid			-		-
Cash flow from financing activities					
Interest paid		(2,012,416)		(1,626,727)	
Housing loans repaid		(18,014,574)		(1,115,376)	
Housing loans received		23,300,000		2,000,000	
Loans acquired through acquisition		-		-	
			3,273,010		(742,103)
Net change in cash and cash equivalent			628,199		360,915
Cash and cash equivalent at beginning of year	18		1,099,307		738,392
Cash and cash equivalent at end of the year	18		1,727,506		1,099,307

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Note s	£	2019 £	£	2018 £
Net cash generated from operating activities	29		4,020,197		3,814,207
Cash flow from investing activities					
Payments to acquire and improve housing stock		(8,969,952)	(4,120,874)		
Payments to acquire investment property		(3,092,220)	-		
Purchase of other fixed assets		(578,191)	(242,085)		
HAG and other capital grants received		5,531,324	1,407,072		
Proceeds from sale of tangible fixed assets		500,563	297,222		
HAG repaid		-	(52,532)		
Interest received		6,875	-		
Improvement to investment properties		(15,974)	(2,700)		
			(6,617,575)		(2,713,897)
Taxation paid					-
Cash flow from financing activities					
Loan to ANCHO Limited		(700,000)	-		
Interest paid		(1,961,446)	(1,626,727)		
Housing loans repaid		(17,816,713)	(1,115,376)		
Housing loans received		23,300,000	2,000,000		
			2,821,841		(742,103)
Net change in cash and cash equivalent			224,463		358,207
Cash and cash equivalent at beginning of year	18		1,095,389		737,182
Cash and cash equivalent at end of the year	18		1,319,852		1,095,389

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1. General Information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principle accounting policies are set out below.

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

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

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

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

2. Principle Accounting policies

(a) Basis of accounting and consolidation

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards and statements of recommended practice. The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 and of the results for the year ended on that date.

(b) Going concern

The financial statements have been prepared on a going concern basis by the Board of Management as surpluses are expected in 2019/20 and 2020/21, there is a healthy cash balance and the Group is in the process of drawing down the second tranche of Private Placement funding. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Turnover

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Principle Accounting policies (continued)

(d) Apportionment of management expenses

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

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

(e) Interest receivable

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

(f) Interest payable

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

(g) Negative goodwill

Negative goodwill arising on consolidation represents the excess of the fair value of the identifiable assets and liabilities of ANCHO transferred over to the group on the date the strategic partnership commenced, which was 1 November 2018. The negative goodwill will be released over its estimated useful life which is deemed to be five years from acquisition.

(h) Tangible fixed assets - housing properties

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

- (i) cost of acquiring land and buildings;
- (ii) development expenditure; and
- (iii) internal administrative costs relating to the acquisition and development of housing properties.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant.

Expenditure on schemes is written off in the year unless it is recognised that the schemes will be developed to completion.

Refurbishment expenditure on existing properties is capitalised to the extent that the expenditure represents improvements to the properties or replacement of components.

(i) Shared ownership transactions

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

2. Principle Accounting policies (continued)

(j) Government capital grants

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

(k) Government revenue grants

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

(l) Non-government capital and revenue grants

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

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

(m) Depreciation

Housing properties

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

Freehold land is not depreciated.

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

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Principle Accounting policies (continued)

(m) Depreciation (continued)

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

Shared ownership housing properties

Depreciated over 60 years.

Other fixed assets

Depreciation is provided on other fixed assets at rates calculated to write off cost evenly over expected useful lives as follows:

Heritable office properties	Over 60 years
Office furniture and equipment	4 to 10 years

(n) Pensions (Note 25)

SHAPS

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

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

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Principle Accounting policies (continued)

(n) Pensions (Note 25) (continued)

Strathclyde Pensions Trust

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

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

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

(o) Operating leases

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

(p) Investment properties

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

(q) Restricted reserves

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

(r) Investments

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

(s) Debtors

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

(t) Rental arrears

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

(u) Cash and Cash Equivalents

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

(v) Creditors

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Principle Accounting policies (continued)

(w) Financial instruments

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

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

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

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

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

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

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

Estimate

Valuation of housing properties

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Basis of estimation

Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition to FRS 102 of 1 April 2014.

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Group, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and are based on costing models.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

Estimate

Recoverable amount of rental and other trade receivables

The obligations under the SHAPs and the Strathclyde defined benefit pension schemes

The valuation of investment properties

Basis of estimation

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The investment properties were valued by an appropriately qualified surveyor using market data at the date of valuation.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Particulars of turnover, operating expenditure and operating surplus

Group	2019 Turnover £	2019 Operating Expenditure £	2019 Operating Surplus £	2019 Turnover £	2019 Operating Expenditure £	2018 Operating Surplus £
Social lettings (note 5a)	16,199,344	14,283,794	1,915,550	14,427,742	12,308,470	2,119,272
Other activities (note 6a)	1,914,570	1,372,008	542,562	1,617,879	1,205,794	412,085
Cairn Homes and Services Limited	59,794	24,174	35,620	17,706	9,110	8,596
	<u>18,173,708</u>	<u>15,679,976</u>	<u>2,493,732</u>	<u>16,063,327</u>	<u>13,523,374</u>	<u>2,539,953</u>

Association	2019 Turnover £	2019 Operating Expenditure £	2019 Operating Surplus £	2019 Turnover £	2019 Operating Expenditure £	2018 Operating Surplus £
Social lettings (note 5b)	15,014,570	13,346,162	1,668,408	14,427,742	12,308,470	2,119,272
Other activities (note 6b)	1,735,971	1,255,870	480,101	1,625,079	1,205,794	419,285
	<u>16,750,541</u>	<u>14,602,032</u>	<u>2,148,509</u>	<u>16,052,821</u>	<u>13,514,264</u>	<u>2,538,557</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5a. Particulars of turnover, operating expenditure and operating surplus or (deficit) from social letting activities	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	2019 £	2018 £
Group							
Rent receivable net of service charges	10,598,037	1,544,607	1,825,949	116,582	91,625	14,176,800	12,605,213
Service charges net of voids	243,501	579,018	1,035,359	150,976	5,123	2,013,977	1,830,271
Gross income from rents and service charges	10,841,538	2,123,625	2,861,308	267,558	96,748	16,190,777	14,435,484
Less: Rental voids	(118,727)	(102,386)	(35,244)	(3,758)	(1,659)	(261,774)	(234,789)
Net income from rents and service charges	10,722,811	2,021,239	2,826,064	263,800	95,089	15,929,003	14,200,695
Release of deferred capital government grant	84,764	-	-	-	-	84,764	16,817
Grants from the Scottish Ministers	111,424	47,027	27,126	-	-	185,577	210,230
Total turnover from social letting activities	10,918,999	2,068,266	2,853,190	263,800	95,089	16,199,344	14,427,742
Management and maintenance administration costs	4,127,600	801,891	998,134	32,143	71,054	6,030,822	5,031,041
Service costs	184,582	573,510	1,053,682	3,650	18,871	1,834,295	1,718,008
Planned and cyclical maintenance	1,126,946	469,939	661,085	24,283	6,403	2,288,656	2,766,694
Planned and cyclical maintenance capitalised	(445,204)	(336,997)	(443,805)	(4,574)	(1,100)	(1,231,680)	(1,898,866)
Responsive maintenance costs	1,796,275	392,851	414,534	25,599	30,986	2,660,235	1,932,043
Responsive maintenance capitalised	(99,313)	(1,167)	(3,501)	(4,205)	(300)	(108,486)	(27,047)
Bad debt provision	(19,496)	-	-	-	-	(19,496)	32,520
Write offs	184,162	73,839	42,413	3,092	2,820	306,326	207,491
Non-refundable rent	(6,647)	(1,381)	(1,712)	(114)	(77)	(9,931)	(38,611)
Impairment	-	-	-	-	-	-	439,915
Depreciation of social housing	1,741,784	332,867	416,088	26,093	16,221	2,533,053	2,145,282
Operating expenditure for social letting activities	8,590,689	2,305,352	3,136,918	105,957	144,878	14,283,794	12,308,470
Operating surplus or (deficit) for social lettings 2019	2,328,310	(237,086)	(283,728)	157,843	(49,789)	1,915,550	
<i>Operating surplus for social lettings – 2018</i>	<i>2,115,707</i>	<i>27,706</i>	<i>(106,202)</i>	<i>92,855</i>	<i>(10,794)</i>		<i>2,119,272</i>
Number of units in management:	2,831	474	590	19	42	3,956	
2019	2,102	472	590	37	41	3,242	

Included in depreciation of social housing is £305,135 (2018: £184,553) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5b. Particulars of turnover, operating expenditure and operating surplus or (deficit) from social letting activities	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	2019 £	2018 £
Association							
Rent receivable net of service charges	9,409,095	1,544,607	1,825,949	116,582	91,625	12,987,858	12,605,213
Service charges net of voids	243,501	579,018	1,035,359	150,976	5,123	2,013,977	1,830,271
Gross income from rents and service charges	9,652,596	2,123,625	2,861,308	267,558	96,748	15,001,835	14,435,484
Less: Rental voids	(114,027)	(102,386)	(35,244)	(3,758)	(1,659)	(257,074)	(234,789)
Net income from rents and service charges	9,538,569	2,021,239	2,826,064	263,800	95,089	14,744,761	14,200,695
Release of deferred capital government grant	84,232	-	-	-	-	84,232	16,817
Grants from the Scottish Ministers	111,424	47,027	27,126	-	-	185,577	210,230
Total turnover from social letting activities	9,734,225	2,068,266	2,853,190	263,800	95,089	15,014,570	14,427,742
Management and maintenance administration costs							
Service costs	3,660,087	801,891	998,134	32,143	71,054	5,563,309	5,031,041
Planned and cyclical maintenance	184,582	573,510	1,053,682	3,650	18,871	1,834,295	1,718,008
Planned and cyclical maintenance capitalised	1,112,941	469,939	661,085	24,283	6,403	2,274,651	2,766,694
Responsive maintenance costs	(445,204)	(336,997)	(443,805)	(4,574)	(1,100)	(1,231,680)	(1,898,866)
Responsive maintenance capitalised	1,612,714	392,851	414,534	25,589	30,986	2,476,674	1,932,043
Bad debt provision	(99,313)	(1,167)	(3,501)	(4,205)	(300)	(108,486)	(27,047)
Write offs	(19,496)	-	-	-	-	(19,496)	32,520
Non-refundable rent	170,836	73,839	42,413	3,092	2,820	293,000	207,491
Impairment	(6,646)	(1,381)	(1,712)	(114)	(77)	(9,930)	(38,611)
Depreciation of social housing	-	-	-	-	-	-	439,915
	1,482,556	332,867	416,088	26,093	16,221	2,273,825	2,145,282
Operating expenditure for social letting activities	7,653,057	2,305,352	3,136,918	105,957	144,878	13,346,162	12,308,470
Operating surplus or (deficit) for social lettings 2019	2,081,168	(237,086)	(283,728)	157,843	(49,789)	1,668,408	
<i>Operating surplus for social lettings – 2018</i>	<i>2,115,707</i>	<i>27,706</i>	<i>(106,202)</i>	<i>92,855</i>	<i>(10,794)</i>		<i>2,119,272</i>
Number of units in management:	2,159	474	590	19	42	3,284	
2019	2,102	472	590	37	41	3,242	
2018							

Included in depreciation of social housing is £140,650 (2018: £184,553) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

Group	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating Expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) 2019 £	Operating surplus or (deficit) 2018 £
Care and repair of property	404,196	75,952	-	-	480,148	-	413,651	66,497	56,594
Wider role	122,321	-	-	-	122,321	-	86,776	35,545	
Commercial rent from investment properties	-	-	-	764,993	764,993	-	488,385	276,608	281,151
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	11,981	-	56,389	-	68,370	-	166,724	(98,354)	(75,986)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	87,100	87,100	12,346	57,210	17,544	13,218
Service charge admin recharge	-	-	-	111,855	111,855	-	98,876	12,979	56,859
Third party recharge costs	-	-	-	72,447	72,447	-	25,935	46,512	68,793
Other activities	-	-	-	207,336	207,336	16,435	5,670	185,231	11,456
Total from other activities 2019	538,498	75,952	56,389	1,243,731	1,914,570	28,781	1,343,227	542,562	
Total from other activities 2018	404,196	71,396	97,481	1,044,806	1,617,879	67,683	1,138,111		412,085

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2014) do not apply.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

6b. Particulars of turnover, operating expenditure and operating surplus or (deficit) from other activities									
Association	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating Expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) 2019 £	Operating surplus or (deficit) 2018 £
Care and repair of property	404,196	75,952	-	-	480,148	-	413,651	66,497	56,594
Commercial rent from investment properties	-	-	-	744,126	744,126	-	488,385	255,741	281,151
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	56,389	-	56,389	-	157,085	(100,696)	(75,986)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	87,100	87,100	12,346	43,157	31,597	13,218
Service charge admin recharge	-	-	-	111,855	111,855	-	98,876	12,979	56,859
Third party recharge costs	-	-	-	72,447	72,447	-	25,935	46,512	75,273
Other activities	-	-	-	183,906	183,906	16,435	-	167,471	12,176
Total from other activities 2019	404,196	75,952	56,389	1,199,434	1,735,971	28,781	1,227,089	480,101	
Total from other activities 2018	404,196	71,396	97,481	1,052,006	1,625,079	67,683	1,138,111		419,285

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2014) do not apply.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

7a. Employees – Group	2019	2018
	£	£
Staff costs during year:		
Wages and salaries	4,155,965	3,572,185
Social security costs	381,733	330,280
Pension costs	340,318	288,832
Pension costs – Past service scheme expenses	-	17,660
Pension costs – Past service deficit measurement	-	(20,000)
Pension costs – Strathclyde Pension Scheme	151,000	-
Death in service	49,411	39,347
Accrued holiday pay	116,185	36,473
Agency costs	31,603	23,238
Redundancy and compensation payments (including NI)	99,025	159,821
	5,325,240	4,447,836

During the year past service deficit contributions of £563,772 (2018: £554,138) were paid.

	2019	2019	2018	2018
	Ave	FTE	Ave	FTE
	No.	No.	No.	No.
Average weekly number and the full time equivalent (FTE) employees of the Association including staff on an agency basis during the year was				
Office staff	99	87	96	82
HomeWorks staff	16	15	8	8
Housing managers and other staff	77	42	68	30
	192	144	172	120

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

7b. Employees –Association	2019	2018
	£	£
Staff costs during year:		
Wages and salaries	3,921,205	3,572,185
Social security costs	358,756	330,280
Pension costs	306,947	288,832
Pension costs – Past service scheme expenses - SHAPS	-	17,660
Pension costs – Past service deficit measurement SHAPS	-	(20,000)
Death in service	45,433	39,347
Accrued holiday pay	114,911	36,473
Agency costs	30,761	23,238
Redundancy and compensation payments (including NI)	99,025	159,821
	4,877,038	4,447,836

During the year past service deficit contributions of £563,772 (2018: £554,138) were paid.

	2019	2019	2018	2018
	Ave	FTE	Ave	FTE
	No.	No.	No.	No.
Average weekly number and the full time equivalent (FTE) employees of the Association including staff on an agency basis during the year was				
Office staff	97	85	96	82
HomeWorks staff	12	12	8	8
Housing managers and other staff	63	28	68	30
	172	125	172	120

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

8a. Directors' emoluments – Group

The directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board of Management during the year. The Association considers key management personnel to be the Board of Management and the senior management team of the Group only.

	2019 £	2018 £
Aggregate emoluments payable to the key management team (which includes all the officers earning > £60k) (excluding pension contributions) amounted to:	<u>317,501</u>	<u>353,243</u>
Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	<u>112,170</u>	<u>108,912</u>
The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions) in the following ranges were:	Number	Number
£60,001 - £70,000	-	1
£70,001 - £80,000	2	2
£80,001 - £90,000	-	-
£90,001 - £100,000	1	1
£100,001 - £110,000	<u>1</u>	<u>1</u>

Total pension contributions (including a share of the past service deficit payment) to the key management team (which includes all officers earning > £60k) were £74,461 (2018: £70,337). No enhanced or special terms apply to membership and the key management team have no other pension arrangements to which the Group contributes. Employers NI contributions for the key management team were £38,877 (2018: £41,422)

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 25. The Association's contributions (including a share of the past service deficit payment) for the Chief Executive in the year amounted to £27,353 (2018: £27,550).

	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	<u>15,225</u>	<u>21,373</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

8b. Directors' emoluments –Association

The directors are defined as the members of the Board of Management, the Chief Executive and any other person reporting directly to the Chief Executive or the Board of Management whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Board of Management during the year. The Association considers key management personnel to be the Board of Management and the senior management team of the Group only.

	2019	2018
	£	£
Aggregate emoluments payable to the key management team (which includes all the officers earning > £60k) (excluding pension contributions) amounted to:	277,675	353,243
Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	112,170	108,912
The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions) in the following ranges were:	Number	Number
£70,001 - £80,000	-	1
£80,001 - £90,000	2	2
£90,001 - £100,000	-	-
£110,001 - £115,000	1	1

Total pension contributions (including a share of the past service deficit payment) to the key management team (which includes all officers earning > £60k) were £67,785 (2018: £70,337). No enhanced or special terms apply to membership and the key management team have no other pension arrangements to which the Group contributes. Employers NI contributions for the key management team were £34,351 (2018: £41,422)

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 25. The Association's contributions (including a share of the past service deficit payment) for the Chief Executive in the year amounted to £27,353 (2018: £27,550).

	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	13,223	21,373

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

9. Operating surplus	2019 £	2018 £
Operating surplus is stated after charging:		
Group		
Depreciation:		
- charge	2,530,553	2,164,334
- loss on disposal of components	305,135	184,553
Auditor's remuneration:		
- External audit services	27,851	19,446
- non-audit services	8,783	2,865
- internal audit services	23,532	7,619
	<u>2,885,854</u>	<u>2,378,717</u>
Association		
Depreciation:		
- charge	2,428,749	2,163,421
- loss on disposal of components	140,650	184,553
Auditor's remuneration:		
- External audit services	17,414	17,150
- non-audit services	8,291	1,905
- internal audit services	23,532	7,619
	<u>2,618,636</u>	<u>2,375,048</u>

Scott-Moncrieff are also the internal auditor.

10. Gain on sale on property, plant and equipment	2019 £	2018 £
Group and association		
Gain on right to buy sales	19,700	26,360
Gain on supported sales	221,553	-
Gain on shared ownership tranches	-	74,829
Gain on general needs	44,121	-
Loss on other fixed assets	(123,856)	-
	<u>161,518</u>	<u>101,189</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11a. Interest receivable – Group	2019	2018
	£	£
Interest receivable on bank deposits	<u>11,921</u>	<u>-</u>
11b. Interest receivable – Association	2019	2018
	£	£
Interest receivable on bank deposits	<u>6,875</u>	<u>-</u>
12. Interest payable and similar charges	2019	2018
Group	£	£
On bank loans	2,011,970	1,626,727
SHAPS – finance cost (note 25)	81,000	27,000
Strathclyde Pension Scheme – finance cost (note 25)	10,000	-
Bank charges	446	487
	<u>2,103,416</u>	<u>1,654,214</u>
Association	2019	2018
	£	£
On bank loans	1,961,446	1,626,727
Defined benefit pension liability – interest charge (note 25)	81,000	27,000
	<u>2,042,446</u>	<u>1,653,727</u>
13. Taxation		
Group		
The Association is a Scottish Charity and no liability to Corporation Tax arises on its charitable activities in the year. Corporation tax is due on the profit generated by Cairn Homes and Services Limited in 2018/19.		
	2019	2018
	£	£
Corporation Tax due on other activities (Cairn Homes and Services Limited)	5,365	-
Deferred tax provision (Cairn Homes and Services Limited)	169	-
	<u>5,534</u>	<u>-</u>
Association	2019	2018
	£	£
Corporation Tax due on other activities	<u>-</u>	<u>-</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14. Goodwill	£
Cost	
At 1 April 2018	-
Additions – ANCHO joining the group	(12,699,539)
At 31 March 2019	(12,699,539)
Amortisation	
At 1 April 2018	-
Charge for year	1,058,295
At 31 March 2019	1,058,295
Net book value	
At 31 March 2019	(11,641,244)
At 31 March 2018	-

The negative goodwill relates to ANCHO joining the Cairn Housing Group on 1 November 2018.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

15a. Tangible fixed assets and investments	Housing Properties held for letting	Shared Ownership held for letting	Housing Properties in the course of construction	Housing Properties Total
(a) Housing properties Group	£	£	£	£
Cost or valuation				
At the start of the year	97,386,541	973,716	3,053,867	101,414,124
Acquired on ANCHO joining the group	21,566,306	-	-	21,566,306
Additions during year				
- properties	206,545	-	-	206,545
- new developments/components	-	-	-	-
- improvements to existing property (replacement components)	2,499,078	-	7,502,813	7,502,813
Transfer	7,673,344	-	(7,673,344)	2,499,078
Investment property transferred during the year	519,040	-	-	519,040
Disposals during year				
- properties	(179,886)	-	-	(179,886)
- replaced components	(357,055)	-	-	(357,055)
At the end of the year	129,313,913	973,716	2,883,336	133,170,965
Depreciation				
At the start of the year	6,754,180	64,885	-	6,819,065
Acquired on ANCHO joining the group	2,525,197	-	-	2,525,197
Charge for year	2,211,697	16,221	-	2,227,918
Disposals during year				
- properties	(10,672)	-	-	(10,672)
- replaced components	(51,920)	-	-	(51,920)
At the end of the year	11,428,482	81,106	-	11,509,588
Net book value				
At 31 March 2019	117,885,431	892,610	2,883,336	121,661,377
At 31 March 2018	90,632,361	908,831	3,053,867	94,595,059

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

15b. Tangible fixed assets and investments	Housing Properties held for letting £	Shared Ownership held for letting £	Housing Properties in the course of construction £	Housing Properties Total £
(b) Housing properties Association				
Cost or valuation				
At the start of the year	97,386,541	973,716	3,053,867	101,414,124
Additions during year				
- properties	206,545	-	-	206,545
- new developments/components	-	-	7,502,813	7,502,813
- improvements to existing property (replacement components)	1,260,594	-	-	1,260,594
Transfer	7,673,344	-	(7,673,344)	-
Investment property transferred during the year	519,040	-	-	519,040
Disposals during year	(179,886)	-	-	(179,886)
- properties	(166,483)	-	-	(166,483)
- replaced components				
At the end of the year	106,699,695	973,716	2,883,336	110,556,747
Depreciation				
At the start of the year	6,754,180	64,885	-	6,819,065
Charge for year	2,116,954	16,221	-	2,133,175
Disposals during year	(10,672)	-	-	(10,672)
- properties	(25,833)	-	-	(25,833)
- replaced components				
At the end of the year	8,834,629	81,106	-	8,915,735
Net book value				
At 31 March 2019	97,865,066	892,610	2,883,336	101,641,012
At 31 March 2018	90,632,361	908,831	3,053,867	94,595,059

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

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

15 (a) Tangible fixed assets and investments (continued)

Group

Total cost of components capitalised for the year amounted to £3,252,050 (2018: £1,825,220). The amount spent on maintenance of housing properties held for letting can be seen in note 5a.

Additions to Housing Properties during the year includes £nil capitalised interest (2018: £nil) and £nil capitalised administration costs (2018: £nil). All housing properties are freehold. Properties with a cost of £179,886 (2018: £150,419) and accumulated depreciation of £10,672 (2018: £6,918) have been disposed of in the year for net proceeds of £500,563 (2018: £244,690 after grant repaid of £52,532). Components with a cost of £357,055 (2018: £210,083) and accumulated depreciation of £51,920 (2018: £25,530) have been disposed of for £nil 2018: £nil) net proceeds.

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

15 (b) Tangible fixed assets and investments (continued)

Association

Total cost of components capitalised for the year amounted to £1,260,594 (2018: £1,825,220). The amount spent on maintenance of housing properties held for letting can be seen in note 5b.

Additions to Housing Properties during the year includes £nil capitalised interest (2018: £nil) and £nil capitalised administration costs (2018: £nil). All housing properties are freehold. Properties with a cost of £179,826 (2018: £150,419) and accumulated depreciation of £10,672 (2018: £6,918) have been disposed of in the year for net proceeds of £500,563 (2018: £244,690 after grant repaid of £52,532). Components with a cost of £166,483 (2018: £210,083) and accumulated depreciation of £25,833 (2018: £25,530) have been disposed of for £nil (2018: £nil) net proceeds.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

15 (c) Investment properties Group	2019 £	2018 £
At 1 April	9,078,833	9,076,133
Acquired on ANCHO joining the group	447,500	-
Component additions during year	15,974	2,700
Property additions during year	3,092,220	-
Property disposals during year	(8,940)	-
Revaluation gain during year	409,135	-
Transfer to housing properties	(519,040)	-
	12,515,682	9,078,833

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6a. There are 357 (2018: 152) investment properties.

The investment properties were revalued as at 1 April 2019 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £764,943 (2018: £680,427).

15 (d) Investment properties Association	2019 £	2018 £
At 1 April	9,078,833	9,076,133
Component additions during year	15,974	2,700
Property additions during year	3,092,220	-
Property disposals during year	(8,940)	-
Revaluation gain during year	269,515	-
Transfer to housing properties	(519,040)	-
	11,928,562	9,078,833

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6b. There are 178 (2018: 152) investment properties.

The investment properties were revalued as at 1 April 2019 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £752,276 (2018: £680,427).

During the year, Inverleith Row was transferred to housing properties from investment properties.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

15 (e) Other fixed assets Group	Heritable Office Property £	Office Furniture and Equipment £	Fixtures and Fittings £	Other Fixed Assets Total £
Cost				
At start of year	706,059	1,899,731	3,652	2,609,442
Acquired on ANCHO joining the group	80,264	398,770	-	479,034
Additions during year	-	581,791	-	581,791
Disposals	-	(474,713)	-	(474,713)
At end of year	786,323	2,405,579	3,652	3,195,554
Depreciation				
At start of year	199,503	1,154,327	1,744	1,355,574
Acquired on ANCHO joining the group	17,535	380,996	-	398,531
Provided during year	14,088	287,634	913	302,635
Disposals	-	(313,822)	-	(313,822)
At end of year	231,126	1,509,135	2,657	1,742,918
Net book value				
At 31 March 2019	555,197	896,444	995	1,452,636
At 31 March 2018	506,556	745,404	1,908	1,253,868

15 (f) Other fixed assets Association	Heritable Office Property £	Office Furniture and Equipment £	Other Fixed Assets Total £
Cost			
At start of year	706,059	1,899,731	2,605,790
Additions during year	-	578,191	578,191
Disposals	-	(173,734)	(173,734)
At end of year	706,059	2,304,188	3,010,247
Depreciation			
At start of year	199,503	1,154,327	1,353,830
Provided during year	12,377	283,197	295,574
Disposals	-	(12,843)	(12,843)
At end of year	211,880	1,424,681	1,636,561
Net book value			
At 31 March 2019	494,179	879,507	1,373,686
At 31 March 2018	506,556	745,404	1,251,960

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

15 (g) Investments Association	2019 £	2018 £
Investment in subsidiary undertaking: Cairn Homes and Services Limited	<u>1</u>	<u>1</u>

Cairn Housing Association Limited owns 1 ordinary £1 share in Cairn Homes and Services Limited (SC341478). The investment is held at cost. This represents a 100% shareholding in Cairn Homes and Services Limited, a company registered in Scotland, whose principal activity is the rental of housing units at mid-market rent. Cairn Homes and Services Limited made a profit of £29,640 (2018: profit of £909) for the year ended 31 March 2019 and had net assets of £20,447 (2018: net liabilities of £9,193).

16. Debtors due after more than one year Association	2019 £	2018 £
Amounts owed by subsidiary	<u>700,000</u>	<u>-</u>
	<u>700,000</u>	<u>-</u>

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

17. Debtors due within one year Group	2019 £	2018 £
Rent arrears	904,691	724,191
Less: provision for bad debts	(425,356)	(378,690)
	<u>479,335</u>	<u>345,501</u>
Prepayments and accrued income	2,308,128	1,950,421
Other debtors	40,354	1,195
Factoring arrears	10,599	-
	<u>2,838,416</u>	<u>2,297,117</u>
Association	2019 £	2018 £
Rent arrears	718,232	723,583
Less: provision for bad debts	(359,193)	(378,690)
	<u>359,039</u>	<u>344,893</u>
Amounts owed by subsidiary	11,994	12,175
Prepayments and accrued income	2,123,158	1,950,421
	<u>2,494,191</u>	<u>2,307,489</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

18. Cash and cash equivalents	2019	2018
Group	£	£
Deposit accounts	1,272,906	-
Current account	1,054,814	1,494,746
	2,327,720	1,494,746
Overdraft	(600,214)	(395,439)
	1,727,506	1,099,307
	2019	2018
Association	£	£
Deposit accounts	1,000,000	-
Current account	920,066	1,490,828
	1,920,066	1,490,828
Overdraft	(600,214)	(395,439)
	1,319,852	1,095,389

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

19. Creditors: amounts falling due within one year	2019	2018
Group	£	£
Bank overdraft	600,214	395,439
Current instalments due on loans (note 21)	7,018,930	1,115,694
Trade creditors	427,466	112,808
Other creditors	14,387	1,195
Prepaid rents and service charges	657,862	578,213
Rents to be refunded	-	17,888
Accruals	1,715,321	1,635,483
Other taxes and social security	18,606	10,728
Past service pension liability (note 25)	-	554,142
Deferred Government capital grant (note 24)	84,764	33,135
Corporation tax	5,366	-
	10,542,916	4,454,725
Secured creditors	7,619,144	1,511,133
	2019	2018
Association	£	£
Bank overdraft	600,214	395,439
Current instalments due on loans (note 22)	6,548,724	1,115,694
Trade creditors	222,002	112,808
Amounts owed to subsidiary	1	1
Prepaid rents and service charges	599,201	578,213
Rents to be refunded	-	17,888
Accruals	1,608,085	1,632,030
Other taxes and social security	18,606	10,728
Past service pension liability (note 25)	-	554,142
Deferred Government capital grant (note 24)	84,232	33,135
	9,681,065	4,450,078
Secured creditors	7,148,938	1,511,133

£5.8m of loans have been reallocated from greater than one year to less than one year as these will be repaid following a drawdown of private placement in July 2019.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

20. Creditors: amounts falling due after more than one year	2019	2018
	£	£
Group		
Housing loans (note 21)	50,881,072	44,582,704
Past service pension liability (note 25)	-	1,714,545
Deferred Government capital grant (note 24)	8,619,400	3,198,953
	59,500,472	49,496,202
	59,500,472	49,496,202
 Secured creditors	 50,881,072	 44,582,704
	50,881,072	44,582,704
	50,881,072	44,582,704
 Association	 2019	 2018
	£	£
Housing loans (note 22)	44,632,961	44,582,704
Past service pension liability (note 25)	-	1,714,545
Deferred Government capital grant (note 24)	8,594,948	3,198,953
	53,227,909	49,496,202
	53,227,909	49,496,202
 Secured creditors	 44,632,961	 44,582,704
	44,632,961	44,582,704
	44,632,961	44,582,704

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

21. Loans Group	2019 £	2018 £
Loans or mortgages secured by charges on the Group's housing properties:		
Loans advanced by:		
Private lenders	57,900,002	45,698,398
Amounts falling due in:		
One year (note 19)	7,018,930	1,115,694
One year or more but less than two years (note 20)	1,227,624	1,115,694
Two years or more but less than five years (note 20)	3,735,244	3,347,089
Five years or more (note 20)	45,918,204	40,119,921
	57,900,002	45,698,398

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 2.22% and 4.51%.

The Group's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £116,876,630.

22. Loans Association	2019 £	2018 £
Loans or mortgages secured by charges on the Association's housing properties:		
Loans advanced by:		
Private lenders	51,181,685	45,698,398
Amounts falling due in:		
One year (note 19)	6,548,724	1,115,694
One year or more but less than two years (note 20)	748,724	1,115,694
Two years or more but less than five years (note 20)	2,246,172	3,347,089
Five years or more (note 20)	41,638,065	40,119,921
	51,181,685	45,698,398

The loans are advanced to finance the development and refurbishment of housing properties and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 2.67% and 4.51%.

The Association's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £101,661,265.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

23. Financial Instruments Group	2019 £	2018 £
Financial Assets		
Cash and cash equivalents	2,327,720	1,099,307
Financial assets measured at amortised cost	1,664,608	1,673,151
	<u>3,992,328</u>	<u>2,772,458</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	60,650,803	50,129,898
	<u>60,650,803</u>	<u>50,129,898</u>

Financial assets measured at amortised cost comprised rental arrears, accrued income, factoring arrears and other debtors.

Financial liabilities measured at amortised cost comprised bank loans and overdrafts, trade creditors, other creditors, rents to be refunded, accruals and the past service pension liability.

Association	2019 £	2018 £
Financial Assets		
Cash and cash equivalents	1,920,066	1,095,389
Financial assets measured at amortised cost	2,037,337	1,681,721
	<u>3,957,403</u>	<u>2,777,110</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	53,611,987	50,125,251
	<u>53,611,987</u>	<u>50,125,251</u>

Financial assets measured at amortised cost comprised rental arrears, amounts owed by subsidiary and accrued income.

Financial liabilities measured at amortised cost comprised bank loans and overdrafts, trade creditors, rents to be refunded, accruals and the past service pension liability.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

24. Deferred capital grants		2019	2018
		£	£
Group			
Deferred capital grants 1 April		3,232,088	1,841,833
Deferred capital grants acquired through acquisition		25,516	-
Grants received in year		5,531,324	1,407,072
Grant released in year		(84,764)	(16,817)
Deferred capital grants 31 March		8,704,164	3,232,088
Split:			
< 1 year		84,764	33,135
1-2 years		84,764	33,135
2-5 years		254,292	99,406
> 5 years		8,280,344	3,066,412
Total		8,704,164	3,232,088
Association			
		2019	2018
		£	£
Deferred capital grants 1 April		3,232,088	1,841,833
Grants received in year		5,531,324	1,407,072
Grant released in year		(84,232)	(16,817)
Deferred capital grants 31 March		8,679,180	3,232,088
Split:			
< 1 year		84,232	33,135
1-2 years		84,232	33,135
2-5 years		252,696	99,406
> 5 years		8,258,020	3,066,412
Total		8,679,180	3,232,088

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association

(i) Defined Contribution Scheme

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

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

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

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

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

(ii) SHAPS defined benefit scheme

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

The scheme is a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. With effect from 1 April 2019, the pension scheme is accounted for under FRS102 as a defined benefit scheme.

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

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

Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement		5.30% per annum
- Investment return post retirement	- Non-pensioners	3.40% per annum
- Investment return post retirement	- Pensioners	3.40% per annum
- Rate of salary increases		4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.00% per annum
	- pension accrued from 6 April 2005	1.70% per annum
	- (for leavers before 1 October 1993 pension increases are 5%)	2.60% per annum
- Rate of price inflation		

The contributions paid in respect of the defined contribution scheme is 4% employee contributions and 8% employer contributions.

30 September 2017 funding update

The Employer Committee received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation, which was due as at 30 September 2018. The information regarding this 30 September 2018 valuation, including the annual funding update, is not yet available from TPT.

Past service deficit repayment liability

	2018 £
Provision at start of period	2,815,825
Unwinding of the discount factor (interest expense)	27,000
Deficit contribution paid	(554,138)
Remeasurements – impact of any changes in assumptions	(20,000)
Provision at end of period	2,268,687

	2018 £
Liability split as:	
< 1 year	554,142
1-2 years	571,142
2-5 years	1,143,403
> 5 years	-
	2,268,687

CAIRN HOUSING ASSOCIATION LIMITED
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FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

Statement of Comprehensive Income Impact	2018 £
Interest expense	27,000
Re-measurements – impact of any change in assumptions	(20,000)
Assumptions	2018
Rate of discount	1.51%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Year ended 31 March 2019

Accounting treatment from 1 April 2018

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPS deficit repayment plan, amounts included within creditors due less than one year were £554,142 and amounts included within creditors due greater than one year were £1,714,545. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £1,172,313 to recognise a liability of £3,441,000 as at 1 April 2018.

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

	31 March 2019 £'000
Fair value of plan assets	18,095
Present value of defined benefit obligation	(21,793)
Defined benefit liability to be recognised	(3,698)

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(20,423)
Current service cost	-
Expenses	(16)
Interest expense	(517)
Actuarial gains/(losses) due to scheme experience	73
Actuarial (losses)/gains due to changes in demographic assumptions	(61)
Actuarial (losses)/gains due to changes in financial assumptions	(1,285)
Benefits paid and expenses	436
Defined benefit liability at the end of the period	(21,793)

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

	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	16,982
Interest income	436
Experience on plan assets (excluding amounts included in interest income) - gain	574
Contributions by the employer	539
Benefits paid and expenses	(436)
Fair value of plan assets at end of period	18,095

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2019 £'000
Current service cost	-
Admin expenses	16
Net interest expense	81
Defined benefit costs recognised in Statement of Comprehensive Income	97

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	574
Experience gains and losses arising on the plan liabilities – gain	73
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(61)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(1,285)
Total amount recognised in other comprehensive income – (loss)	(699)

Fund allocation for employer's calculated share of assets

	31 March 2019 £'000
Global Equity	2,911
Absolute Return	1,533
Distressed Opportunities	309
Credit Relative Value	314
Alternative Risk Premia	1,011
Fund of Hedge Funds	50
Emerging Markets Debt	580
Risk Sharing	525
Insurance-Linked Securities	469
Property	359
Infrastructure	758
Private Debt	233
Corporate Bond Fund	1,269
Long Lease Property	220
Secured Income	631
Over 15 Year Gilts	465
Liability Driven Investment	6,439
Net Current Assets	19
Total Assets	18,095

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

Assumptions as at	31 March 2019 % per annum
Discount rate	2.31
Inflation (RPI)	3.29
Inflation (CPI)	2.29
Salary growth	3.29
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

CAIRN HOUSING ASSOCIATION LIMITED
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25. Pension scheme – Group and Association (continued)

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	23	965	49
Females	38	1,057	50
Total	61	2,022	50

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	31	144	52
Females	60	133	52
Total	91	277	52

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	26	122	68
Females	53	227	72
Total	79	349	70

Employer debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by TPT of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £5,021,615. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for Cairn Housing Association is 0.1% of liabilities, which is expected to be approximately £6,000. This is included within the closing defined benefit liability as detailed above.

(iii) Strathclyde Pension Fund

ANCHO Limited contributes to Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. The date of the valuation was 31 March 2019.

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

	2019
Inflation / Pension Increase Rate	2.4%
Salary scale increases per annum	3.6%
Discount rate	2.5%

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

	2019
Equities	64%
Bonds	24%
Property	10%
Cash	2%

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

25. Pension scheme – Group and Association (continued)

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

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years
		2019
		£
Estimated employer asset share		4,314,000
Present value of scheme liabilities		(5,026,000)
Present value of unfunded liabilities		-
Total value of liabilities		(5,026,000)
Net Pension (Liability)		(712,000)
Analysis of amount charged to operating surplus		2019
		£
Service costs		(231,000)
Employers' contributions		80,000
Total operating charge		(151,000)

The service costs include an estimation of the impact of the McCloud case (£62,000) and GMP equalisation (£9,000).

	2019
	£
Analysis of amount credited to other finance income	
Interest Income on Plan Assets	109,000
Interest on pension scheme liabilities	(119,000)
Total Net interest	(10,000)
Total defined benefit cost in Total Comprehensive Income	(161,000)

	2019
	£
Analysis of recognised Comprehensive Income	
Actual return less expected return on pension scheme assets	131,000
Experience gains and losses arising on the scheme liabilities	-
Changes in financial assumptions underlying the present	(353,000)
Changes in demographic assumptions	-
Value of the scheme assets	-
Actual (loss) in pension plan recognised in Other Comprehensive Income	(222,000)

CAIRN HOUSING ASSOCIATION LIMITED
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25. Pension scheme – Group and Association (continued)

Movement in pension deficit during the year	2018 £
Deficit on joining group	(329,000)
Current service cost	(160,000)
Employers contributions	80,000
Past service costs	(71,000)
Estimated Benefits paid	-
Net returns on assets	(10,000)
Actuarial gain/(loss)	(222,000)
Deficit at the end of the year	(712,000)

26. Deferred tax	2019 £
Charged to profit or loss (in respect of Cairn Homes and Services Limited)	169
At end of year	169

The deferred taxation balance is made up as follows:-

	2019 £	2018 £
Fixed asset timing differences	169	-
At end of year	169	-
27. Share capital	2019 £	2018 £
Group and Association		
Shares of £1 each issued and fully paid		
At 1 April 2018	96	99
Cancelled during the year	(11)	(3)
Issued during the year	7	-
At 31 March 2019	92	96

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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28. Reserves

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

29. Net cash inflow from operating activities	2019	2018
Group	£	£
Surplus for the year	2,025,651	986,928
<u>Adjustment for non cash items</u>		
Taxation charge	5,534	-
Depreciation charges including loss on disposal of components	2,835,688	2,348,887
Impairment charge	-	480,492
Release of negative goodwill	(1,058,295)	-
(Decrease) in creditors	(3,604)	(634,180)
(Increase) in debtors	(419,232)	(326,792)
Share capital cancelled	(11)	(3)
Carrying amount of tangible fixed asset disposals	339,045	143,501
SHAPS past service deficit movements	40,772	7,000
Revaluation gain in investment properties	(409,135)	-
SHAPS finance cost	81,000	-
SPF – Finance cost	10,000	-
SPF – staff costs	151,000	-
<u>Adjustments for investing or financing activities</u>		
Issue of shares	7	-
HAG repaid	-	52,532
Proceeds from the sale of fixed assets	(500,563)	(297,222)
Release of deferred government grants	(84,764)	(16,817)
Interest payable	2,012,416	1,626,727
Interest receivable	(11,921)	-
SHAPS past service deficit payment	(563,772)	(554,138)
Net cash (outflow)/inflow from operating activities	4,449,816	3,816,915

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

29. Net cash inflow from operating activities (continued)

Association	2019	2018
	£	£
Surplus for the year	543,971	986,019
<u>Adjustment for non cash items</u>		
Depreciation charges including loss on disposal of components	2,569,399	2,347,974
Impairment charge	-	480,492
Increase/(Decrease) in creditors	96,227	(634,753)
(Increase) in debtors	(186,702)	(327,105)
Share capital cancelled	(11)	(3)
Carrying amount of tangible fixed asset disposals	339,045	143,501
SHAPS past service deficit movements	40,772	7,000
Revaluation gain in investment properties	(269,515)	-
SHAPS finance cost	81,000	-
<u>Adjustments for investing or financing activities</u>		
Issue of shares	7	-
HAG repaid	-	52,532
Proceeds from the sale of fixed assets	(500,563)	(297,222)
Release of deferred Government Grants	(84,232)	(16,817)
Interest payable	1,961,446	1,626,727
Interest receivable	(6,875)	-
SHAPS past service deficit payment	(563,772)	(554,138)
Net cash inflow from operating activities	4,020,197	3,814,207

30. Payments to members, Board members and Key Management

Group

No member of the Association received any fee or remuneration during the year (2018: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £14,057 (2018: £21,373).

Some members of the Board of Management are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant Board members is £9,228 (2018: £4,164). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £564 (2018: £83). The total prepaid rent and service charge relating to tenant Board members included within creditors at the year end is £nil (2018: £nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £430,839 (2018: £465,002).

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

Association

No member of the Association received any fee or remuneration during the year (2018: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £13,223 (2018: £21,373).

Some members of the Board of Management are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent and service charge payable in the year relating to tenant Board members is £4,257 (2018: £4,164). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £256 (2018: £83). The total prepaid rent and service charge relating to tenant Board members included within creditors at the year end is £nil (2018: £nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £379,811 (2018: £465,002).

31. Capital commitments

Group	2019 £	2018 £
Contracted	4,146,352	430,000
Approved but not contracted for	-	-
	<u>4,146,352</u>	<u>430,000</u>

This is to be funded by:

Private finance	2,287,407	430,000
Grants	1,488,945	-
From operating budget	370,000	-
	<u>4,146,352</u>	<u>430,000</u>

Association	2019 £	2018 £
Contracted	4,023,690	430,000
Approved but not contracted for	-	-
	<u>4,023,690</u>	<u>430,000</u>

This is to be funded by:

Private finance	2,164,745	430,000
Grants	1,488,945	-
From operating budget	370,000	-
	<u>4,023,690</u>	<u>430,000</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

32. Revenue commitments

Group

At 31 March 2019 the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

Group	Land & Buildings 2019 £	Other 2019 £	Land & Buildings 2018 £	Other 2018 £
Within a year	107,751	37,724	150,978	29,183
Within 2-5 years	362,301	-	279,436	-
After 5 years	440,607	-	293,510	-
	910,659	37,724	723,924	29,183
Association	Land & Buildings 2019 £	Other 2019 £	Land & Buildings 2018 £	Other 2018 £
Within a year	88,121	37,724	150,978	29,183
Within 2-5 years	352,486	-	279,436	-
After 5 years	440,607	-	293,510	-
	881,214	37,724	723,924	29,183