



CAIRN HOUSING ASSOCIATION LIMITED
GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

The Scottish Housing Regulator: HEP218
Scottish Charity Number: SC016647

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management	D Jamieson, Chairperson (appointed Chairperson on 18/06/2020) A Lamont, Vice-Chairperson S E G Guest W Gillespie H Barton N Wood L Casserly L Crawford N Chapman M Black (co-optee) M Allan (Former Chairperson, resigned 17/02/2021)
Executive Officers	J MacGilp, Chief Executive and Secretary D Adam, Director of Finance and People Services M Boyter, Director of Business Services (appointed 02/11/2020) MC Deasley, Director of Property Services (appointed 02/11/2020) S Connor, Director of Customer Services (appointed 01/04/2021) J Davidson, Director of Customer Services (resigned 28/08/2020)
Secretary	J MacGilp
Head Office	Bellevue House 22 Hopetoun Street Edinburgh EH7 4GH
Auditor	Azets Audit Services Chartered Accountants Titanium 1 King's Inch Place Renfrew PA4 8WF
Bankers	The Royal Bank of Scotland plc 36 St Andrew Square Edinburgh EH2 2YB
Other Lenders	Santander plc Bridle Road Bootle Merseyside L30 4GB
Registration numbers	
Financial Conduct	2335R(S)
The Scottish Housing Regulator	HEP218
Registered Scottish Charity	SC016647

CAIRN HOUSING ASSOCIATION LIMITED
GROUP ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

The Board of Management present their Report and the audited financial statements for the year ended 31 March 2021.

Principal activities

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

Cairn Housing Group consists of:-

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

Review of the Group's business

The financial year ended March 2021 has been dominated by the impact of, and responses to, the global Covid-19 pandemic. At national and organisational level, this led to major disruption to services, working arrangements and significantly negative impacts on the lives of customers, communities and staff throughout the country. The pandemic has had the same negative impact on our contractors and suppliers and local authority partners with whom we have worked positively.

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

The organisation has shown itself to be flexible, resilient and determined to respond positively and continue to deliver our strategic objectives and service obligations to customers in the face of unprecedented challenges. All staff and board members are thanked for all their efforts and the last 12 months has shown the strength, skills and core values of Cairn Housing Group.

Highlights during the year have included:-

- Delivery of a substantial investment programme of over £2.5 million across the Group in our existing homes across Scotland, including delivery of investment promises to ANCHO tenants. This has directly improved the quality of life for tenants and supported our commitment to our vision of Great Homes including investment in new kitchens, new bathrooms, energy efficiency work, and heating systems;
- Achievement of £930,187 of additional income to customers through the work of our Tenancy Sustainment and Benefits Advice team;
- As part of our active newbuild development programme, we completed 17 new homes, with preparation well advanced to enable us to deliver a further 121 new homes in the coming twelve months to meet local housing needs;
- Continued progress has been made in the delivery of the Tenant Promises to ANCHO tenants as part of the commitments in the 2018 constitutional partnership, including stock investment, rent guarantee and continued locally based services;

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Review of the Group's business (continued)

- Work on further integration between Cairn Housing Association and ANCHO has continued with shared IT systems, policies and processes and joint management across the Group;
- Introduction of a new senior management structure, with a reshaped Executive Team consisting of the Chief Executive and four Directors charged with advising the board and the delivery of the business plan and services across all parts of the Group, as part of the ongoing operational integration of Cairn Housing Association and ANCHO;
- Business performance on key performance indicators remain satisfactory or good in most areas, though with some areas for improvement required in contact centre call responses and re-letting of void properties both at ANCHO and Cairn Housing Association, which were significantly impacted by the Covid-19 related restrictions and operational arrangements;
- Despite the significant challenges of Covid-19 and the disruption to the wider economy and employment, the Group's income management has held up well, with very good performance on rent collection for ANCHO at 101% and an excellent 103% for Cairn Housing Association;
- The Group continued its work on staff engagement including a programme of learning and development for staff, staff mental health and wellbeing sessions during lockdown, and a digital staff conference programme;
- The Group submitted its second Annual Assurance Statement to the Scottish Housing Regulator (SHR) in October 2020 setting out confirmation that Cairn Housing Association and ANCHO both comply with all required statutory and regulatory requirements. The Statement committed to a continuous improvement plan focusing on further work on equality and diversity, implementation of the independent governance improvement plan and involvement of customers in preparations for next year's statement;
- Compliance with regulatory standards and best practice will continue to drive our governance and management of the Group and our positive working relationship with the Regulator;
- The Group delivered a number of successful Community Development projects in communities across Scotland through the Cairn Community Fund, largely focussed on support for vulnerable customers and communities through the global pandemic including support to local foodbanks;
- A revised Tenant Participation Strategy has been approved, including the disbanding of the previous Customer Panel and introducing new, more flexible ways for customers to be involved and influence services;
- The previous Governance Improvement Plan has been successfully completed to strengthen and develop our governance and compliance with regulatory and good practice requirements;
- A constitutional review of arrangements between ANCHO and Cairn Housing Association was completed, with a decision by both boards to begin a project in 2022/23, with a joint commitment to work towards a transfer of engagements proposal to create a merged organisation by Spring 2024. Consultation proposals and discussions with tenants, staff and other stakeholders will begin in 2023; and
- After a pause during the first lockdown, Cairn Housing Association and Pentland Housing Association have continued to develop the Business case for consultation with Pentland tenants on a possible transfer of engagements and creation of a single organisation by Spring of 2022.

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Financial performance

The Association's operating surplus decreased from £2,389,286 in 2019/20 to £1,926,311 in 2020/21 mainly due to the impairment of social housing units of £799,298. The Association generated a deficit for the year of £3,157,693 (2020: £174,490), due to increased financing costs due to the refinancing of the loans to fund the continued investment in existing units as well as fund our new development programme which involved incurring loan breakage costs of £2,342,841. The refinancing will lead to future interest savings for the Association

The Group generated a surplus after taxation of £297,389 (2020: £3,129,623) which included the significant items noted above as well as a release from negative goodwill of £2,539,909 (2020: £2,539,909). ANCHO returned an overall surplus of £866,569 (2020: £748,502) for the full year ended 31 March 2021 with Cairn Homes and Services generating a profit after tax of £73,172 (2020: £67,711). The Group surplus for the year has been taken to the Revenue Reserve.

Future Developments

The operating and financial environment continues to be challenging, and the operational disruption and economic and public health challenges of Covid-19 remain a primary consideration. However, the Group continues to be self-aware and pro-active in making important decisions on finance and strategy and set a direction to continue to build a resilient and successful organisation. The Board and the management team of Cairn Housing Association, and in their role as Group parent, are confident about the future of the Group as a whole, and are focused on delivering our vision of Great Homes, Great Services, and Great People. We will continue our commitment to continue to modernise and change where required - including further delivery of our Digital Strategy and to operate the business in the long term interests of current and future customers in communities throughout Scotland.

Cairn Homes and Services Limited's plans to expand activities will include increasing the number of units leased from Cairn Housing Association Limited. In addition, the directors are considering other ways in which to increase the Company's activities in the coming year.

As part of our business and financial planning we have the financial capacity to increase our new build development activity in the coming years. We intend to complete the delivery of our significant newbuild development programme over the next five years.

Growth & Partnerships

Partnership discussions with Pentland Housing Association are progressing well and the plan is, subject to consultation and a positive tenants' ballot later in 2021, that Pentland Housing Association will transfer to Cairn Housing Association in Spring 2022, further strengthening the Group's financial position, improving services and efficiencies, and consolidating our operational presence in Caithness.

A future project in 2022/23 will develop proposals for a full merger of Cairn Housing Association and ANCHO through a possible transfer of engagements in 2024.

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Risks and Uncertainties

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

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

Key performance indicators

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

Governance

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

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

We review the Board Succession & Development Plan each year, following annual personal development meetings, to ensure the appropriate level and mix of skills and experience and keeping up to date with regulatory requirements and best practice standards. There was 1 board resignation from the Cairn Housing Association board and 5 resignations from ANCHO Board during 2020/21. There were 3 resignations from the Cairn Homes & Services Ltd Board.

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Governance (continued)

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

Group governance arrangements include an Audit & Performance Committee, a Remuneration Committee and a revised Tenant Participation Strategy working with the Group to provide an additional level of scrutiny and to support improvement activities. There are also Board Meetings for ANCHO and Cairn Homes and Services Limited.

Following the recent constitutional review, the boards of ANCHO and Cairn Housing Association have agreed to develop closer working arrangements between the boards, and this will include introduction of a number of joint governing bodies meeting during the coming year, whilst still maintaining the distinct governance administration and minutes of decisions as required in the regulatory standards.

The Board of Management and Executive Officers

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

Statement of the Board of Management's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 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. The Board of Management must ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. 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.

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

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.
- (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.

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Post balance sheet events

In May 2021, after the year-end, but prior to finalisation of these accounts for 2020/21, it was reported to the Chief Executive, the Board, and then to our external auditors Azets, that in the previous weeks there has been four fraudulent invoices presented to Cairn Housing Association for payment by an unknown third party/parties, using hacking/phishing email identities. Three of these invoices were paid to the total value of £35,683. One further attempted fraudulent invoice was blocked and not paid. Our internal auditor RSM were commissioned to undertake a special audit and a report was presented to the Group's Audit & Performance Committee in July 2021 and to the Cairn HA Board in August 2021. Recommendations for improved controls, training and other follow up actions were agreed. These recommendations will be added to the Group's audit action tracker for monitoring implementation.

Other than the matter highlighted above, and the improved controls and monitoring the implementation of these, 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

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

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

By order of the Board



J MacGilp
Secretary

Date: 9 September 2021

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 2021

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 2021 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated and Association Statements of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Association's affairs as at 31 March 2021 and of the Group's and the Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

Other information (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

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

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

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

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

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

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

Use of our report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

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

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Date: 9 September 2021

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

CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2021

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

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the 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 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 control and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Board of Management and Officers of the 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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.

Azets Audit Services

Azets Audit Services, Statutory Auditor

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

Chartered Accountants

Titanium 1

King's Inch Place

Renfrew

PA4 8WF

Date: ¹⁶~~9~~ September 2021

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

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Turnover	4	21,275,370	20,890,799
Operating expenditure	4	(18,274,933)	(17,539,587)
Operating surplus	4	3,000,437	3,351,212
Gain on sale of property, plant and equipment	10	207,353	20,289
Interest receivable	11a	134,503	202,645
Interest payable and similar charges	12	(3,241,972)	(2,980,252)
Negative goodwill	14	2,539,909	2,539,909
Loan breakage costs	21	(2,342,841)	-
Surplus for the year before taxation		297,389	3,133,803
Taxation	13	-	(4,180)
Surplus after taxation		297,389	3,129,623
Other comprehensive income			
Actuarial (loss)/gain in respect of the SHAPS defined benefit pension scheme	24	(2,533,000)	3,077,000
Actuarial (loss)/gain in respect of the Strathclyde defined benefit pension scheme	24	(113,000)	440,000
Total comprehensive income for the year		(2,348,611)	6,646,623

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 2021

	Notes	2021 £	2020 £
Turnover	4	18,254,720	17,634,420
Operating expenditure	4	(16,328,409)	(15,245,134)
Operating surplus	4	1,926,311	2,389,286
Gain on sale of property, plant and equipment	10	207,353	20,289
Interest receivable	11b	183,451	201,958
Interest payable and similar charges	12	(3,131,967)	(2,786,023)
Loan breakage costs	22	(2,342,841)	-
Deficit for the year before taxation		(3,157,693)	(174,490)
Taxation	13	-	-
Deficit after taxation		(3,157,693)	(174,490)
Other comprehensive income			
Actuarial (loss)/gain in respect of the SHAPS defined benefit pension scheme	24	(2,533,000)	3,077,000
Total comprehensive income for the year		(5,690,693)	2,902,510

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 2021

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2020	88	61,347,561	61,347,649
Total comprehensive income for the year	-	(2,348,611)	(2,348,611)
Balance at 31 March 2021	<u>88</u>	<u>58,998,950</u>	<u>58,999,038</u>

AS AT 31 MARCH 2020

	<i>Share capital £</i>	<i>Revenue reserve £</i>	<i>Total reserves £</i>
Balance at 1 April 2019	92	54,700,938	54,701,030
Total comprehensive income for the year	-	6,646,623	6,646,623
Cancelled shares during the year	(4)	-	(4)
Balance at 31 March 2020	<u>88</u>	<u>61,347,561</u>	<u>61,347,649</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 31 MARCH 2021

	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2020	88	56,352,962	56,353,050
Total comprehensive income for the year	-	(5,690,693)	(5,690,693)
Balance at 31 March 2021	<u>88</u>	<u>50,662,269</u>	<u>50,662,357</u>

AS AT 31 MARCH 2020

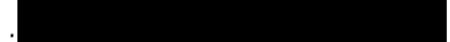
	Share capital £	Revenue reserve £	Total reserves £
Balance at 1 April 2019	92	53,450,452	53,450,544
Total comprehensive income for the year	-	2,902,510	2,902,510
Cancelled shares during the year	(4)	-	(4)
Balance at 31 March 2020	<u>88</u>	<u>56,352,962</u>	<u>56,353,050</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	£	2021 £	£	Restated 2020 £
Negative goodwill	14		(6,561,432)		(9,101,343)
Tangible fixed assets and investments					
Housing properties	15a		139,308,094		128,515,921
Investment properties	15c		10,083,822		10,069,794
Other fixed assets	15e		1,247,865		1,364,746
			<u>150,639,781</u>		<u>139,950,461</u>
Current assets					
Debtors	17	1,638,975		2,672,538	
Cash and cash equivalents	18a	7,164,801		4,842,009	
Investments	18b	10,219,497		17,031,513	
			<u>19,023,273</u>	<u>24,546,060</u>	
Creditors: amounts falling due within one year	19	(5,302,095)		(5,169,040)	
Net current assets			<u>13,721,178</u>		<u>19,377,020</u>
Total assets less current liabilities			<u>157,799,527</u>		<u>150,226,138</u>
Creditors: amounts falling due after more than one year	20	(96,272,248)			(88,383,876)
SHAPS defined benefit pension scheme	24	(2,008,165)			(113,537)
Strathclyde defined benefit pension scheme	24	(520,000)			(381,000)
Deferred taxation	25	(76)			(76)
Net assets			<u>58,999,038</u>		<u>61,347,649</u>
Capital and reserves					
Share capital	26		88		88
Revenue reserves	27		58,998,950		61,347,561
			<u>58,999,038</u>		<u>61,347,649</u>

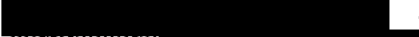
Approved and authorised for issue by the Board of Management on 9 September 2021

 Chairperson

Mr D Jamieson

 Vice Chairperson

Mr A Lamont

 Secretary

Mr J MacGill

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Notes	£	2021 £	£	Restated 2020 £
Tangible fixed assets and investments					
Housing properties	15b		117,656,728		106,927,396
Investment properties	15d		9,496,702		9,482,674
Other fixed assets	15f		1,175,015		1,286,167
Investments	15g		1		1
			<u>128,328,446</u>		<u>117,696,238</u>
Current assets					
Debtors due after one year	16	1,460,000		1,210,000	
Debtors within one year	17	1,392,171		2,338,108	
Cash and cash equivalents	18a	6,672,676		4,601,360	
Investments	18b	10,219,497		17,031,513	
			<u>19,744,344</u>	<u>25,180,981</u>	
Creditors: amounts falling due within one year	19	(4,433,393)		(3,818,192)	
Net current assets			<u>15,310,951</u>		<u>21,362,789</u>
Total assets less current liabilities			<u>143,639,397</u>		<u>139,059,027</u>
Creditors: amounts falling due after more than one year	20		(90,968,875)		(82,592,440)
SHAPS defined benefit pension scheme	24		(2,008,165)		(113,537)
Net assets			<u>50,662,357</u>		<u>56,353,050</u>
Capital and reserves					
Share capital	26		88		88
Revenue reserves	27		50,662,269		56,352,962
			<u>50,662,357</u>		<u>56,353,050</u>

Approved and authorised for issue by the Board of Management on 9 September 2021

 Chairperson
D Jamieson
 Vice Chairperson
A Lamont
 Secretary
J MacGilp

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Net cash generated from operating activities	28	7,010,671	7,189,828
Cash flow from investing activities			
Payments to acquire and improve housing stock		(14,586,632)	(7,743,639)
Purchase of other fixed assets		(145,831)	(205,885)
HAG and other capital grants received		9,427,015	3,132,511
Proceeds from sale of tangible fixed assets and investment properties		290,579	40,406
Movement of cash from/(to) investments	18b	6,812,016	(17,031,513)
Interest received		129,503	202,645
Improvement to investment properties		(14,028)	(41,170)
		1,912,622	(21,646,645)
Taxation paid		(9,638)	-
Cash flow from financing activities			
Interest paid		(3,233,972)	(2,882,252)
Housing loans repaid		(17,926,629)	(7,046,428)
Housing loans received		17,000,000	27,500,000
Loan breakage costs		(2,342,841)	-
Arrangement fee		(500,000)	-
		(7,003,442)	17,571,320
Net change in cash and cash equivalents		1,910,213	3,114,503
Cash and cash equivalents at beginning of year	18a	4,842,009	1,727,506
Cash and cash equivalents at end of the year	18a	6,752,222	4,842,009

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non- cash changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash	4,842,009	2,322,792	-	7,164,801
Overdrafts	-	(412,579)	-	(412,579)
	<u>4,842,009</u>	<u>1,910,213</u>	<u>-</u>	<u>6,752,222</u>
Current asset investments	17,031,513	(6,812,016)	-	10,219,497
Borrowings				
Debt due within one year	(1,214,347)	18,426,629	(18,415,333)	(1,203,051)
Debt due after one year	(76,674,571)	(17,000,000)	18,392,774	(75,281,797)
	<u>(77,888,918)</u>	<u>1,426,629</u>	<u>(22,559)</u>	<u>(76,484,848)</u>
Total	<u>(56,015,396)</u>	<u>(3,475,174)</u>	<u>(22,559)</u>	<u>(59,513,129)</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Net cash generated from operating activities	28	5,790,558	5,058,056
Cash flow from investing activities			
Payments to acquire and improve housing stock		(14,009,813)	(5,587,301)
Payments to acquire investment property		-	-
Purchase of other fixed assets		(145,831)	(199,889)
HAG and other capital grants received		9,427,015	3,132,511
Proceeds from sale of tangible fixed assets and investment properties		290,348	40,406
Movement of cash balance from/(to) investments	18b	6,812,016	(17,031,513)
Interest received		178,451	201,958
Improvement to investment properties		(14,028)	(41,170)
		<u>2,538,158</u>	<u>(19,484,998)</u>
Taxation paid		-	-
Cash flow from financing activities			
Loan to ANCHO Limited		(250,000)	(510,000)
Interest paid (excluding amortised fees)		(3,129,410)	(2,707,023)
Housing loans repaid		(17,447,728)	(6,574,527)
Housing loans received		17,000,000	27,500,000
Arrangement fee		(500,000)	-
Loan breakage costs		(2,342,841)	-
		<u>(6,669,979)</u>	<u>17,708,450</u>
Net change in cash and cash equivalents		1,658,737	3,281,508
Cash and cash equivalents at beginning of year	18a	<u>4,601,360</u>	<u>1,319,852</u>
Cash and cash equivalents at end of the year	18a	<u><u>6,260,097</u></u>	<u><u>4,601,360</u></u>

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

(i) Analysis of changes in net debt

	At 1 April 2020 £	Cash flows £	Other non- cash changes £	At 31 March 2021 £
Cash and cash equivalents				
Cash	4,601,360	2,071,316	-	6,672,676
Overdrafts	-	(412,579)	-	(412,579)
	<u>4,601,360</u>	<u>1,658,737</u>	<u>-</u>	<u>6,260,097</u>
Current asset investments	17,031,513	(6,812,016)	-	10,219,497
Borrowings				
Debt due within one year	(735,447)	17,947,728	(17,927,800)	(715,519)
Debt due after one year	(70,907,055)	(17,000,000)	17,905,243	(70,001,812)
	<u>(71,642,502)</u>	<u>947,728</u>	<u>(22,557)</u>	<u>(70,717,331)</u>
Total	<u>(50,009,629)</u>	<u>(4,205,551)</u>	<u>(22,557)</u>	<u>(54,237,737)</u>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

1. General Information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The 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's and the Association's accounting policies (note 3).

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

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

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

2. Principal Accounting policies

(a) Basis of accounting and consolidation

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards and statements of recommended practice. The effect of events relating to the year ended 31 March 2021, 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 2021 and of the results for the year ended on that date.

(b) Going concern

The financial statements have been prepared on a going concern basis by the Board of Management as group surpluses are expected in 2021/22 and 2022/23, maintaining a healthy cash position across the Group. The Association is expected to generate manageable deficits. This going concern review includes the Board's assessment of the impact of COVID-19 on the Group's and the Association's operations and financial performance in the 12 months following the signing of these financial statements. Thus, the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

In the context of the proposed transfer of engagements from Pentland HA to Cairn HA, the boards of the two respective commercial subsidiaries, Pentland Community Enterprises Limited and Cairn Homes and Services Limited, have begun preliminary discussions and information sharing. This is with the intention that, subject to due process, further legal advice and relevant approvals (including notification to Companies House), that there will be a single commercial subsidiary for the Cairn Housing Group at the time of transfer next year, April 2022. As a consequence of this, the financial statements of Cairn Homes and Services Limited for the year ended 31 March 2021 have been prepared on a basis other than going concern

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

(c) Turnover

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

(d) Apportionment of management expenses

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

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

(e) Interest receivable

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

(f) Interest payable

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

(g) 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 2019. 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.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

(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.

(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.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

(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
LD2	25 years
Fire doors	25 years
Fire stopping	25 years
Solar panels	25 years

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

Shared ownership housing properties

Depreciated over 60 years.

Other fixed assets

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

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. Principal Accounting policies (continued)

(n) Pensions (Note 24)

SHAPS

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

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

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

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

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. Principal Accounting policies (continued)

(n) Pensions (Note 24) (continued)

Strathclyde Pensions Trust

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

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

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

Standard Life and AVIVA Auto Enrolment scheme

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

(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) Investments

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

(r) Debtors

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

(s) Rental arrears

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

(t) Cash and Cash Equivalents

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

2. Principal Accounting policies (continued)

(u) 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.

(v) Financial instruments

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

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

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

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

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

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

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

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

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

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.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. Particulars of turnover, operating expenditure and operating surplus

Group	Turnover £	Operating Expenditure £	2021 Operating Surplus £	Turnover £	Operating Expenditure £	2020 Operating Surplus £
Affordable lettings (note 5a)	19,062,322	16,562,968	2,499,354	18,709,939	16,027,062	2,682,877
Other activities (note 6a)	2,017,301	1,686,814	330,487	1,994,998	1,476,743	518,255
Cairn Homes and Services Limited	195,747	25,151	170,596	185,862	35,782	150,080
	<u>21,275,370</u>	<u>18,274,933</u>	<u>3,000,437</u>	<u>20,890,799</u>	<u>17,539,587</u>	<u>3,351,212</u>

Association	Turnover £	Operating Expenditure £	2021 Operating Surplus £	Turnover £	Operating Expenditure £	2020 Operating Surplus £
Affordable lettings (note 5b)	16,127,353	14,720,231	1,407,122	15,807,926	13,961,635	1,846,291
Other activities (note 6b)	2,127,367	1,608,178	519,189	1,826,494	1,283,499	542,995
	<u>18,254,720</u>	<u>16,328,409</u>	<u>1,926,311</u>	<u>17,634,420</u>	<u>15,245,134</u>	<u>2,389,286</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

5a. Particulars of turnover, operating expenditure and operating surplus or (deficit) from affordable letting activities	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	2021 £	2020 £
Group							
Rent receivable net of service charges	13,394,139	1,609,910	1,922,794	105,904	90,903	17,123,650	16,594,357
Service charges net of voids	304,706	562,092	1,013,120	97,391	4,559	1,981,868	2,167,902
Gross income from rents and service charges	13,698,845	2,172,002	2,935,914	203,295	95,462	19,105,518	18,762,259
Less: Rental voids	(249,522)	(146,698)	(108,020)	(12,636)	(2,301)	(519,177)	(325,890)
Net income from rents and service charges	13,449,323	2,025,304	2,827,894	190,659	93,161	18,586,341	18,436,369
Release of deferred capital government grant	104,777	-	-	-	-	104,777	63,685
Grants from the Scottish Ministers	254,894	56,227	60,083	-	-	371,204	209,885
Total turnover from affordable letting activities	13,808,994	2,081,531	2,887,977	190,659	93,161	19,062,322	18,709,939
Management and maintenance administration costs	4,569,610	760,399	1,017,313	32,761	65,522	6,445,605	6,663,156
Service costs	393,419	614,762	1,066,645	116,215	10,767	2,201,808	1,995,764
Planned and cyclical maintenance	674,611	99,052	107,034	6,936	6,865	894,498	1,059,874
Responsive maintenance costs	1,883,291	395,411	433,790	25,863	25,226	2,763,581	3,048,440
Bad debt provision	93,039	68,773	240,456	1,039	-	403,307	(19,496)
Write offs	84,077	30,742	36,771	6,586	1,443	159,619	217,595
Non-refundable rent	(2,294)	(303)	(153)	(3)	(25)	(2,778)	(4,472)
Impairment	799,298	-	-	-	-	799,298	-
Depreciation of affordable housing	2,093,584	339,597	424,496	26,621	13,732	2,898,030	3,066,201
Operating expenditure for affordable letting activities	10,588,635	2,308,433	3,326,352	216,018	123,530	16,562,968	16,027,062
Operating surplus or (deficit) for affordable lettings 2021	3,220,359	(226,902)	(438,375)	(25,359)	(30,369)	2,499,354	
<i>Operating surplus for affordable lettings – 2020</i>	<i>3,136,437</i>	<i>(216,164)</i>	<i>(340,638)</i>	<i>152,935</i>	<i>(49,693)</i>		<i>2,682,877</i>
Number of units in management:							
2021	2,893	440	590	19	38	3,980	
2020	2,876	476	590	19	42	4,003	

Included in depreciation of affordable housing is £71,062 (2020: £331,191) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

5b. Particulars of turnover, operating expenditure and operating surplus or (deficit) from affordable letting activities	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	2021 £	2020 £
Association							
Rent receivable net of service charges	10,439,287	1,609,910	1,922,794	105,904	90,903	14,168,798	13,688,449
Service charges net of voids	304,706	562,092	1,013,120	97,391	4,559	1,981,869	2,167,902
Gross income from rents and service charges	10,743,994	2,172,002	2,935,914	203,295	95,462	16,150,667	15,856,351
Less: Rental voids	(229,108)	(146,698)	(108,020)	(12,636)	(2,301)	(498,763)	(321,463)
Net income from rents and service charges	10,514,886	2,025,304	2,827,894	190,659	93,161	15,651,904	15,534,888
Release of deferred capital government grant	104,245	-	-	-	-	104,245	63,153
Grants from the Scottish Ministers	254,894	56,227	60,083	-	-	371,204	209,885
Total turnover from affordable letting activities	10,874,025	2,081,531	2,887,977	190,659	93,161	16,127,353	15,807,926
Management and maintenance administration costs	3,770,893	760,399	1,017,313	32,761	65,522	5,646,888	5,754,363
Service costs	393,419	614,762	1,066,645	116,215	10,767	2,201,808	1,995,764
Planned and cyclical maintenance	629,519	99,052	107,034	6,936	6,865	849,406	998,948
Responsive maintenance costs	1,420,320	395,411	433,790	25,863	25,226	2,300,610	2,590,799
Bad debt provision	93,039	68,773	240,456	1,039	-	403,307	(19,496)
Write offs	62,098	30,742	36,771	6,586	1,443	137,640	167,706
Non-refundable rent	(2,294)	(303)	(153)	(3)	(25)	(2,778)	(4,472)
Impairment	799,298	-	-	-	-	799,298	-
Depreciation of affordable housing	1,579,606	339,597	424,496	26,621	13,732	2,384,052	2,478,023
Operating expenditure for affordable letting activities	8,745,898	2,308,433	3,326,352	216,018	123,530	14,720,231	13,961,635
Operating surplus or (deficit) for affordable lettings 2021	2,128,127	(226,902)	(438,375)	(25,359)	(30,369)	1,407,122	
<i>Operating surplus for affordable lettings – 2020</i>	<i>2,299,851</i>	<i>(216,174)</i>	<i>(340,638)</i>	<i>152,935</i>	<i>(49,683)</i>		<i>1,846,291</i>
Number of units in management:							
2021	2,221	440	590	19	38	3,308	
2020	2,204	476	590	19	42	3,331	

Included in depreciation of social housing is £45,971 (2020: £220,126) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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) 2021 £	Operating surplus or (deficit) 2020 £
Care and repair of property	404,196	33,194	-	-	437,390	-	426,065	11,365	55,213
Wider role	29,807	-	-	-	29,807	-	19,300	10,507	2,685
Commercial rent from investment properties	-	-	-	648,953	648,953	-	466,733	182,220	207,878
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	45,659	-	52,256	-	97,915	-	133,354	(35,439)	(124,642)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	150,653	150,653	(14,494)	33,593	131,554	76,485
Service charge admin recharge	-	-	-	45,997	45,997	-	10,385	35,612	(26,756)
Third party recharge costs	-	-	-	24,453	24,453	-	2,254	22,199	70,078
NSSE sales	-	-	-	382,000	382,000	-	382,000	-	-
Other activities	-	-	-	200,133	200,133	16,652	211,012	(27,531)	257,314
Total from other activities 2021	479,662	33,194	52,256	1,452,189	2,017,301	2,158	1,684,656	330,487	
Total from other activities 2020	595,921	60,082	52,834	1,286,161	1,994,998	36,921	1,439,822		518,255

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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) 2021 £	Operating surplus or (deficit) 2020 £
Care and repair of property	404,196	33,194	-	-	437,390	-	426,025	11,365	55,213
Commercial rent from investment properties	-	-	-	705,323	705,323	-	466,733	238,590	205,160
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	52,256	-	52,256	-	74,815	(22,559)	(124,107)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	64,886	64,886	(14,494)	32,796	46,584	43,369
Service charge admin recharge	-	-	-	45,997	45,997	-	10,385	35,612	(26,756)
Third party recharge costs	-	-	-	48,698	48,698	-	2,254	46,444	92,423
NSSE sales	-	-	-	382,000	382,000	-	382,000	-	-
Other activities	-	-	-	390,817	390,817	16,652	211,012	163,153	297,693
Total from other activities 2021	404,196	33,194	52,256	1,637,721	2,127,367	2,158	1,606,020	519,189	
Total from other activities 2020	404,196	60,082	52,834	1,309,382	1,826,494	23,042	1,260,457		542,995

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2019) do not apply. Included in other activities is a management charge of £50,000 (2020: £50,000) and recharged payroll costs of £96,116 (2020: £nil) to ANCHO Limited, gift aid income of £61,341 (2020: £50,000) from Cairn Homes and Services Limited and £48,952 (2020: £nil) of job retention grant claimed in the year.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7a. Employees – Group	2021	2020
	£	£
Staff costs during year:		
Wages and salaries	4,669,308	<i>4,622,030</i>
Social security costs	436,000	<i>430,703</i>
Pension costs	648,941	<i>598,991</i>
Pension costs – Strathclyde Pension Scheme	52,000	<i>90,000</i>
Death in service	43,994	<i>42,535</i>
Accrued holiday pay	328,143	<i>124,007</i>
Agency costs	62,014	<i>65,905</i>
Redundancy and compensation payments (including NI)	138,953	<i>6,368</i>
	<u>6,379,353</u>	<i><u>5,980,539</u></i>

During the year past service deficit contributions of £633,372 (2020: £586,463) were paid.

	2021	2021	2020	2020
	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	106	94	<i>110</i>	<i>96</i>
HomeWorks staff	15	15	<i>16</i>	<i>17</i>
Housing managers and other staff	70	35	<i>75</i>	<i>40</i>
	<u>191</u>	<u>144</u>	<i><u>201</u></i>	<i><u>153</u></i>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

7b. Employees –Association	2021	2020
	£	£
Staff costs during year:		
Wages and salaries	4,332,116	4,084,183
Social security costs	401,215	377,675
Pension costs	604,247	528,940
Death in service	27,420	26,515
Accrued holiday pay	325,425	122,288
Agency costs	31,924	26,361
Redundancy and compensation payments (including NI)	113,058	6,368
	5,835,405	5,172,330

During the year past service deficit contributions of £633,372 (2020: £586,463) were paid.

	2021	2021	2020	2020
	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	106	94	110	96
HomeWorks staff	13	13	13	14
Housing managers and other staff	61	26	61	26
	180	133	184	136

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

8a. Directors' emoluments – Group

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

	2021	2020
	£	£
Aggregate emoluments payable to all the officers earning > £60k) (excluding pension contributions and redundancy payments) amounted to:	266,221	280,849
Redundancy payments to officers who earned >£60,000 (this is in addition to the above)	104,018	-

Total pension payments to officers earning >£60K was £29,468 (2020: £31,784). This does not take into account any past service deficit payments.

Total emoluments paid to key management personnel including Eer NI was £514,786 (2020: £415,681). In addition, there was redundancy costs of £129,913 (2020: £nil) to two members of the key management team.

Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	115,095	113,658
The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions and including redundancy costs) in the following ranges were:	Number	Number
£70,001 - £80,000	1	-
£80,001 - £90,000	1	2
£110,001 - £120,000	1	1
£160,001 - £170,000	1	1

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 24. The Association's contributions for the Chief Executive in the year amounted to £12,914 (2020: £12,711).

	2021	2020
	£	£
Aggregate emoluments payable to the Chairperson & Vice Chairperson amounted to:	7,500	-
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	94	21,671

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

8b. Directors' emoluments –Association

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

	2021 £	2020 £
Aggregate emoluments payable to all the officers earning > £60k) (excluding pension contributions and redundancy payments) amounted to:	<u>266,221</u>	<u>280,849</u>
Redundancy payments to officers who earned >£60,000 (this is in addition to the above)	<u>104,018</u>	<u>-</u>

Total pension payments to officers earning >£60K was £29,468 (2020: £31,784). This does not take into account any past service deficit payments.

Total emoluments paid to key management personnel including Eer NI was £451,213 (2020: £345,435). In addition there was redundancy costs of £104,018 (2020: £nil) to one member of the key management team.

Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	<u>115,095</u>	<u>113,658</u>
The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions and including redundancy costs) in the following ranges were:	Number	Number
£80,001 - £90,000	1	2
£110,001 - £120,000	1	1
£160,001 - £170,000	<u>1</u>	<u>-</u>

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 24. The Association's contributions for the Chief Executive in the year amounted to £12,914 (2020: £12,711).

	2021 £	2020 £
Aggregate emoluments payable to the Chairperson & Vice Chairperson amounted to:	<u>7,500</u>	<u>-</u>
	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	<u>94</u>	<u>17,054</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

9. Operating surplus	2021	2020
	£	£
Operating surplus is stated after charging:		
Group		
Depreciation:		
- charge	2,826,968	3,028,620
- loss on disposal of components	71,062	331,191
Auditor's remuneration:		
- External audit services	35,680	34,149
- non-audit services	4,400	11,692
- internal audit services	19,152	17,430
Operating lease rentals	936,596	930,121
Association		
Depreciation:		
- charge	2,338,081	2,545,140
- loss on disposal of components	45,971	220,126
Auditor's remuneration:		
- External audit services	21,000	20,250
- non-audit services	4,400	11,692
- internal audit services	19,152	17,430
Operating lease rentals	915,600	987,097
10. Gain on sale on property, plant and equipment	2021	2020
	£	£
Group and association		
Gain on shared ownership tranches	43,218	20,289
Gain on Retirement Court sales	100,000	-
Gain on other fixed assets	64,135	-
	207,353	20,289

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

11a. Interest receivable – Group	2021	2020
	£	£
Interest receivable on bank deposits	129,503	202,645
SHAPS – interest received (note 24)	5,000	-
	<u>134,503</u>	<u>202,645</u>
11b. Interest receivable – Association	2021	2020
	£	£
Interest on group loans to ANCHO	49,015	27,262
Interest receivable on bank deposits	129,436	174,696
SHAPS – interest received (note 24)	5,000	-
	<u>183,451</u>	<u>201,958</u>
12. Interest payable and similar charges	2021	2020
Group	£	£
On bank loans	3,233,099	2,881,632
SHAPS – finance cost (note 24)	-	79,000
Strathclyde Pension Scheme – finance cost (note 24)	8,000	19,000
Bank charges	873	620
	<u>3,241,972</u>	<u>2,980,252</u>
Association	2021	2020
	£	£
On bank loans	3,131,967	2,707,023
Defined benefit pension liability – interest charge (note 24)	-	79,000
	<u>3,131,967</u>	<u>2,786,023</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 2019/20.		
	2021	2020
	£	£
Corporation Tax due on other activities (Cairn Homes and Services Limited)	-	4,273
Deferred tax provision (Cairn Homes and Services Limited)	-	(93)
	<u>-</u>	<u>4,180</u>
Association	2021	2020
	£	£
Corporation Tax due on other activities	-	-

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

14. Goodwill	£
Cost	
At 1 April 2020	(12,699,547)
Disposals	<u>2</u>
At 31 March 2021	<u>(12,699,545)</u>
Amortisation	
At 1 April 2020	3,598,204
Charge for year	<u>2,539,909</u>
At 31 March 2021	<u>6,138,113</u>
Net book value	
At 31 March 2021	<u>(6,561,432)</u>
At 31 March 2020	<u>(9,101,343)</u>

The negative goodwill relates to ANCHO joining the Cairn Housing Group on 1 November 2019.

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 (as restated)	137,176,140	931,340	4,589,552	142,697,032
Additions during year				
- properties	210,218	-	-	210,218
- new developments		-	12,738,267	12,738,267
- improvements to existing property	1,638,147	-	-	1,638,147
Transfer	1,947,689	-	(1,947,689)	-
Impairment	(905,348)	-	-	(905,348)
Disposals during year		(107,851)	-	(107,851)
- properties	(90,431)	-	-	(90,431)
- replaced components				
At the end of the year	139,976,415	823,489	15,380,130	156,180,034
Depreciation				
At the start of the year (as restated)	14,087,996	93,115	-	14,181,111
Charge for year	2,813,236	13,732	-	2,826,968
Impairment	(106,050)	-	-	(106,050)
Disposals during year		(10,720)	-	(10,720)
- properties	(19,369)	-	-	(19,369)
- replaced components				
At the end of the year	16,775,813	96,127	-	16,871,940
Net book value				
At 31 March 2021	123,200,602	727,362	15,380,130	139,308,094
At 31 March 2020 (as restated)	123,088,144	838,225	4,589,552	128,515,921

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 (as restated)	112,539,082	931,340	4,589,552	118,059,974
Additions during year				
- properties	210,218	-	-	210,218
- new developments	-	-	12,738,267	12,738,267
- improvements to existing property	1,061,328	-	-	1,061,328
Transfer	1,947,689	-	(1,947,689)	-
Impairment	(905,348)	-	-	(905,348)
Disposals during year		(107,851)	-	(107,851)
- properties	(60,270)	-	-	(60,270)
- replaced components				
At the end of the year	114,792,699	823,489	15,380,130	130,996,318
Depreciation				
At the start of the year (as restated)	11,039,463	93,115	-	11,132,578
Charge for year	2,324,349	13,732	-	2,338,081
Impairment	(106,050)	-	-	(106,050)
Disposals during year		(10,720)	-	(10,720)
- properties	(14,299)	-	-	(14,299)
- replaced components				
At the end of the year	13,243,463	96,127	-	13,339,590
Net book value				
At 31 March 2021	101,549,236	727,362	15,380,130	117,656,728
At 31 March 2020 (as restated)	101,499,619	838,225	4,589,552	106,927,396

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

Group

Total cost of replacement components (capitalised maintenance) for the year amounted to £1,124,334 (2020: £1,919,827). 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 (2020: £nil) and £nil capitalised administration costs (2020: £nil). All housing properties are freehold. Properties with a cost of £107,851 (2020: £9,751) and accumulated depreciation of £10,720 (2020: £3,510) have been disposed of in the year for net proceeds of £207,353 (2020: £20,289). Components with a cost of £90,431 (2020: £391,168) and accumulated depreciation of £19,369 (2020: £59,977) have been disposed of for £nil (2020: £nil) net proceeds.

Included in freehold housing properties is land with a historic cost allocation of £17,423,897 (2020: £17,098,882).

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.

Included in housing held under construction additions is £2,329,477 relating to costs in respect of a new development at Ness Castle, Inverness. Included in deferred Government capital grants additions is £2,322,503 of HAG received in the year in respect of the purchase of this land and development cost. The development is mixture of social housing units and NSSE units with 30 social units and 3 NSSE units being constructed. Going forward the costs and HAG relating to the development will be allocated between housing properties/deferred Government capital grants and stock. As part of this, £211,770 (based on the number of NSSE units/total number of units) of the cost recognised in the current year and £211,136 (based on the number of NSSE units/total number of units) of the deferred Government capital grants will be allocated to stock in 2021/22.

Association

Total cost of replacement components (capitalised maintenance) for the year amounted to £642,608 (2020: £632,112). 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 (2020: £nil) and £nil capitalised administration costs (2020: £nil). All housing properties are freehold. Properties with a cost of £107,851 (2020: £9,751) and accumulated depreciation of £10,720 (2020: £3,510) have been disposed of in the year for net proceeds of £207,353 (2020: £20,289). Components with a cost of £60,270 (2020: £257,670) and accumulated depreciation of £14,299 (2020: £37,544) have been disposed of for £nil (2020: £nil) net proceeds.

Included in freehold housing properties is land with a historic cost allocation of £14,418,240 (2020: £14,093,225).

Included in housing held under construction additions is £2,329,477 relating to costs in respect of a new development at Ness Castle, Inverness. Included in deferred Government capital grants additions is £2,322,503 of HAG received in the year in respect of the purchase of this land and development cost. The development is mixture of social housing units and NSSE units with 30 social units and 3 NSSE units being constructed. Going forward the costs and HAG relating to the development will be allocated between housing properties/deferred Government capital grants and stock. As part of this, £211,770 (based on the number of NSSE units/total number of units) of the cost recognised in the current year and £211,136 (based on the number of NSSE units/total number of units) of the deferred Government capital grants will be allocated to stock in 2021/22.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

15 (c) Investment properties Group	2021 £	2020 £
At 1 April	10,069,794	12,515,682
Component additions during year	14,028	41,170
Property disposals during year	-	(13,711)
Transfer to housing properties	-	(2,473,347)
	<u>10,083,822</u>	<u>10,069,794</u>

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6a. There are 330 (2020: 330) investment properties.

The investment properties were revalued as at 1 April 2020 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £1,222,993 (2020: £807,633).

15 (d) Investment properties Association	2021 £	2020 £
At 1 April	9,482,674	11,928,562
Component additions during year	14,028	41,170
Property disposals during year	-	(13,711)
Transfer to housing properties	-	(2,473,347)
	<u>9,496,702</u>	<u>9,482,674</u>

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 6b. There are 151 (2020: 151) investment properties.

The investment properties were revalued as at 1 April 2020 (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 £705,323 (2020: £742,914).

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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

	Heritable Office Property £	Office Furniture and Equipment £	Fixtures and Fittings £	Other Fixed Assets Total £
15 (e) Other fixed assets Group				
Cost				
At start of year	786,323	2,611,196	3,652	3,401,171
Additions during year	-	145,831	-	145,831
Disposals	(9,058)	(591,188)	(3,652)	(603,898)
At end of year	777,265	2,165,839	-	2,943,104
Depreciation				
At start of year	245,213	1,787,958	3,254	2,036,425
Provided during year	13,351	262,868	398	276,617
Disposals	(7,902)	(606,249)	(3,652)	(617,803)
At end of year	250,662	1,444,577	-	1,695,239
Net book value				
At 31 March 2021	526,603	721,262	-	1,247,865
At 31 March 2020	541,110	823,238	398	1,364,746

	Heritable Office Property £	Office Furniture and Equipment £	Other Fixed Assets Total £
15 (f) Other fixed assets Association			
Cost			
At start of year	706,059	2,503,809	3,209,868
Additions during year	-	145,831	145,831
Disposals	(9,058)	(590,957)	(600,015)
At end of year	697,001	2,058,683	2,755,684
Depreciation			
At start of year	224,256	1,699,445	1,923,701
Provided during year	11,640	259,479	271,119
Disposals	(7,902)	(606,249)	(614,151)
At end of year	227,994	1,352,675	1,580,669
Net book value			
At 31 March 2021	469,007	706,008	1,175,015
At 31 March 2020	481,803	804,364	1,286,167

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

15 (g) Investments Association	2021 £	2020 £
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 £75,945 (2020: £67,711) for the year ended 31 March 2021 and had net assets of £52,762 (2020: £38,158).

The Association's other subsidiary is ANCHO Limited. ANCHO Limited made a surplus of £866,569 (2020: £748,502) for the year ended 31 March 2021 and had net assets of £14,845,352 (2020: £14,091,785).

16. Debtors due after more than one year Association	2021 £	2020 £
Amounts owed by subsidiary	<u>1,460,000</u>	<u>1,210,000</u>
	<u>1,460,000</u>	<u>1,210,000</u>

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

17. Debtors due within one year Group	2021 £	<i>Restated</i> 2020 £
Rent arrears	859,064	849,474
Less: provision for bad debts	(517,519)	(428,816)
	<u>341,545</u>	<u>420,658</u>
Prepayments and accrued income	902,010	1,768,577
Other debtors	369,385	456,602
Factoring arrears	26,035	26,701
	<u>1,638,975</u>	<u>2,672,538</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

Association	2021 £	Restated 2020 £
Rent arrears	722,610	664,930
Less: provision for bad debts	(419,524)	(337,860)
	<u>303,086</u>	<u>327,070</u>
Amounts owed by subsidiary	36,575	49,454
Prepayments and accrued income	762,510	1,671,584
Other debtors	290,000	290,000
	<u>1,392,171</u>	<u>2,338,108</u>

18a. Cash and cash equivalents
Group

	2021 £	2020 £
Deposit accounts < 3 months	228,064	2,110,875
Current account	6,936,737	2,731,134
	<u>7,164,801</u>	<u>4,842,009</u>
Overdraft	(412,579)	-
	<u>6,752,222</u>	<u>4,842,009</u>

Association

	2021 £	2020 £
Deposit accounts < 3 months	404	2,024,281
Current account	6,672,272	2,577,079
	<u>6,672,676</u>	<u>4,601,360</u>
Overdraft	(412,579)	-
	<u>6,260,097</u>	<u>4,601,360</u>

18b. Investments
Group & Association

	2021 £	2020 £
Deposit accounts > 3 months	10,219,497	17,031,513
	<u>10,219,497</u>	<u>17,031,513</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

19. Creditors: amounts falling due within one year	2021	2020
Group	£	£
Bank overdraft	412,579	-
Housing loans due in less than 1 year (note 21)	1,203,051	1,214,347
Trade creditors	81,079	498,938
Other creditors	16,114	15,033
Prepaid rents and service charges	641,957	470,703
Accruals	2,838,507	2,893,746
Other taxes and social security	4,031	2,950
Deferred Government capital grant (note 23)	104,777	63,685
Corporation tax	-	9,638
	<u>5,302,095</u>	<u>5,169,040</u>
Secured creditors	<u>1,615,630</u>	<u>1,214,347</u>
	2021	2020
Association	£	£
Bank overdraft	412,579	-
Housing loans due in less than 1 year (note 22)	715,519	735,447
Trade creditors	29,712	248,940
Amounts owed to subsidiary	1	1
Prepaid rents and service charges	494,217	401,960
Accruals	2,673,152	2,365,741
Other taxes and social security	3,968	2,950
Deferred Government capital grant (note 23)	104,245	63,153
	<u>4,433,393</u>	<u>3,818,192</u>
Secured creditors	<u>1,128,098</u>	<u>735,447</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

20. Creditors: amounts falling due after more than one year	2021	2020
	£	£
Group		
Housing loans (note 21)	75,281,797	76,674,571
Deferred Government capital grant (note 23)	20,990,451	11,709,305
	<u>96,272,248</u>	<u>88,383,876</u>
Secured creditors	<u>75,281,797</u>	<u>76,674,571</u>
	2021	2020
	£	£
Association		
Housing loans (note 22)	70,001,812	70,907,055
Deferred Government capital grant (note 23)	20,967,063	11,685,385
	<u>90,968,875</u>	<u>82,592,440</u>
Secured creditors	<u>70,001,812</u>	<u>70,907,055</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

21. Loans Group	2021 £	2020 £
Loans or mortgages secured by charges on the Group's housing properties:		
Loans advanced by:		
Private lenders	76,484,848	77,888,918
Amounts falling due in:		
One year (note 19)	1,203,051	1,214,347
One year or more but less than two years (note 20)	1,211,912	1,222,978
Two years or more but less than five years (note 20)	3,754,004	8,743,439
Five years or more (note 20)	70,315,881	66,708,154
	76,484,848	77,888,918

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

The Group's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £107,819,505.

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

	2021 £	2020 £
Term Loan Breakage Costs	2,339,597	-
Commitment Fee	3,244	-
	2,342,841	-

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

22. Loans Association	2021 £	2020 £
Loans or mortgages secured by charges on the Association's housing properties:		
Loans advanced by:		
Private lenders	70,717,331	71,642,502
Amounts falling due in:		
One year (note 19)	715,519	735,447
One year or more but less than two years (note 20)	715,519	735,446
Two years or more but less than five years (note 20)	2,146,557	7,206,338
Five years or more (note 20)	67,139,736	62,965,271
	70,717,331	71,642,502

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

The Association's lenders have standard securities of the Social Housing Units and investment properties with a carrying value of £90,880,396.

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

	2021 £	2020 £
Term Loan Breakage Costs	2,339,597	-
Commitment Fee	3,244	-
	2,342,841	-

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. Deferred capital grants		2021	2020
		£	£
Group			
Deferred capital grants 1 April		11,772,990	8,704,164
Deferred capital grants acquired through acquisition			-
Grants received in year		9,427,015	3,132,511
Grant released in year		(104,777)	(63,685)
Deferred capital grants 31 March		21,095,228	11,772,990
Split:			
< 1 year		104,777	63,685
1-2 years		104,777	63,685
2-5 years		314,331	191,055
> 5 years		20,571,343	11,454,565
Total		21,095,228	11,772,990
		2021	2020
		£	£
Association			
Deferred capital grants 1 April		11,748,538	8,679,180
Grants received in year		9,427,015	3,132,511
Grant released in year		(104,245)	(63,153)
Deferred capital grants 31 March		21,071,308	11,748,538
Split:			
< 1 year		104,245	63,153
1-2 years		104,245	63,153
2-5 years		312,735	189,459
> 5 years		20,550,083	11,432,773
Total		21,071,308	11,748,538

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

24. 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 2020, the pension scheme is accounted for under FRS102 as a defined benefit scheme.

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

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

24. Pension scheme – Group and Association (continued)

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

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

	31 March 2021	31 March 2020
	£'000	£'000
Fair value of plan assets	19,866	18,245
Present value of defined benefit obligation	(21,875)	(18,359)
Defined benefit liability to be recognised	(2,009)	(114)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Defined benefit obligation at start of period	(18,359)	(21,793)
Current service cost	-	-
Expenses	(21)	(18)
Interest expense	(431)	(485)
Actuarial gain/(loss) due to scheme experience	125	(28)
Actuarial gain/(loss) due to changes in demographic assumptions	-	123
Actuarial (loss)/gain due to changes in financial assumptions	(3,667)	2,149
Benefits paid and expenses	478	1,693
Defined benefit liability at the end of the period	(21,875)	(18,359)

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

	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Fair value of plan assets at start of the period	18,245	18,095
Interest income	436	406
Experience on plan assets (excluding amounts included in interest inc - gain	1,009	833
Contributions by the employer	654	604
Benefits paid and expenses	(478)	(1,693)
Fair value of plan assets at end of period	19,866	18,245

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

24. Pension scheme – Group and Association (continued)

Defined benefit costs recognised in the Statement of Comprehensive Income

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Current service cost	-	-
Admin expenses	21	18
Net interest expense	(5)	79
	<u> </u>	<u> </u>
Defined benefit costs recognised in Statement of Comprehensive Income	16	97
	<u> </u>	<u> </u>

Defined benefit costs recognised in Other Comprehensive Income

	Period ended 31 March 2021 £'000	Period ended 31 March 2020 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	1,009	833
Experience gains and losses arising on the plan liabilities – gain/(loss)	125	(28)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	-	123
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)/gain	(3,667)	2,149
	<u> </u>	<u> </u>
Total amount recognised in other comprehensive income – actuarial (loss)/gain	(2,533)	3,077
	<u> </u>	<u> </u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

24. Pension scheme – Group and Association (continued)

Fund allocation for employer's calculated share of assets	31 March 2021 £'000	31 March 2020 £'000
Global Equity	3,073	2,509
Absolute Return	979	1,120
Distressed Opportunities	679	333
Credit Relative Value	573	439
Alternative Risk Premia	797	1,462
Fund of Hedge Funds	-	-
Emerging Markets Debt	801	649
Risk Sharing	710	578
Insurance-Linked Securities	415	489
Property	356	340
Infrastructure	1,109	1,076
Private Debt	468	361
Opportunistic Liquid Credit	509	444
High Yield	521	-
Opportunistic Credit	543	-
Cash	7	-
Corporate Bond Fund	1,498	1,333
Liquid Credit	343	478
Long Lease Property	461	446
Secured Income	1,091	1,013
Over 15 Year Gilts	9	232
Index Linked all stock gilts	-	-
Liability Driven Investment	4,776	4,805
Net Current Assets	148	138
Total Assets	19,866	18,245

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

Assumptions as at	31 March 2021 % per annum
Discount rate	2.17
Inflation (RPI)	3.28
Inflation (CPI)	2.86
Salary growth	3.86
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

24. Pension scheme – Group and Association (continued)

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.4
Male retiring in 2040	22.8
Female retiring in 2040	25.0

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	20	859	51
Females	34	1,061	51
Total	54	1,920	51

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	28	100	52
Females	56	116	53
Total	84	216	53

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	28	142	69
Females	56	252	72
Total	84	394	71

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 2021

24. 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 2020. As of this date the estimated employer debt for the Association was £14,049,947.

(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 2021.

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

	2021
Inflation / Pension Increase Rate	2.80%
Salary scale increases per annum	3.50%
Discount rate	2.05%

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

	2021
Equities	66%
Bonds	23%
Property	9%
Cash	2%

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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24. Pension scheme – Group and Association (continued)

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

	Males 19.8 years 21.2 years	Females 22.6 years 24.7 years
Current pensioners		
Future pensioners		
	2021	2020
	£	£
Estimated employer asset share	4,962,000	4,201,000
Present value of scheme liabilities	(5,482,000)	(4,582,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	(5,482,000)	(4,582,000)
Net Pension (Liability)	(520,000)	(381,000)
	2021	2020
	£	
Service costs	(98,000)	(163,000)
Employers' contributions	46,000	73,000
Total operating charge	(52,000)	(90,000)
	2021	2020
Analysis of amount credited to other finance income	£	£
Interest Income on Plan Assets	97,000	109,000
Interest on pension scheme liabilities	(105,000)	(128,000)
Total Net interest	(8,000)	(19,000)
Total defined benefit cost in Total Comprehensive Income	(60,000)	(109,000)
	2021	2020
Analysis of recognised Comprehensive Income	£	£
Actual return less expected return on pension scheme assets	958,000	(294,000)
Experience gains and losses arising on the scheme liabilities	113,000	18,000
Changes in financial assumptions underlying the present	(1,330,000)	529,000
Changes in demographic assumptions	146,000	187,000
Actuarial gain in pension plan recognised in Other Comprehensive Income	(113,000)	440,000

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

24. Pension scheme – Group and Association (continued)

Movement in pension deficit during the year	2021	2020
	£	£
Deficit at the beginning of the year	(347,000)	(712,000)
Current service cost	(98,000)	(163,000)
Employers contributions	46,000	73,000
Past service costs	-	-
Net returns on assets	(8,000)	(19,000)
Actuarial gain/(loss)	(113,000)	440,000
Deficit at the end of the year	(520,000)	(381,000)

25. Deferred tax	2021	2020
	£	£
At beginning of the year	76	-
Charged to profit or loss (in respect of Cairn Homes and Services Limited)	-	76
At end of year	76	76

The deferred taxation balance is made up as follows:-

	2021	2020
	£	£
Fixed asset timing differences	76	76
At end of year	76	76

26. Share capital	2021	2020
	£	£
Group and Association		
Shares of £1 each issued and fully paid		
At 1 April 2020	88	92
Cancelled during the year	-	(4)
At 31 March 2021	88	88

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

27. Reserves

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

28. Net cash inflow from operating activities	2021	2020
Group	£	£
Surplus for the year	297,389	3,129,623
<u>Adjustment for non-cash items</u>		
Taxation charge	-	4,180
Depreciation charges including loss on disposal of components	3,174,647	3,359,811
Impairment charge	799,298	-
Release of negative goodwill	(2,539,909)	(2,539,909)
(Decrease)/increase in creditors	(334,123)	1,047,727
Decrease/(increase) in debtors	1,033,563	(8,778)
Share capital cancelled	-	(4)
Carrying amount of tangible fixed asset disposals	83,226	20,117
SHAPS finance (income)/ cost	(5,000)	79,000
SPF – Finance cost	8,000	19,000
SPF – staff costs	52,000	90,000
Negative goodwill additions	(2)	8
Amortisation of RBS arrangement fee	20,000	-
<u>Adjustments for investing or financing activities</u>		
Proceeds from the sale of fixed assets	(290,579)	(40,406)
Release of deferred government grants	(104,777)	(63,685)
Interest payable	3,241,972	2,882,252
Interest receivable	(134,503)	(202,645)
SHAPS past service deficit payment	(633,372)	(586,463)
Loan breakage costs	2,342,841	-
Net cash inflow from operating activities	<u>7,010,671</u>	<u>7,189,828</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

28. Net cash inflow from operating activities (continued)

Association	2021	2020
	£	£
Deficit for the year	(3,157,693)	(174,490)
<u>Adjustment for non-cash items</u>		
Depreciation charges including loss on disposal of components	2,655,171	2,765,266
Impairment charge	799,298	-
Increase in creditors	181,458	571,697
Decrease/(increase) in debtors	945,937	(18,573)
Share capital cancelled	-	(4)
Carrying amount of tangible fixed asset disposals and investment properties	82,995	20,117
SHAPS finance (income)/ cost	(5,000)	79,000
Amortisation of RBS arrangement fee	20,000	-
<u>Adjustments for investing or financing activities</u>		
Proceeds from the sale of fixed assets	(290,348)	(40,406)
Release of deferred Government Grants	(104,245)	(63,153)
Interest payable	3,131,967	2,707,023
Interest receivable	(178,451)	(201,958)
SHAPS past service deficit payment	(633,372)	(586,463)
Loan breakage costs	2,342,841	-
Net cash inflow from operating activities	<u>5,790,558</u>	<u>5,058,056</u>

29. Payments to members, Board members and Key Management

Group

Remuneration paid to members of the Association during the year were £7,500 (2020 £Nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £94 (2020: £21,671).

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 £7,388 (2020: £12,218). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £nil (2020: £730). The total prepaid rent and service charge relating to tenant Board members included within creditors at the year end is £nil (2020: £nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £514,786 (2020: £415,681). In addition, there was redundancy costs of £129,913 (2020: £nil).

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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

Association

Remuneration paid to members of the Association during the year were £7,500 (2020: £Nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £94 (2020: £17,054).

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 £3,876 (2020: £4,257). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £nil (2020: £509). The total prepaid rent and service charge relating to tenant Board members included within creditors at the year end is £nil (2020: £nil).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £451,213 (2020: £345,435). In addition, there was redundancy costs of £104,018 (2020: £nil)

30. Capital commitments

Group	2021 £	2020 £
Contracted	17,328,051	6,770,021
Approved but not contracted for	-	765,000
	<u>17,328,051</u>	<u>7,535,021</u>
This is to be funded by:		
Private finance	12,936,511	5,236,032
Grants	4,391,540	2,121,868
From reserves	-	177,121
	<u>17,328,051</u>	<u>7,535,021</u>
Association	2021 £	2020 £
Contracted	15,727,801	6,770,021
Approved but not contracted for	-	-
	<u>15,727,801</u>	<u>6,770,021</u>
This is to be funded by:		
Private finance	11,336,261	4,471,032
Grants	4,391,540	2,121,868
From reserves	-	177,121
	<u>15,727,801</u>	<u>6,770,021</u>

CAIRN HOUSING ASSOCIATION LIMITED
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31. Revenue commitments

Group

At 31 March 2021 the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

Group	Land & Buildings 2021 £	Other 2021 £	Land & Buildings 2020 £	Other 2020 £
Within a year	109,599	107,249	108,728	108,615
Within 2-5 years	359,874	-	356,389	-
After 5 years	359,874	-	356,389	-
	<u>829,347</u>	<u>107,249</u>	<u>821,506</u>	<u>108,615</u>
Association	Land & Buildings 2021 £	Other 2021 £	Land & Buildings 2020 £	Other 2020 £
Within a year	89,969	105,883	89,098	105,883
Within 2-5 years	359,874	-	356,389	-
After 5 years	359,874	-	356,389	-
	<u>809,717</u>	<u>105,883</u>	<u>801,876</u>	<u>105,883</u>

32. Prior Year Restatement

Cairn Housing Association Limited are in the process of purchasing land for £290,000. The purchase process has been delayed although it is expected to complete in 2021/22. The purchase price was paid to the Association's solicitors in April 2019 who currently hold the funds on behalf of the Association until the purchase is complete. This payment was recognised within housing properties under construction but as the purchase has not completed it should be recognised within other debtors in the 2020 comparative and thus a prior year adjustment has been processed to make this reallocation. This does not affect the previously stated surplus or net asset position.