



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Society name:

CAIRN HOUSING ASSOCIATION

Important information you should read before completing this form

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- any personal details you give on the form will be placed on the society's public file.
- it is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to process your annual return.

Please keep a copy of the form and supporting documents for future reference.

Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print the completed form and arrange for it to be signed by all relevant individuals.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will treat the application as incomplete. This will increase the time taken to assess your application.

5 If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6 Email a scanned copy of the signed form and supporting documents to

mutualsannrtns@fca.org.uk

or send it by post to:

Mutuals Team
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
LONDON
E14 5HS

7. Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

1

Details of society

1.1 Details of the society

Register number	2335R
Registered office address	Citypoint 65 Haymarket Terrace Edinburgh
Postcode	EH12 5HD

1.2 Year end date (dd/mm/yyyy)

See Note 1.2

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Committee of management

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

1.3 Details of Chairman

Name	SIMON GUEST
Address	2/6 Lauder Road Edinburgh
Postcode	EH9 2EJ
Year of birth	1949
Business occupation and other directorships	Solicitor

1.4 Details of Treasurer

Name	N/A
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

1.5 Details of Secretary

Name	JASON JOHN MACGILP
Address	Citypoint 65 Haymarket Terrace Edinburgh
Postcode	EH12 5HD
Year of birth	1964
Business occupation and other directorships	Chief Executive and Secretary

1.6 Details of Members of the Committee

Name	Address	Year of birth	Business occupation and other directorships
DAVID VENTERS	36 Parkgrove Loan Edinburgh EH4 7QZ	1950	Retired Civil Servant Housing Consultant
MICHAEL ALLAN	5 Frank Jack Court Glendale Road Peterhead AB42 1ZU	1957	Retired
JOHN WOODS	8 Dougan Drive Newmains WISHAW ML2 9EZ	1952	Census District Manager Freelance Market Researcher
BILL GILLESPIE	Under Balchraggan Drumnadrochit Invernesshire IV63 6TZ	1954	Retired Civil Servant
DON JAMIESON	17 First Avenue Bearsden GLASGOW G61 2JD	1960	Chief Executive, The Coach House Trust
GERLINDE WALCH	3/3 Old Mill Court Duntocher West Dumbartonshire G81 6BE	1946	Retired School Teacher

Please use separate sheets of paper if you need more space, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

1

Please continue, answering all questions.

1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?

- ☒ No
☐ Yes

1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000? (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage business). If 'yes' please state the society's Financial Services Register firm reference number

- ☒ No
☐ Yes

Financial Services Register firm reference number

1.9 Is the society a subsidiary of another society?

- ☒ No
☐ Yes

1.10 Does the society have one or more subsidiaries?

- ☐ No
☒ Yes

1.11 Is the society currently accepted by the HM Revenue and Customs as a charity for tax purposes?

- ☐ No
☒ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

- ☒ Yes

1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?

- ☐ No
☒ Yes ▶ provide your Scottish Charity number below

SC016647

1.13 Is the society registered with one of the following (please tick)?

- ☐ Homes and Communities Agency
☐ The Welsh Ministers
☒ Scottish Housing Regulator

If so, please provide your register number

HEP218

All societies must answer the following questions:

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

Bona fide co-operative society

1.14 How did members benefit from the business, industry or trade of the society during the year?

N/A

1.15 Is membership of the society required to obtain the benefits offered by it?

☐ Yes

☐ No

1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?

1.17 How did members democratically control the society?

1.18 How did the society use any surplus/profit?

If the society distributed the surplus/profit to members please explain how this was done.

--

Please use separate sheets of paper if you need more space (see section 5 above)

Please indicate how many separate sheets of paper you have used.

--

Continue to 2.1

Community benefit society

1.19 Who are the community the society benefited?

We provide affordable housing for people in need in communities across Scotland.
Cairn currently has almost 3,500 properties under management

1.20 How did the society benefit that community during the year?

By providing affordable social rented housing and related services to our customers in communities across Scotland.

1.21 How did the society use any surplus/profit?

We are a non-profit organisation, no shareholders were paid any dividends. Surpluses as detailed in the financial accounts are re-invested back into the business

Please use separate sheets of paper if you need more space (see section 5 above).
Please indicate how many separate sheets of paper you have used.

Continue to 2.1

2 Statistics

Account details

2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	99
B	Members ceased during year	3
C	Members admitted during year	0
D	Members at end of year	96
E	Turnover for year	£16,052,821
F	Total of income and expenditure (receipts and payments added together)	N/A
G	Net surplus/(deficit) for year	£986,019
H	Fixed assets	£104,925,853
I	Current assets	£3,798,317
J	Total assets (equal to amount in row O, below)	£108,724,170
K	Current liabilities	£4,450,078
L	Share capital	£96
M	Long-term liabilities	£49,496,202
N	Reserves	£54,777,794
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	£108,724,170
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other registered societies	NIL
Q	Loans from members	NIL
R	Loans from Employees' Superannuation Schemes	NIL
S	Dividends on sales	NIL
T	Share interest	NIL

2.2 Names of subsidiaries as defined in sections 100 and 101 of the Co-operative and Community Benefit Societies Act 2014

Cairn Homes and Services Ltd

2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)

The society must have written authority from us to exclude a subsidiary from group accounts

3

The audit

3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- ☒ Full professional audit ▶ Continue to section 4
- ☐ Accountant's report ▶ Complete questions 3.2 and 3.3
- ☐ Lay audit ▶ Complete questions 3.2 and 3.3
- ☐ Unaudited ▶ Complete questions 3.2 and 3.3

3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No
- ☐ Yes

3.3 Has the membership passed at a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ No
- ☐ Yes

4

Accounts and signature

Accounts

- 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

2 0 / 0 9 / 2 0 1 8

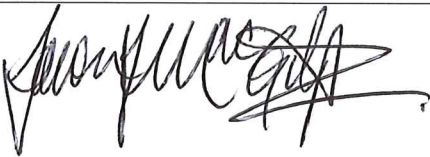
- 4.2 Has your society produced accounts to the minimum standard required?

- ☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached
- ☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

Signature – all societies to complete

- 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

Name	Jason MacGilp
Signature	
Phone number	0800 990 3405
Email	jason.macgilp@cairnha.com
Date	24th October 2018

Cairn Housing Association

FCA Annual Return 31 March 2018 AR 30 - Additional Board Member Details

Name	Address	Year of Birth	Business Occupation and other directorships
HELEN BARTON	5 Mill Crescent North Kessock Inverness IV1 3XY	1962	Consultant
MOIRA MACKENZIE	28 Greenside Torphichen West Lothian EH48 4NB	1962	Head of Development within the Scottish Centre for Telehealth & Telecare (SCTT) within NHS 24.
GREGORY COLGAN	1 North Road Westgreen Park Liff DUNDEE DD2 5SQ	1978	Finance and Corporate Services Manager
ANGUS LAMONT	42 Garrabost Point Isle of Lewis HS2 0PW	1954	Retired Housing Chief Executive & Director
LAURENCE CASSERLY	15/1 Hart Street Edinburgh EH1 3RN	1977	Senior Project Manager, Construction Consultant RICS member
NEIL WOOD	8 Succoth Gardens Edinburgh EH12 6BS	1956	Retired Managing Director, Customer Services Industry



Scott-Moncrieff
business advisers and accountants

CAIRN HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management

Mr S E G Guest, Chairperson
Mr M Allan, Vice Chairperson
Mr D Venters
Mr J Woods
Ms G Walch
Mr D Jamieson
Mr W Gillespie
Mr G Colgan
Mrs H Barton
Mrs M Mackenzie
Mr A Lamont
Mr N Wood
Mr L Casserly

Executive Officers

Mr J MacGilp, Chief Executive and Secretary
Mr D Adam, Director of Finance and Business Services
Mr J Davidson, Director of Customer Services
Mr R Gaffney, Director of Business Services, (resigned 28 April 2017)

Secretary

Mr J MacGilp

Head Office

Bellevue House
22 Hopetoun Street
Edinburgh
EH7 4GH

Auditor

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

Bankers

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

Other Lenders

Santander plc

Registration numbers

Financial Conduct Authority
The Scottish Housing Regulator
Registered Scottish Charity

2335R(S)
HEP218
SC016647

**CAIRN HOUSING ASSOCIATION LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2018

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CAIRN HOUSING ASSOCIATION LIMITED

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

FOR THE YEAR ENDED 31 MARCH 2018

The Board of Management present their Report and the audited financial statements for the year ended 31 March 2018.

Principal activities

The principal activity of the Association is the provision of affordable housing and related services for tenants and other parties. The Association was incorporated in Scotland.

The principal activity of the Group's subsidiary, Cairn Homes and Services Limited (trading as Cairn Living), is the rental of housing units at mid-market rent.

Review of the business

The financial year to 31 March 2018 has been a further year of sustained good business performance and service improvement for Cairn Housing Association Limited to the benefit of our tenants and other customers and the communities we work in.

Highlights during the year have included:-

- External recognition for our service delivery continued to be achieved, with the UK-wide Customer Service Excellence re-accreditation and improved scores this year. Through rigorous external validation, this demonstrates our commitment to providing the best service to our tenants and supports one of our core values of Customer First;
- Delivery of a substantial investment programme of over £1.8 million in our existing homes across Scotland. This has directly improved the quality of life for tenants and supported our commitment to our vision of Great Homes including investment in new kitchens, new bathrooms, energy efficiency work, and heating systems;
- Despite significant challenges through the impact of the UK Government's welfare changes and roll out of Universal Credit, our income management has held up well, with good performance on rent collection at 101%;
- Our substantial improvements in reducing void re-let periods and void rent loss over the last three years has been embedded and sustained, with the outturn for average void re-let period at eighteen days over the last year;
- Cairn's continued work on staff engagement recently achieved recognition with the Best Companies awards, again winning a place in the prestigious Sunday Times Top 100 Best Companies for not-for-profit organisation across UK, at number 42. Across all sectors of business in Scotland, Cairn were placed 24th best to work for;
- Building on the previous years' overhead reductions, key decisions made by the Board further reduced our overhead costs as part of our ongoing Value for Money approach, ensuring long term business resilience and rent affordability. The recent move of the head office will achieve even further savings of over £1 million over the next 10 years;
- The Regulator (SHR) has this year categorised Cairn as "Medium Engagement" in our Regulation Plan. This follows our commitment to build 400 new homes over the next 5 years and the inherent additional risks associated with newbuild development. Compliance to regulatory standards and best practice will continue to drive our governance and management of the Association and our positive working relationship with the Regulator;

CAIRN HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Review of the business (continued)

- Our development strategy informed by Scottish government guidance will be revised to guide our intended increase in new build development programme over the next few years as part of a controlled growth strategy and to meet local housing needs in communities across the country;
- Through our income maximisation and benefits advice service we have again secured over £600,000 in additional benefits for our customers;
- The Association delivered a range of successful Community Development projects in communities across Scotland;
- The Cairn Customer Panel has continued its valuable work in providing scrutiny and improvement recommendations from a tenants perspective, including work on the planned improvement programme and the work of the CairnConnect contact centre; and
- Cairn continues to take a pro-active approach to Asset Management and the Association has made a number of decisions to take poorly performing stock out of management, including the closure of Caberfeidh Court in Wick, and Flora MacDonald House in Inverness, resulting in an impairment charge of £429,642 and £10,273 respectively.

Financial performance

For the year 2017/18 the Association's operating surplus increased slightly from £2.46 million in 2017 to £2.54 million in 2018 due to cost efficiencies. The Association generated a surplus for the year of £986,019 (2017: £847,554) and the Group generated a surplus of £986,928 (2017: £843,324). The surplus for the year has been taken to the Revenue Reserve.

Future developments

The operating and financial environment continues to be challenging, but the Association 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 are confident about the future and are focussed 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 delivery of the new 'Our Digital Future' 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 which the company would then rent out at mid-market rent. 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 build at least 60 new units next year and 400 over the next five years, and expect to use new funding models to support the provision of even more new homes. We will also be exploring partnerships with other RSLs as we look to have a greater impact on the quality of lives of our customers and communities.

CAIRN HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Growth & Partnerships

Cairn has worked with the Board and management team at ANCHO (Ayrshire North Community Housing Organisation) to complete the Business Case for a constitutional partnership. This has the approval of the Regulator (SHR) and a ballot of tenants of ANCHO was held in June 2018. The outcome of the tenant ballot was 94.2% in favour of the partnership. There will be a special ANCHO AGM in August 2018 where members will vote on the partnership.

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

Risks and Uncertainties

Cairn continues to be a strong and resilient social business. There are 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 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

Cairn 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 subsidiary company.

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 were no resignations or retirement during 2017/18. Cairn is a member of the Scottish Federation of Housing Associations and ensures positive working relationships with our Regulators, (SHR and OSCR), local authorities and other partners.

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

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

CAIRN HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

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 the 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 was reviewed during 2017/18 to ensure the appropriate balance of enabling operational effectiveness with proper board oversight and decisions making where required.

Statement of the Board of Management's Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or Association will continue in business.

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

Statement on internal financial control

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

Internal financial controls are those procedures established by the senior management team, and reviewed by the 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 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 Association. A comprehensive programme of internal audit covering over time all the Association's main activities is on-going. Reports are made to the Audit & Performance Committee with appropriate action taken where necessary.
- (b) Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board of Management quarterly.

CAIRN HOUSING ASSOCIATION LIMITED
REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018

Statement on internal financial control (continued)

- (c) Major business risks and their financial implications are assessed by reference to established criteria.
- (d) The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the Association's 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 Association to the executive officers.

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

Disclosure of information to the auditor

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

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

Auditor

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

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

BY ORDER OF THE BOARD


Mr J MacGill
Secretary

Date: 

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 2018

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 2018 which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Changes in Capital and Reserves, the Group and Association Statement of Financial Position, the Group and Association Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Parent Association's affairs as at 31 March 2018 and of the Group's and the Parent Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The 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 are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 2018

Other information (continued)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 4, 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 are responsible for assessing the Group's and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Group or the Parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

**CAIRN HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

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

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

Use of our report

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

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

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 2 August 2018

**CAIRN HOUSING ASSOCIATION LIMITED
REPORT OF THE AUDITOR TO THE MEMBERS OF CAIRN HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

FOR THE YEAR ENDED 31 MARCH 2018

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 4 and 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on pages 4 and 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

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

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 2 August 2018

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

		2018	2017
		£	£
Turnover	4	16,063,327	16,311,591
Operating expenditure	4	(13,523,374)	(13,854,051)
Operating surplus	4	2,539,953	2,457,540
Gain on sale of property, plant and equipment	10	101,189	100,386
Interest receivable	11	-	2,944
Interest payable and similar charges	12	(1,654,214)	(1,717,546)
Surplus for the year before taxation		986,928	843,324
Taxation	13	-	-
Surplus after taxation		986,928	843,324
Other comprehensive income		-	-
Total comprehensive income for the year		986,928	843,324

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 2018

		2018	2017
		£	£
Turnover	4	16,052,821	16,305,249
Operating expenditure	4	(13,514,264)	(13,844,028)
Operating surplus	4	2,538,557	2,461,221
Gain on sale of property, plant and equipment	10	101,189	100,386
Interest receivable	11	-	2,944
Interest payable and similar charges	12	(1,653,727)	(1,716,997)
Surplus for the year before taxation		986,019	847,554
Taxation	13	-	-
Surplus after taxation		986,019	847,554
Other comprehensive income		-	-
Total comprehensive income for the year		986,019	847,554

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 2018

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

AS AT 31 MARCH 2017

	<i>Share capital £</i>	<i>Revenue reserves £</i>	<i>Total reserves £</i>
Balance at 1 April 2016	<i>103</i>	<i>52,938,348</i>	<i>52,938,451</i>
Total Comprehensive Income for the year	-	<i>843,324</i>	<i>843,324</i>
Cancelled shares during the year	<i>(7)</i>	-	<i>(7)</i>
Shares issued during the year	<i>3</i>	-	<i>3</i>
Balance at 31 March 2017	<i>99</i>	<i>53,781,672</i>	<i>53,781,771</i>

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES

AS AT 31 MARCH 2018

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

AS AT 31 MARCH 2017

	<i>Share capital £</i>	<i>Revenue reserves £</i>	<i>Total reserves £</i>
Balance at 1 April 2016	103	52,944,221	52,944,324
Total Comprehensive Income for the year	-	847,554	847,554
Cancelled shares during the year	(7)	-	(7)
Shares issued during the year	3	-	3
Balance at 31 March 2017	<u>99</u>	<u>53,791,775</u>	<u>53,791,874</u>


The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF FINANCIAL POSITION

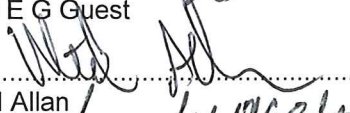
AS AT 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
Tangible fixed assets and investments					
Housing properties	14a		94,595,059		93,202,883
Investment properties	14b		9,078,833		9,076,133
Other fixed assets	14c		1,253,868		1,255,965
			<u>104,927,760</u>		<u>103,534,981</u>
Current assets					
Debtors	15	2,297,117		1,970,325	
Cash and cash equivalents	16	1,494,746		1,336,789	
		<u>3,791,863</u>		<u>3,307,114</u>	
Creditors: amounts falling due within one year	17	<u>(4,454,725)</u>		<u>(5,289,993)</u>	
Net current liabilities			<u>(662,862)</u>		<u>(1,982,879)</u>
Total assets less current liabilities			<u>104,264,898</u>		<u>101,552,102</u>
Creditors: amounts falling due after more than one year	18		<u>(49,496,202)</u>		<u>(47,770,331)</u>
Net assets			<u>54,768,696</u>		<u>53,781,771</u>
Capital and reserves					
Share capital	23		96		99
Revenue reserves	24		54,768,600		53,781,672
			<u>54,768,696</u>		<u>53,781,771</u>


Approved and authorised for issue by the Board of Management on 02 AUGUST 2018



 Mr S E G Guest Chairperson



 Mr M Allan Vice Chairperson



 Mr J MacGilp Secretary

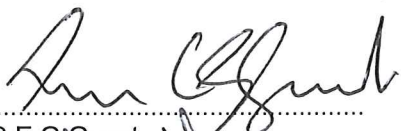
The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF FINANCIAL POSITION


AS AT 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
Tangible fixed assets and investments					
Housing properties	14a		94,595,059		93,202,883
Investment properties	14b		9,078,833		9,076,133
Other fixed assets	14c		1,251,960		1,253,144
Investments	14d		1		1
			104,925,853		103,532,161
Current assets					
Debtors	15	2,307,489		1,980,384	
Cash and cash equivalents	16	1,490,828		1,335,579	
		3,798,317		3,315,963	
Creditors: amounts falling due within one year	17	(4,450,078)		(5,285,919)	
Net current liabilities			(651,761)		(1,969,956)
Total assets less current liabilities			104,274,092		101,562,205
Creditors: amounts falling due after more than one year	18		(49,496,202)		(47,770,331)
Net assets			54,777,890		53,791,874
Capital and reserves					
Share capital	23		96		99
Revenue reserves	24		54,777,794		53,791,775
			54,777,890		53,791,874

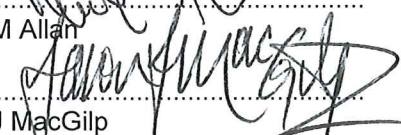
Approved and authorised for issue by the Board of Management on **02 AUGUST 2018**



 Mr S E G Guest Chairperson



 Mr M Allan Vice Chairperson



 Mr J MacGilp Secretary

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note s	£	2018 £	£	2017 £
Net cash generated from operating activities	25		3,816,915		4,847,836
Cash flow from investing activities					
Payments to acquire and improve housing stock		(4,120,874)		(8,058,143)	
Purchase of other fixed assets		(242,085)		(156,198)	
HAG and other capital grants received		1,407,072		933,929	
Proceeds from sale of tangible fixed assets		297,222		520,327	
HAG repaid		(52,532)		(187,711)	
Interest received		-		2,944	
Improvement to investment properties		(2,700)		(83,457)	
			(2,713,897)		(7,028,309)
Taxation paid			-		(752)
Cash flow from financing activities					
Interest paid		(1,626,727)		(1,573,997)	
Housing loans repaid		(1,115,376)		(1,115,695)	
Housing loans received		2,000,000		5,000,000	
			(742,103)		2,310,308
Net change in cash and cash equivalent			360,915		129,083
Cash and cash equivalent at beginning of year			738,392		609,309
Cash and cash equivalent at end of the year	16		1,099,307		738,392

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED
ASSOCIATION STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note s	£	2018 £	£	2017 £
Net cash generated from operating activities	25		3,814,207		4,844,322
Cash flow from investing activities					
Payments to acquire and improve housing stock		(4,120,874)		(8,058,143)	
Purchase of other fixed assets		(242,085)		(153,811)	
HAG and other capital grants received		1,407,072		933,929	
Proceeds from sale of tangible fixed assets		297,222		520,327	
HAG repaid		(52,532)		(187,711)	
Interest received		-		2,944	
Improvement to investment properties		(2,700)		(83,457)	
			(2,713,897)		(7,025,922)
Taxation paid			-		(752)
Cash flow from financing activities					
Interest paid		(1,626,727)		(1,573,997)	
Housing loans repaid		(1,115,376)		(1,115,695)	
Housing loans received		2,000,000		5,000,000	
			(742,103)		2,310,308
Net change in cash and cash equivalent			358,207		127,956
Cash and cash equivalent at beginning of year			737,182		609,226
Cash and cash equivalent at end of the year	16		1,095,389		737,182

The notes form part of these financial statements.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

1. General Information

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

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

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

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

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

2. Principle Accounting policies

(a) Basis of accounting and consolidation

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards and statements of recommended practice. The effect of events relating to the year ended 31 March 2018, 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 2018 and of the results for the year ended on that date.

(b) Going concern

The financial statements have been prepared on a going concern basis by the Board of Management as surpluses are expected in 2018/19 and 2019/20, there is a healthy cash balance and the Group is progressing with a successful Private Placement bid to secure long term funding. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Turnover

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principle Accounting policies (continued)

(d) Apportionment of management expenses

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

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

(e) Interest receivable

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

(f) Interest payable

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

(g) 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.

(h) Shared ownership transactions

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principle Accounting policies (continued)

(i) 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.

(j) 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.

(k) 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.

(l) Depreciation

Housing properties

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

Freehold land is not depreciated.

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

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principle Accounting policies (continued)

(l) Depreciation (continued)

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

Shared ownership housing properties

Depreciated over 60 years.

Other fixed assets

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

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

(m) Homestake

Properties developed under the Scottish Government's shared equity Homestake initiative are funded by grant and ultimate sales proceeds.

Once the first tranche has been sold the Group no longer has any rights or obligations nor risks or rewards. As a result the remaining cost and associated grant are derecognised in the financial statements. Homestake allowances receivable to market the properties are taken to income as developments are completed and until that point are included within deferred income.

(n) Pensions (Note 22)

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

Up until 1 April 2014, the Association 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.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principle Accounting policies (continued)

(o) Operating leases

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

(p) Investment properties

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

(q) Restricted reserves

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

(r) Investments

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

(s) Debtors

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

(t) Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 15.

(u) Cash and Cash Equivalents

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

(v) Creditors

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

(w) Financial instruments

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

2. Principle Accounting policies (continued)

(w) Financial instruments (continued)

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

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

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

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

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

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

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of housing properties	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.
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 Association, 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 pension scheme	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 2018

4. Particulars of turnover, operating expenditure and operating surplus

Group	2018 Turnover £	2018 Operating Expenditure £	2018 Operating Surplus £	2017 Turnover £	2017 Operating Expenditure £	2017 Operating Surplus £
Social lettings (note 5)	14,427,742	12,308,470	2,119,272	14,398,101	12,431,693	1,966,408
Other activities (note 6a)	1,617,879	1,205,794	412,085	1,901,368	1,412,335	489,033
Cairn Homes and Services Limited	17,706	9,110	8,596	12,122	10,023	2,099
	<u>16,063,327</u>	<u>13,523,374</u>	<u>2,539,953</u>	<u>16,311,591</u>	<u>13,854,051</u>	<u>2,457,540</u>
Association	2018 Turnover £	2018 Operating Expenditure £	2018 Operating Surplus £	2017 Turnover £	2017 Operating Expenditure £	2017 Operating Surplus £
Social lettings (note 5)	14,427,742	12,308,470	2,119,272	14,398,101	12,431,693	1,966,408
Other activities (note 6b)	1,625,079	1,205,794	419,285	1,907,148	1,412,335	494,813
	<u>16,052,821</u>	<u>13,514,264</u>	<u>2,538,557</u>	<u>16,305,249</u>	<u>13,844,028</u>	<u>2,461,221</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

5. Particulars of turnover, operating expenditure and operating surplus or (deficit) from social letting activities	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	2018 £	2017 £
Group and Association							
Rent receivable net of service charges	9,151,288	1,499,382	1,748,894	110,419	95,230	12,605,213	12,357,696
Service charges net of voids	191,881	575,596	943,998	113,299	5,497	1,830,271	1,710,009
Gross income from rents and service charges	9,343,169	2,074,978	2,692,892	223,718	100,727	14,435,484	14,067,705
Less: Rental voids	(169,237)	(39,345)	(23,549)	(2,019)	(639)	(234,789)	(155,745)
Net income from rents and service charges	9,173,932	2,035,633	2,669,343	221,699	100,088	14,200,695	13,911,960
Release of deferred capital government grant	16,817	-	-	-	-	16,817	16,319
Grants from the Scottish Ministers	115,475	45,142	45,552	4,061	-	210,230	469,822
Total turnover from social letting activities	9,306,224	2,080,775	2,714,895	225,760	100,088	14,427,742	14,398,101
Management and maintenance administration costs	3,642,895	318,860	948,468	59,480	61,338	5,031,041	5,103,043
Service costs	136,801	569,239	993,559	13,432	4,977	1,718,008	1,764,652
Planned and cyclical maintenance	1,872,396	206,500	666,878	12,275	8,645	2,766,694	7,286,156
Planned and cyclical maintenance capitalised	(1,235,177)	(114,087)	(547,120)	(32)	(2,450)	(1,898,866)	(6,412,492)
Responsive maintenance costs	1,248,050	290,724	354,557	19,233	19,479	1,932,043	1,895,828
Responsive maintenance capitalised	(26,382)	-	-	-	(665)	(27,047)	(57,272)
Bad debt provision	32,520	-	-	-	-	32,520	(48,887)
Write offs	133,739	31,687	34,736	3,982	3,347	207,491	207,768
Non-refundable rent	(12,415)	(3,707)	(22,404)	(75)	(10)	(38,611)	(74,233)
Impairment	-	429,642	-	10,273	-	439,915	-
Depreciation of social housing	1,398,090	324,211	392,423	14,337	16,221	2,145,282	2,767,130
Operating expenditure for social letting activities	7,190,517	2,053,069	2,821,097	132,905	110,882	12,308,470	12,431,693
Operating surplus or (deficit) for social lettings 2018	2,115,707	27,706	(106,202)	92,855	(10,794)	2,119,272	
Operating surplus for social lettings – 2017	1,694,545	73,491	101,866	83,289	13,217		1,966,408
Number of units in management:							
2018	2,102	472	590	37	41	3,242	
2017	2,104	472	590	37	43	3,246	

Included in depreciation of social housing is £184,553 (2017: £858,799) relating to the loss on disposal of components.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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) 2018 £	Operating surplus or (deficit) 2017 £
Care and repair of property	404,196	71,396	-	-	475,592	-	418,998	56,594	40,249
Commercial rent from investment properties	-	-	-	680,427	680,427	-	399,276	281,151	232,364
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	97,481	-	97,481	-	173,467	(75,986)	(57,379)
Care activities	-	-	-	-	-	-	-	-	-
Factoring activities	-	-	-	61,174	61,174	4,799	43,157	13,218	45,478
Service charge admin recharge	-	-	-	141,942	141,942	-	85,083	56,859	96,324
Third party recharge costs	-	-	-	86,923	86,923	-	18,130	68,793	17,728
Other activities	-	-	-	74,340	74,340	62,884	-	11,456	114,269
Total from other activities 2018	404,196	71,396	97,481	1,044,806	1,617,879	67,683	1,138,111	412,085	
Total from other activities 2017	-	474,077	102,981	1,324,310	1,901,368	11,415	1,400,920	489,033	

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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) 2018 £	Operating surplus or (deficit) 2017 £
Care and repair of property	404,196	71,396	-	-	475,592	-	418,998	56,594	40,249
Commercial rent from investment properties	-	-	-	680,427	680,427	-	399,276	281,151	232,364
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	97,481	-	97,481	-	173,467	(75,986)	(57,379)
Care activities	-	-	-	61,174	61,174	4,799	43,157	13,218	45,478
Factoring activities	-	-	-	141,942	141,942	-	85,083	56,859	96,324
Service charge admin recharge	-	-	-	93,403	93,403	-	18,130	75,273	22,708
Third party recharge costs	-	-	-	75,060	75,060	62,884	-	12,176	115,069
Other activities	-	-	-	-	-	-	-	-	-
Total from other activities 2018	404,196	71,396	97,481	1,052,006	1,625,079	67,683	1,138,111	419,285	
Total from other activities 2017	-	474,077	102,981	1,330,090	1,907,148	11,415	1,400,920		494,813

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

7. Employees – Group and Association

	2018 £	2017 £
Staff costs during year:		
Wages and salaries	3,572,185	3,678,351
Social security costs	330,280	335,179
Pension costs	288,832	343,382
Pension costs – Past service scheme expenses	17,660	18,472
Pension costs – Past service deficit measurement (note 22)	(20,000)	6,000
Death in service	39,347	43,462
Accrued holiday pay	36,473	85,613
Agency costs	23,238	59,338
Redundancy and compensation payments (including NI)	159,821	30,096
	<u>4,447,836</u>	<u>4,599,893</u>

The SHAPs past service deficit liability is subject to remeasurement each financial year.

During the past year past service deficit contributions of £571,798 (2017: £572,155) were paid. Of this payment £554,138 (2017: £553,683) was a payment in respect of the SHAPS past service deficit liability. The remainder of £17,660 (2017: £18,472) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £27,000 (2017: £143,000) in the year.

	2018 Ave No.	2018 FTE No.	2017 Ave No.	2017 FTE 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	96	82	92	80
HomeWorks staff	8	8	12	12
Housing managers and other staff	68	30	71	34
	<u>172</u>	<u>120</u>	<u>175</u>	<u>126</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

8. Directors' emoluments – Group and Association

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

	2018 £	2017 £
Aggregate emoluments payable to the key management team (which includes all the officers earning > £60k) (excluding pension contributions) amounted to:	<u>353,243</u>	<u>343,434</u>
Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	<u>108,912</u>	<u>103,694</u>
The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions) in the following ranges were:	Number	Number
£70,001 - £80,000	1	1
£80,001 - £90,000	2	2
£90,001 - £100,000	-	-
£100,001 - £110,000	<u>1</u>	<u>1</u>

Total pension contributions (including a share of the past service deficit payment) to the key management team (which includes all officers earning > £60k) were £70,337 (2017: £84,438). No enhanced or special terms apply to membership and the key management team have no other pension arrangements to which the Group contributes. Employers NI contributions for the key management team were £41,422 (2017: £50,173)

The Chief Executive is an ordinary member of the Group's pension scheme described in Note 22. The Association's contributions (including a share of the past service deficit payment) for the Chief Executive in the year amounted to £27,550 (2017: £25,377).

	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	<u>21,373</u>	<u>13,072</u>

9. Auditor's remuneration (excluding VAT)

	2018 £	2017 £
Group		
External Auditor		
- audit services	17,150	16,650
- non audit services	<u>1,905</u>	<u>1,850</u>
Internal Auditor		
- audit services	<u>7,619</u>	<u>8,465</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

9. Auditor's remuneration (excluding VAT) (continued)	2018	2017
Association	£	£
External Auditor		
- audit services	14,675	14,250
- non audit services	1,445	1,400
	<u> </u>	<u> </u>

Internal Auditor		
- audit services	7,619	8,465
	<u> </u>	<u> </u>

Scott-Moncrieff are also the internal auditor.

10. Gain on sale of housing properties – Group and Association	2018	2017
	£	£
Gain on right to buy sales	26,360	70,559
Gain on shared ownership tranches	74,829	29,827
	<u> </u>	<u> </u>
	101,189	100,386
	<u> </u>	<u> </u>

11. Interest receivable – Group and Association	2018	2017
	£	£
Interest receivable on bank deposits	-	2,944
	<u> </u>	<u> </u>

12. Interest payable and similar charges	2018	2017
Group	£	£
On bank loans	1,626,727	1,573,997
Unwinding of discount factor – Past Service Pension (note 22)	27,000	143,000
Bank charges	487	549
	<u> </u>	<u> </u>
	1,654,214	1,717,546
	<u> </u>	<u> </u>

	2018	2017
Association	£	£
On bank loans	1,626,727	1,573,997
Unwinding of discount factor – Past Service Pension (note 22)	27,000	143,000
	<u> </u>	<u> </u>
	1,653,727	1,716,997
	<u> </u>	<u> </u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

13. Taxation

Group

The Association is a Scottish Charity and no liability to Corporation Tax arises on its charitable activities in the year. Due to the carried forward losses from 2016/17, no corporation tax is due on the profit generated by Cairn Homes and Services Limited in 2017/18.

	2018	2017
	£	£
Corporation Tax due on other activities	-	-
	<u> </u>	<u> </u>

Association

	2018	2017
	£	£
Corporation Tax due on other activities	-	-
	<u> </u>	<u> </u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

14. 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 and Association				
Cost or valuation	96,214,240	1,023,318	887,868	98,125,426
At the start of the year				
Additions during year	129,655	-	2,165,999	2,295,654
- new developments/components	1,825,220	-	-	1,825,220
- improvements to existing property (replacement components)				
Disposals during year	(100,817)	(49,602)	-	(150,419)
- properties	(210,083)	-	-	(210,083)
- replaced components	(471,674)	-	-	(471,674)
Impairment				
At the end of the year	97,386,541	973,716	3,053,867	101,414,124
Depreciation				
At the start of the year	4,871,414	51,129	-	4,922,543
Charge for year	1,944,508	16,221	-	1,960,729
Disposals during year	(4,453)	(2,465)	-	(6,918)
- properties	(25,530)	-	-	(25,530)
- replaced components	(31,759)	-	-	(31,759)
Impairment				
At the end of the year	6,754,180	64,885	-	6,819,065
Net book value				
At 31 March 2018	90,632,361	908,831	3,053,867	94,595,059
At 31 March 2017	91,342,826	972,189	887,868	93,202,883

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible fixed assets and investments (continued)

Total cost of components capitalised for the year amounted to £1,825,220 (2017: £6,469,764). The amount spent on maintenance of housing properties held for letting can be seen in note 5.

Additions to Housing Properties during the year includes £nil capitalised interest (2017: £nil) and £nil capitalised administration costs (2017: £nil). All housing properties are freehold. Properties with a cost of £150,419 (2017: £240,209) and accumulated depreciation of £6,918 (2017: £7,979) have been disposed of in the year for net proceeds (after grant repaid of £52,532) of £244,690 (2017: £332,616 after grant repaid of £187,711). Components with a cost of £210,083 (2017: £911,608) and accumulated depreciation of £25,530 (2017: £52,809) have been disposed of for £nil (2017: £nil) net proceeds.

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

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

14 (b) Investment properties Group and Association	2018 £	2017 £
At 1 April	9,076,133	8,940,976
Component additions during year	2,700	83,457
Transfer from shared ownership	-	53,071
Component disposals during year	-	(1,371)
	<u>9,078,833</u>	<u>9,076,133</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 6. There are 152 (2017: 152) investment properties.

The investment properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) in accordance with FRS 102. This is still considered fair value as at 31 March 2018.

The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £680,427 (2017: £786,288).

	Heritable Office Property £	Office Furniture and Equipment £	Fixtures and Fittings £	Other Fixed Assets Total £
14 (c) Other fixed assets Group				
Cost				
At start of year	744,716	1,659,566	3,652	2,407,934
Additions during year	1,920	240,165	-	242,085
Impairment	(40,577)	-	-	(40,577)
At end of year	<u>706,059</u>	<u>1,899,731</u>	<u>3,652</u>	<u>2,609,442</u>
Depreciation				
At start of year	188,784	962,354	831	1,151,969
Provided during year	10,719	191,973	913	203,605
At end of year	<u>199,503</u>	<u>1,154,327</u>	<u>1,744</u>	<u>1,355,574</u>
Net book value				
At 31 March 2018	<u>506,556</u>	<u>745,404</u>	<u>1,908</u>	<u>1,253,868</u>
At 31 March 2017	<u>555,932</u>	<u>697,212</u>	<u>2,821</u>	<u>1,255,965</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

	Heritable Office Property £	Office Furniture and Equipment £	Other Fixed Assets Total £
14 (c) Other fixed assets Association			
Cost			
At start of year	744,716	1,659,566	2,404,282
Additions during year	1,920	240,165	242,085
Impairment	(40,577)	-	(40,577)
At end of year	706,059	1,899,731	2,605,790
Depreciation			
At start of year	188,784	962,354	1,151,138
Provided during year	10,719	191,973	202,692
At end of year	199,503	1,154,327	1,353,830
Net book value			
At 31 March 2018	506,556	745,404	1,251,960
At 31 March 2017	555,932	697,212	1,253,144
14 (d) Investments Association		2018 £	2017 £
Investment in subsidiary undertaking: Cairn Homes and Services Limited		1	1

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 £909 (2017: loss of £4,230) for the year ended 31 March 2018 and had net liabilities of £9,193 (2017: net liabilities of £10,102).

14 (e) Securities

Securities have been provided on various housing properties (see note 18).

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

15. Debtors	2018	2017
Group	£	£
Rent arrears	724,191	620,859
Less: provision for bad debts	(378,690)	(286,351)
	<u>345,501</u>	<u>334,508</u>
Prepayments and accrued income	1,950,421	1,634,622
Other debtors	1,195	1,195
	<u>2,297,117</u>	<u>1,970,325</u>
Association	2018	2017
	£	£
Rent arrears	723,583	620,859
Less: provision for bad debts	(378,690)	(286,351)
	<u>344,893</u>	<u>334,508</u>
Amounts owed by subsidiary	12,175	11,254
Prepayments and accrued income	1,950,421	1,634,622
	<u>2,307,489</u>	<u>1,980,384</u>
16. Cash and cash equivalents	2018	2017
Group	£	£
Current account	1,494,746	1,336,789
Overdraft	(395,439)	(598,397)
	<u>1,099,307</u>	<u>738,392</u>
Association	2018	2017
	£	£
Current account	1,490,828	1,335,579
Overdraft	(395,439)	(598,397)
	<u>1,095,389</u>	<u>737,182</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

17. Creditors: amounts falling due within one year	2018	2017
Group	£	£
Current instalments due on loans (note 19)	1,115,694	1,115,696
Overdraft	395,439	598,397
Trade creditors	112,808	567,498
Other creditors	1,195	1,195
Prepaid rents and service charges	578,213	524,819
Rents to be refunded	17,888	57,446
Accruals	1,635,483	1,829,452
Other taxes and social security	10,728	10,085
Past service pension liability (note 22)	554,142	553,683
Deferred Government capital grant (note 21)	33,135	31,722
	<u>4,454,725</u>	<u>5,289,993</u>

Secured creditors	<u>1,511,133</u>	<u>1,714,093</u>
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	2018	2017
	£	£
Association		
Current instalments due on loans (note 19)	1,115,694	1,115,696
Overdraft	395,439	598,397
Trade creditors	112,808	567,498
Amounts owed to subsidiary	1	1
Prepaid rents and service charges	578,213	524,819
Rents to be refunded	17,888	57,446
Accruals	1,632,030	1,826,572
Other taxes and social security	10,728	10,085
Past service pension liability (note 22)	554,142	553,683
Deferred Government capital grant (note 21)	33,135	31,722
	<u>4,450,078</u>	<u>5,285,919</u>

Secured creditors	<u>1,511,133</u>	<u>1,714,093</u>
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18. Creditors: amounts falling due after more than one year	2018	2017
Group and Association	£	£
Housing loans (note 19)	44,582,704	43,698,078
Past service pension liability (note 22)	1,714,545	2,262,142
Deferred Government capital grant (note 21)	3,198,953	1,810,111
	<u>49,496,202</u>	<u>47,770,331</u>
Secured creditors	<u>44,582,704</u>	<u>43,698,078</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

19. Loans Group and Association	2018 £	2017 £
Loans or mortgages secured by charges on the Association's housing properties:		
Loans advanced by:		
Private lenders	<u>45,698,398</u>	<u>44,813,774</u>
Amounts falling due in:		
One year (note 17)	1,115,694	1,115,696
One year or more but less than two years (note 18)	1,115,694	1,115,696
Two years or more but less than five years (note 18)	3,347,089	3,347,088
Five years or more (note 18)	<u>40,119,921</u>	<u>39,235,294</u>
	<u>45,698,398</u>	<u>44,813,774</u>

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

20. Financial Instruments Group	2018 £	2017 £
Financial Assets		
Cash and cash equivalents	1,099,307	738,392
Financial assets measured at amortised cost	<u>1,673,151</u>	<u>1,554,634</u>
	<u>2,772,458</u>	<u>2,293,026</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>50,129,898</u>	<u>50,683,587</u>

Financial assets measured at amortised cost comprised rental arrears and accrued income.

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

Association	2018 £	2017 £
Financial Assets		
Cash and cash equivalents	1,095,389	737,182
Financial assets measured at amortised cost	<u>1,681,721</u>	<u>1,563,498</u>
	<u>2,777,110</u>	<u>2,300,680</u>

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

20. Financial Instruments	2018	2017
Association (continued)	£	£
Financial Liabilities		
Financial liabilities measured at amortised cost	50,125,251	50,679,513

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

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

21. Deferred capital grants – Group and Association	2018	2017
	£	£
Deferred capital grants 1 April	1,841,833	924,223
Grants received in year	1,407,072	933,929
Grant released in year	(16,817)	(16,319)
Deferred capital grants 31 March	3,232,088	1,841,833
Split:		
< 1 year	33,135	31,722
1-2 years	33,135	31,722
2-5 years	99,406	95,166
> 5 years	3,066,412	1,683,223
Total	3,232,088	1,841,833

22. 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.

70 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%.

40 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%.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

22. Pension scheme – Group and Association (continued)

(ii) SHAP 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. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution 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.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m equivalent to a post service funding level of 76%. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2018 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2018 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
From 1 April 2018 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)

30 September 2017 funding update

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

A summary is shown below:

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

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

22. Pension scheme – Group and Association (continued)

30 September 2017 funding update (continued)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities. Cairn Housing Association Limited is paying additional contributions to 28 February 2022.

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.

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 the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £16,739,945 (2017: £22,191,397).

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present Value of Provision

Reconciliation of Opening and Closing Provisions	2018	2017
	£	£
Provision at start of period	2,815,825	3,220,508
Unwinding of the discount factor (interest expense)	27,000	143,000
Deficit contribution paid	(554,138)	(553,683)
Re-measurements – impact of changes in assumptions	(20,000)	6,000
	2,268,687	2,815,825
Provision at end of period	2,268,687	2,815,825
Split: < 1 year	554,142	553,683
1-2 years	571,142	571,142
2-5 years	1,143,403	1,691,000
Total	2,268,687	2,815,825

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

22. Pension scheme – Group and Association (continued)

Impact on Statement of Comprehensive Income	2018	2017
	£	£
Interest expense	27,000	143,000
Re-measurements – impact of changes in assumptions	(20,000)	6,000
	7,000	149,000
Assumptions	2018	2017
Rate of discount	1.51%	1.06%

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

23. Share capital – Group and Association

	2018	2017
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2017	99	103
Cancelled during the year	(3)	(7)
Issued during the year	-	3
At 31 March 2018	96	99

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.

24. Reserves

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

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

25. Net cash inflow from operating activities	2018	2017
Group	£	£
Surplus for the year	986,928	843,324
<u>Adjustment for non cash items</u>		
Depreciation charges including loss on disposal of components	2,348,887	2,933,501
Impairment charge	480,492	-
Loss of disposal of individual properties disposals	-	1,371
(Decrease)/increase in creditors	(634,180)	750,426
Decrease in debtors	(326,792)	(730,447)
Share capital cancelled	(3)	(7)
Carrying amount of tangible fixed asset disposals	143,501	232,230
SHAPS past service deficit movements	7,000	149,000
<u>Adjustments for investing or financing activities</u>		
Issue of shares	-	3
HAG repaid	52,532	187,711
Proceeds from the sale of fixed assets	(297,222)	(520,327)
Release of deferred government grants	(16,817)	(16,319)
Interest payable	1,626,727	1,573,997
Interest receivable	-	(2,944)
SHAPS past service deficit payment	(554,138)	(553,683)
Net cash inflow from operating activities	3,816,915	4,847,836
Association	2018	2017
	£	£
Surplus for the year	986,019	847,554
<u>Adjustment for non cash items</u>		
Depreciation charges including loss on disposal of components	2,347,974	2,932,986
Impairment charge	480,492	-
Loss of disposal of individual properties disposals	-	1,371
(Decrease)/increase in creditors	(634,753)	748,751
Decrease in debtors	(327,105)	(736,001)
Net share capital cancelled	(3)	(7)
Carrying amount of tangible fixed asset disposals	143,501	232,230
SHAPS past service deficit movements	7,000	149,000
<u>Adjustments for investing or financing activities</u>		
Issue of shares	-	3
HAG repaid	52,532	187,711
Proceeds from the sale of fixed assets	(297,222)	(520,327)
Release of deferred Government Grants	(16,817)	(16,319)
Interest payable	1,626,727	1,573,997
Interest receivable	-	(2,944)
SHAPS past service deficit payment	(554,138)	(553,683)
Net cash inflow from operating activities	3,841,207	4,844,322

CAIRN HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

26. Payments to members, Board members and Key Management

No member of the Association received any fee or remuneration during the year (2017: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £21,373 (2017: £13,071).

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

The total rent and service charge payable in the year relating to tenant Board members is £4,164 (2017: £3,889). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £83 (2017: £nil). The total prepaid rent and service charge relating to tenant Board members included within creditors at the year end is £nil (2017: £66).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers was £465,002 (2017: £478,046).

27. Capital commitments – Group and Association

	2018 £	2017 £
Contracted	430,000	787,778
Approved but not contracted for	-	-
	<u>430,000</u>	<u>787,778</u>
This is to be funded by:		
Private finance	430,000	787,778
	<u>430,000</u>	<u>787,778</u>

28. Revenue commitments

Group and Association

At 31 March 2018 the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2018 £	Other 2018 £	Land & Buildings 2017 £	Other 2017 £
Within a year	150,978	29,183	239,153	65,777
Within 2-5 years	279,436	-	844,828	-
After 5 years	293,510	-	182,518	-
	<u>723,924</u>	<u>29,183</u>	<u>1,266,499</u>	<u>65,777</u>

CAIRN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

29. PBSE

ANCHO Partnership

Cairn has worked with the Board and management team at ANCHO (North Ayrshire Community Housing Organisation) to complete the Business Case for a constitutional partnership. This has the approval of the Regulator (SHR) and a ballot of tenants of ANCHO was held in June 2018. The outcome of the tenant ballot was 94.2% in favour of the partnership. There will be a special ANCHO AGM in August 2018 where members will vote on the partnership.

Private Placement

In June 2018 Cairn Housing Association secured a £50 million private placement deal with a US based insurance company to support its enhanced development programme. The 35-year private placement will be drawn down in two stages over the next two years.