BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

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

BANK OF ENGLAND
PRUDENTIAL REGULATION AUTHORITY

FCA

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

31 / 03 / 2015

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	KEN WARD
Address	164 Mountcastle Crescent Edinburgh
Postcode	EH8 7SY
Year of birth	1942
Business occupation and other directorships	Retired Manager, Scottish Power

1.4 Details of Treasurer

Name	N/A
Address	
Postcode	
Year of birth	yyyy
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
SIMON GUEST	2/6 Lauder Road Edinburgh EH9 2EJ	1949	Solicitor
EUAN BELL-SCOTT	Merryfield 5 Wood of Coldrain Kinross-shire KY13 0QS	1954	Solicitor
GERLINDE WALCH	Flat 1/1 41 Seedhill Road PAISLEY PA1 1SD	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.

Cairn Housing Association
FSA Annual Return 31 March 2015 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 (self-employed sole trader)
MOIRA MACKENZIE	28 Greenside Torphichen West Lothian EH48 4NB	1962	Head of Development within the Scottish Centre for Telehealth & Telecare (SCTT) within NHS 24. Board Member on Scotland's Digital Health Institute Member of the Digital Health and Care Innovation Partnership Member of the Scottish Government's National Telehealth & Telecare Advisory Board Programme board member of the Scottish Government'sTechnology Enabled Care Programme.
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
GREGORY COLGAN	1 North Road Westgreen Park Liff DUNDEE DD2 5SQ	1978	Finance and Corporate Services Manager, Dundee City Council
PROFESSOR ALICE BELCHER	24 Watson Avenue St Andrews Fife KY16 8JS	1959	Professor of Law, University of Dundee Non-Executive Director, NHS Education for Scotland (ministerial appointment) Board Member of Enterprising Futures (part of Aspire Group, Stoke-on-Trent)

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	100
B	Members ceased during year	4
C	Members admitted during year	0
D	Members at end of year	96
E	Turnover for year	£16,994,075
F	Total of income and expenditure (receipts and payments added together)	N/A
G	Net surplus/(deficit) for year	£727,152
H	Fixed assets	£62,354,694
I	Current assets	£5,234,878
J	Total assets (equal to amount in row O, below)	£67,589,668
K	Current liabilities	£5,216,343
L	Share capital	£96
M	Long-term liabilities	£40,245,399
N	Reserves	£22,127,830
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	£67,589,668

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

2.3Names 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)**

25 / 09 / 2015

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	08/10/2015

SM AUDIT

Scott-Moncrieff
business advisers and accountants

CAIRN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2015

Scottish Charity Number SC016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2015

Contents	**Page**

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management	Mr K Ward, Chairperson Mr D Venters Mr T Hainey (resigned 27 August 2014) Mr J Woods Mr E T M Bell-Scott Mr S E G Guest Ms G Walch Mr M Allan Ms S Groat (resigned 30 April 2015) Prof A Belcher Mr D Jamieson Mr W Gillespie Mr G Colgan
Executive Officers	Mr J MacGilp, Chief Executive and Secretary Mr D Adam, Director of Finance and Investment Mr R Gaffney, Director of Business Services Mr J Davidson, Director of Customer Services
Secretary	Mr J MacGilp
Head Office	Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
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 Nationwide Building Society
Registration numbers	
Financial Conduct Authority	2335R(S)
The Scottish Housing Regulator	HEP218
Registered Scottish Charity	SC016647

The Board of Management presents their report and the audited financial statements for the year ended 31 March 2015.

Principal activities
The principal activities of the Association are the provision of affordable housing and related services for tenants and other parties.

Review of the business

The financial year to 31 March 2015 has been a further year of change and improvement for Cairn Housing Association Limited. The past year has seen a continued focus on driving up standards in customer service and improving core business performance and the effective use of our resources to ensure Cairn Housing Association Limited is fit for the future.

Highlights during the year have included:-

- A refresh of the Association's Vision, Mission and Values to guide the organisation for the future.

- Targeted investment of £3.25million to fulfil requirements under the Scottish Housing Quality Standard and wider works to improve the quality of our customers' homes.

- Work has begun on a significant review of our Asset Management Strategy to inform future business decisions on stock management and investment.

- Our work with Cairn's Customer Panel has continued to develop with the Panel carrying out its second full scrutiny exercise, looking at the customer experience in re-letting of empty properties.

- Cairn's contact centre *CairnConnect* was launched in October 2014 and had made a very positive impact on our drive to improve customer service standards and improved handling of service requests, complaints management and information for customers. The feedback from tenants has been very encouraging.

- Continuing good governance through our Board of Management including training, development and pro-active succession planning.

- An overall tenant satisfaction of 86%, confirmed by our most recent satisfaction survey, with higher levels on specific parts of the service.

- Provision of IT Systems in partnership support arrangements with two other local Housing Associations.

- We have continued to invest in our People and have developed a comprehensive People Strategy, and delivered further actions as part of our *A Better Cairn* programme.

- Following the move to our Headquarters offices to Haymarket in Edinburgh in 2013, we have opened a new office in Bellshill to provide services to our customers and manage homes in the West and South of Scotland, providing modern offices for customer access and an improved working environment for our staff. We have a continued commitment to our office in Inverness servicing communities in the North.

- *Cairn HomeWorks*, our in-house maintenance service in the North, has had another successful year, increasing productivity, reducing costs and increasing performance and satisfaction levels.

- We have completed the transfer of our Very Sheltered schemes in Edinburgh to a new provider to ensure their future provision and we are in the final stages of a similar transfer of our two Care Homes in the City to a specialist provider.

Review of the business (cont'd)

- In partnership with local authority partners, and following on-going tenant consultation, we have completed all but one of the re-designations of our sheltered housing to a retirement service model, with housing support provided by partner organisations where needed.

- The operating surplus increased from £1.51 million in 2014 to £1.93 million in 2015. The Association generated a surplus for the year of £727,152 (2014: £528,475). The surplus for the year has been taken to revenue reserves.

The operating and financial environment continues to be challenging, but the Association has made a number of 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 Limited are confident about the future and are focussed on our vision of Great Homes, Great Services, Great People. We remain determined and focussed on our commitment to continue to modernise and change where required and to operate the business in the long term interests of current and future customers in communities throughout Scotland.

Changes in fixed assets
Details of fixed assets are set out in note 12. Details of housing property components and their estimated useful lives are given in the accounting policy in relation to component accounting in note 1.

The Board of Management and Executive Officers
The Board of Management and executive officers of the Association are listed on page 1. 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.

Statement of the Board'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 Association and of the income and expenditure of the Association for that period. In preparing those financial statements the Board is required to:

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

The Board is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions. The Board is also responsible for safeguarding the assets of the 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 management in order to provide reasonable assurance as to 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:

Statement on internal financial control (cont'd)

(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 main activities is on-going within the Association. Reports are made to the Audit Committee with appropriate action taken where necessary.

(b) Management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board of Management quarterly.

(c) Major business risks and their financial implications are assessed by reference to established criteria.

(d) The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the 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 Association'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 Association's auditor is aware of the information.

Auditor

The auditor, Scott-Moncrieff, was appointed in the year following a formal tendering process and will be proposed for reappointment at the Annual General Meeting.

BY ORDER OF THE BOARD

Mr J MacGilp
Secretary

Date: 16 July 2015

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

We have audited the financial statements of Cairn Housing Association Limited for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members 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 Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor
As explained more fully in the Statement of Board's Responsibilities on page 3, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Group accounts: Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969
We agree with the opinion of the Board of Management that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2015, because of the immaterial nature of the subsidiary's transactions in the year.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

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; or
- The Association has not kept proper accounting records; or
- The 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.

Scott-Moncrieff

Scott-Moncrieff
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Date: 16 July 2015

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

In addition to our audit of the Financial Statements, we have reviewed your statements on pages 3 and 4 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 2006/5 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 3 and 4 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 and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board'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
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 16 July 2015

CAIRN HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2015

	Notes	2015		Restated 2014	
		£	£	£	£
Turnover					
Continued operations	31	16,778,994		15,609,529	
Discontinued operations	31	215,081		490,849	
			16,994,075		16,100,378
Operating costs	2		(15,060,260)		(14,592,151)
Operating surplus					
Continued operations	31	1,954,881		1,469,847	
Discontinued operations	31	(21,066)		38,380	
	2		1,933,815		1,508,227
Gain on sale	7		219,298		452,892
Interest receivable	8	11,334		83,518	
Interest payable and similar charges	9	(1,437,295)		(1,516,162)	
			(1,425,961)		(1,432,644)
Surplus for the year	18		727,152		528,475

The retained surplus for the year reported in the Income and Expenditure Account is identical to the historical cost surplus.

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2015

	Notes	2015 £	Restated 2014 £
Surplus for the year		727,152	528,475
Prior year adjustment	32	1,268,921	-
Total recognised gains and losses relating to the year		1,996,073	528,475

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

BALANCE SHEET

As at 31 March 2015

	Notes	2015 £	2015 £	Restated 2014 £	Restated 2014 £
Tangible fixed assets and investments					
Housing properties					
gross cost less depreciation	12(a)		162,273,155		162,886,820
Less: HAG and other grants	12(a)		(106,587,107)		(107,102,446)
			55,686,048		55,784,374
Investment properties	12(b)		5,391,380		5,391,380
Other fixed assets	12(c)		1,277,265		1,161,806
Fixed asset investments	12(d)		-		-
Investments	12(e)		1		2
			62,354,694		62,337,563
Current assets					
Debtors	13	1,727,737		1,710,863	
Amount held on short term deposit		3,000,000		4,000,000	
Cash at bank and in hand		507,141		1,091,758	
		5,234,878		6,802,621	
Creditors: amounts falling due within one year	14	(5,216,343)		(5,268,034)	
Net current assets			18,535		1,534,587
Total assets less current liabilities			62,373,229		63,872,150
Creditors: amounts falling due after more than one year	15		(40,245,399)		(42,471,414)
Net assets			22,127,830		21,400,736
Capital and Reserves					
Share capital	17		96		154
Revenue reserves	18		20,278,468		19,548,098
Restricted reserves	19		367,058		370,276
Revaluation reserve	20		1,482,208		1,482,208
			22,127,830		21,400,736

Approved and authorised for issue by the Board of Management at a meeting on 16 July 2015

.... Chairman
Mr K Ward

.... Board Member
Mr S E G Guest

.... Secretary
Mr J MacGilp

The notes form part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 March 2015

	Notes	2015 £	2015 £	Restated 2014 £	Restated 2014 £
Cash inflow from operating activities	26		4,067,323		2,847,524
Returns from investments and servicing of finance:					
Interest received		11,334		83,518	
Interest and similar charges paid		(1,437,295)		(1,476,162)	
Net cash outflow from returns from investments and servicing of finance			(1,425,961)		(1,392,644)
Capital expenditure and financial investment	27		(2,388,945)		(775,939)
Cash inflow before financing			252,417		678,941
Financing	28		(2,077,153)		(2,195,894)
Decrease in cash	29		(1,824,736)		(1,516,953)

The notes on pages 11 to 32 form part of these financial statements

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies of the Association are set out in paragraphs (a) to (l) below. These financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets and comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Statement of Recommended Practice – Accounting by Registered Social Housing Providers (2010), and the Determination of Accounting Requirements 2012, issued by the Scottish Housing Regulator.

1. Accounting policies

The principal accounting policies of the Association are set out below.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain assets, and in accordance with applicable accounting standards and statements of recommended practice. The Association has a subsidiary company "Cairn Homes and Services Limited" however the company is dormant and therefore consolidated financial statements have not been prepared.

The financial statements have been prepared on a going concern basis. The Board of Management has assessed the Association's ability to continue as a going concern and has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

(b) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other agencies. Also included is any income from first tranche shared ownership disposals and management fees for the factoring of properties for private owners.

(c) Tangible fixed assets - housing properties

Housing properties are stated at cost, or in the case of properties transferred to the Association under a Transfer of Engagements, at fair value at the date of transfer. The development cost of housing properties includes the following:

(i) cost of acquiring land and buildings;
(ii) development expenditure;
(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.

(d) Shared ownership transactions

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

1. Accounting Policies (cont'd)

(e) Housing Association Grants

Housing Association Grants (HAG) are made by the Scottish Government and certain local authorities and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government.

HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Notional acquisition and development allowances are determined by the Scottish Government and are advanced as HAG. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing properties for approved schemes. Notional development allowances become available in instalments according to the progress of work on the scheme.

(f) 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

In the year of replacement any remaining component Net Book Value is written off as part of the depreciation charge.

Impairment reviews are carried out on an annual basis on assets whose useful economic lives are expected to exceed 50 years, in accordance with Financial Reporting Standard 11.

Shared ownership housing properties

Depreciated over 60 years

1. Accounting Policies (Cont'd)

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

(g) Homestake

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

The net investment in Homestake properties not yet sold is shown within Fixed Asset Investment and represents total costs incurred at the balance sheet date less grants received. Homestake allowances receivable to market the properties are taken to income as developments are completed and until that point are included within deferred income.

(h) Pensions

On 1 April 2014 the Association'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 Associations' Pension Scheme, for existing members. All new staff members are eligible to participate in a defined contribution scheme provided by Standard Life.

(i) Operating leases

Rentals paid under operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

(j) Investment properties

Investment properties are initially valued as cost less housing association grants. Properties are dealt with as investment properties in accordance with the Statement of Standard Accounting Practice No 19 and are subsequently valued, with any surplus or impairment being transferred to a revaluation reserve unless it is to reverse a previous charge to the Income and Expenditure Account, in which case it is recognised in the Income and Expenditure Account. Any impairment charge that exceeds the revaluation reserve balance is charged to the Income and Expenditure Account.

(k) Restricted reserves

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

(l) Investments

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

2. Particulars of turnover, operating costs and operating surplus/(deficit)

2015	Turnover £	Operating Costs £	Operating Surplus £
Social lettings (note 3)	14,905,113	13,756,984	1,148,129
Other activities (note 4)	2,088,962	1,303,276	785,686
	16,994,075	15,060,260	1,933,815

2014 - Restated	Turnover £	Operating Costs £	Operating Surplus £
Social lettings (note 3)	14,549,128	13,029,250	1,519,878
Other activities (note 4)	1,551,250	1,562,901	(11,651)
	16,100,378	14,592,151	1,508,227

3. Particulars of turnover, operating costs and operating surplus or (deficit) from social letting activities	General Needs Housing £	Supported accommodation Sheltered/ Retirement Housing £	Supported accommodation Other supported £	Shared Ownership £	Other Housing* £	2015 £	Restated 2014 £
Rent receivable net of service charges	8,518,517	2,847,404	100,023	111,795	856,816	12,434,555	12,147,194
Service charges net of voids	140,328	1,266,859	29,865	4,434	811,452	2,252,938	2,244,752
Gross income from rents and service charges	8,658,845	4,114,263	129,888	116,229	1,668,268	14,687,493	14,391,946
Less: Rental voids	(51,665)	(61,835)	(16,595)	(177)	(27,449)	(157,721)	(155,786)
Net income from rents and service charges	8,607,180	4,052,428	113,293	116,052	1,640,819	14,529,772	14,236,160
Grants from the Scottish Ministers	138,988	230,944	2,285	-	3,124	375,341	312,968
Total turnover from social letting activities	8,746,168	4,283,372	115,578	116,052	1,643,943	14,905,113	14,549,128
Management and maintenance admin costs	3,895,521	1,507,585	46,798	112,085	451,303	6,013,292	5,388,172
Service costs	264,133	1,244,182	111,298	7,993	987,745	2,615,351	2,376,371
Planned and cyclical maintenance	1,357,280	1,759,295	10,845	4,186	127,088	3,258,694	3,080,328
Planned and cyclical maintenance capitalised	(860,532)	(1,532,077)	(4,878)	-	(37,016)	(2,434,503)	(2,041,314)
Responsive maintenance costs	1,287,856	498,746	14,029	33,705	51,085	1,885,421	1,934,106
Bad debts (rents and service charges)	(9,710)	(10,167)	(340)	(754)	(4,021)	(24,992)	79,724
Depreciation of social housing	1,802,734	441,198	4,204	19,748	175,837	2,443,721	2,211,863
Operating costs for social letting activities	7,737,282	3,908,762	181,956	176,963	1,752,021	13,756,984	13,029,250
Operating surplus or (deficit) for social lettings	1,008,886	374,610	(66,378)	(60,911)	(108,078)	1,148,129	
Operating surplus or (deficit) for social lettings – 2014	1,571,467	(67,533)	(45,242)	(14,210)	75,396		1,519,878
Number of units in management:							
2015	2,151	1,008	23	51	207	3,440	
2014	2,160	1,009	23	60	246	3,498	

*Other housing refers to care homes, very sheltered accommodation, garages and accommodation leased to and managed by other bodies

4. Particulars of turnover, operating costs and operating surplus or (deficit) from other activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or (deficit) 2015 £	Operating surplus or (deficit) 2014 £
Care and repair of property	-	357,514	-	-	357,514	-	351,213	6,301	11,884
Development and construction of property activities	-	--	-	-	-	-	-	-	(17,917)
Support activities	-	-	439,562	-	439,562	-	406,247	33,315	(24,677)
Care activities	-	488,473	-	-	488,473	-	488,473	-	-
Factoring activities	-	-	-	44,400	44,400	(3,260)	37,035	10,625	(2,056)
HAG creditor release				596,188	596,188	-	-	596,188	-
Other activities	-	-	-	162,825	162,825	(6,834)	30,402	139,257	21,115
Total from other activities 2015	-	845,987	439,562	803,413	2,088,962	(10,094)	1,313,370	785,686	(11,651)
Total from other activities 2014	-	797,084	591,311	162,855	1,551,250	34,166	1,528,735	(11,651)	

The other activity headings as noted in The Scottish Housing Regulator's Determination of Accounting Requirements (2012) do not apply.

5. Employees

	2015 £	2014 £
Staff costs during year:		
Wages and salaries	4,839,828	4,765,285
Social security costs	413,037	359,583
Pension costs	352,845	204,238
Pension Costs – Past service deficit payments	543,793	286,580
Death in service	41,957	27,562
Agency Costs	305,121	222,916
Redundancy and compensation payments (Including NI)	113,592	23,957
	6,610,173	5,890,121

	2015 Ave No.	2015 FTE No.	2014 Ave No.	2014 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	86	96	87
HomeWorks Staff	12	8	7	7
Housing managers and other staff	140	97	156	107
	248	191	259	201

6. Directors' emoluments

Directors are defined as the members of the Board of Management, the Executive Officers and any other officer of the Association whose total emoluments excluding pension contributions exceed £60,000 per annum. No emoluments were paid to any member of the Board of Management during the year and details of emoluments paid to the Executive Officers and other directors follow.

	2015 £	2014 £
Total emoluments [excluding pension contributions of £67,870 (2014: £44,209)	317,187	310,548

The emoluments of the Chief Executive, excluding pension contributions, were £96,526 (2014: £92,576). The pension contributions paid on behalf of the Chief Executive was £20,616 (2014: £15,489).

The number of directors whose emoluments, excluding pension contributions, were above £60,000 for the year were:

	2015	2014
£60,001 to £70,000	-	1
£70,001 to £80,000	3	2
£80,001 to £90,000	-	-
£90,001 to £100,000	1	1

7. Gain on sale of housing properties

	2015 £	2014 £
Gain on sale of other fixed assets	-	245,575
Gain on right to buy sales	120,009	189,744
Gain on shared ownership tranches	99,289	17,573
	219,298	452,892

8. Interest receivable

	2015 £	2014 £
Interest receivable on bank deposits	11,334	83,518

9. Interest payable and similar charges

	2015 £	2014 £
On bank loans	1,437,295	1,516,162

10. Auditors' remuneration (including VAT)

	2015 £	2014 £
External Auditor		
- audit services	15,040	16,740
- other services	-	1,620
Internal Auditor		
- audit services	17,382	19,947

11. Taxation

The Association is a Scottish Charity and no liability to Corporation Tax arises on its charitable activities in the year.

No corporation tax is due on its other activities.

12. Tangible fixed assets and investments

(a) Housing properties	Housing Properties held for letting £	Shared Ownership Held for letting £	Housing Properties In the course of construction £	Housing Properties Total £
Cost or valuation				
At the start of the year	182,324,733	3,257,289	-	185,582,022
Prior year adjustment – transfer to investment properties	(10,753,855)	-	-	(10,753,855)
Prior year adjustment – impairment of care homes	(268,962)	-	-	(268,962)
Prior year adjustment – impairment of sheltered units	(664,934)	-	-	(664,934)
Restated balance at the start of the year	170,636,982	3,257,289	-	173,894,271
Additions during year				
- new developments/components	799,812	-	108,773	908,585
- improvements to existing property (replacement components)	2,434,503	-	-	2,434,503
Disposals during year				
- properties	(1,491,738)	(58,500)	-	(1,550,238)
- replacement components	(832,114)	-	-	(832,114)
Reallocation	222,000	(222,000)	-	-
At the end of the year	171,769,445	2,976,789	108,773	174,855,007
Depreciation				
At the start of the year	11,407,094	-	-	11,407,094
Prior year adjustment – reversal of depreciation charged on investment properties	(684,759)	-	-	(684,759)
– depreciation backdated	-	285,116		285,116
Restated balance at the start of the year	10,722,335	285,116		11,007,451
Charge for year	2,108,345	19,748	-	2,128,093
Disposals during year				
- properties	(238,982)	(18,598)	-	(257,580)
- replacement components	(296,112)	-	-	(296,112)
At the end of the year	12,295,586	286,266	-	12,581,852
Depreciated gross cost	159,473,859	2,690,523	108,773	162,273,155

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

	Housing Properties held for letting £	Shared Ownership held for letting £	Housing Properties In course of construction £	Housing Properties Total £
Housing Association Grant				
At the start of the year	111,933,755	2,013,374	-	113,947,129
Prior year adjustment – transfer to investment properties	(6,844,683)	-	-	(6,844,683)
Restated balance at the start of the year	105,089,072	2,013,374		107,102,446
Additions during year	51,223	-	-	51,223
Disposals during year				
- properties	(286,296)	(59,892)	-	(346,188)
- replacement components	(220,374)	-	-	(220,374)
Reallocation	161,566	(161,566)	-	-
At the end of the year	104,795,191	1,791,916	-	106,587,107
Net book value				
At 31 March 2015	54,678,668	898,607	108,773	55,686,048
At 31 March 2014 restated	54,825,575	958,799	-	55,784,374

At 31 March 2015, remaining properties received under a transfer of engagements in a prior year are included in properties held for letting at net book value of £1,570,608, being the fair value of those properties at the date of the transfer (2014: £3,625,666).

12 (b) Investment properties	Total £	Restated 2014 £
At 1 April 2014	5,391,380	-
Prior year adjustment – from housing properties held for letting	-	3,909,172
At 1 April 2014	5,391,380	3,909,172
Revaluations	-	1,482,208
At 31 March	5,391,380	5,391,380

Investment properties are accommodation, offices and garages leased to 3rd parties.

The investment properties were valued in December 2013, January 2014 and March 2014 at £5,391,380. The Board of Management considers this value a fair reflection of the open market value at the year end. The historical cost of the properties is £10,753,855. In accordance with SSAP4, the investment property cost is calculated as total cost less grants received from government agencies in respect of building works. The total amount of grants offset was £6,844,683.

(c) Other fixed assets	Heritable Office Property £	Office Furniture and Equipment £	Other Fixed Assets Total £
Cost			
At start of year	906,106	941,043	1,847,149
Additions during year	-	262,848	262,848
Impairment	(25,000)	-	(25,000)
At end of year	881,106	1,203,891	2,084,997
Depreciation			
At start of year	90,000	519,908	609,908
Prior year adjustment	75,435	-	75,435
	165,435	519,908	685,343
Provided during year	14,524	107,865	122,389
Impairment	-	-	-
At end of year	179,959	627,773	807,732
Net book value			
At 31 March 2015	701,147	576,118	1,277,265
At 31 March 2014	740,671	421,135	1,161,806

(d) Fixed Asset Investments	2015 £	2014 £
Homestake units		
Cost	12,092,368	12,092,368
Housing Association Grant	(12,092,368)	(12,092,368)
	-	-

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

(e) Investments

	2015 £	2014 £
Investment in subsidiary undertaking:		
Cairn Homes and Services Limited	1	1
The Highland Housing Alliance	-	1
	1	2

Cairn Homes and Services Limited (company number SC341478) was incorporated on 16 April 2008. The company was dormant for the year ended 31 March 2015.

Cairn Housing Association Limited acquired 1 ordinary £1 share in Cairn Homes and Services Limited, at par. This represents a 100% shareholding.

(f) Securities

Securities have been provided on various housing properties (see note 16).

13. Debtors

	2015 £	2014 £
Rent arrears	678,386	708,070
Less: provision for bad debts	322,806	373,697
	355,580	334,373
HAG receivable	-	448,910
Prepayments and accrued income	1,372,157	927,580
	1,727,737	1,710,863

14. Creditors: amounts falling due within one year

	2015 £	Restated 2014 £
Current instalments due on loans (note 16)	2,084,323	2,079,921
Overdraft	599,175	359,056
Trade creditors	331,515	123,387
Prepaid rents and service charges	677,426	670,547
Accruals and deferred income	1,398,849	956,580
Other taxes and social security	2,798	14,601
HAG repayable	122,257	1,063,942
	5,216,343	5,268,034
Secured creditors	2,683,498	2,438,977

15. Creditors: amounts falling due after more than one year

	2015 £	2014 £
Accruals and deferred income	-	144,460
Housing loans (note 16)	40,245,399	42,326,954
	40,245,399	42,471,414
Secured creditors	40,245,399	42,326,954

16. Loans

	2015 £	2014 £
Loans or mortgages secured by charges on the Association's housing land and buildings:		
Loans advanced by:		
Private lenders	42,329,722	44,406,875
Amounts falling due in:		
One year (note 14)	2,084,323	2,079,921
One year or more but less than two years (note 15)	2,088,761	2,084,323
Two years or more but less than five years (note 15)	6,587,925	6,279,735
Five years or more (note 15)	31,568,713	33,962,896
	42,329,722	44,406,875

Costs incurred towards the rearranging of loans and the setting up of new loans are fully written off.

The loans are advanced to finance the development and refurbishment of housing land and buildings and are repayable by quarterly instalments of principal and interest. The loans bear interest at rates between 1.07% and 4.51%.

17. Share capital

	2015 £	2014 £
Shares of £1 each issued and fully paid		
At 1 April 2014	154	147
Cancelled during the year	(58)	(4)
Issued during the year	-	11
At 31 March 2015	96	154

Shares carry voting rights but have no rights to dividends or to share in the assets of the Association.

18. Revenue reserve

	2015 £	Restated 2014 £
At 1 April 2014	19,548,098	19,603,186
Prior year adjustment	-	(583,563)
Restated balance at 1 April 2014	19,548,098	19,019,623
Surplus for year	727,152	528,475
Transfer from restricted reserves	3,218	-
At 31 March 2015	20,278,468	19,548,098

19. Restricted reserves

	2015 £	Restated 2014 £
At 1 April 2014	370,276	-
Prior year adjustment	-	370,276
Restated balance at 1 April 2014	370,276	370,276
Transfer to revenue reserve	(3,218)	-
At 31 March 2015	367,058	370,276

The restricted reserves represent monies received from the public that are to be used for the development of the community.

20. Revaluation reserve

	2015 £	Restated 2014 £
At 1 April 2014	1,482,208	-
Prior year adjustment - revaluation	-	1,482,208
Restated balance at 1 April 2014	1,482,208	-
Revaluation in year	-	-
	1,482,208	1,482,208

The revaluation reserve is in respect of the investment properties owned by the Association. Please see note 12(b).

21. Capital commitments

	2015 £	2014 £
Contracted	1,245,749	440,000
Approved but not contracted for	775,000	800,000
	2,020,749	1,240,000

This is to be funded by:

	2015 £	2014 £
HAG	873,000	-
Private finance	1,147,749	1,240,000
	2,020,749	1,240,000

22. Operating Leases

At 31 March 2015 the Association had aggregate annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2015 £	Other 2015 £	Land & Buildings 2014 £	Other 2014 £
Within a year	-	79,368	-	52,244
Within 2-5 years	33,930	-	-	12,866
After 5 years	195,576	-	183,782	-
	229,506	79,368	183,782	65,110

23. Pension scheme

(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.

98 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.

41 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.

(ii) SHAP scheme

On 31 March 2014 the Association closed its participation in the Scottish Housing Associations' Pension Scheme ('the Scheme') to future accrual. The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer 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. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

23. Pension scheme (continued)

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

As part of the recovery plan, a deficit repayment plan is in place. During the year, the Association made a past service deficit contribution of £540,371 (2014: £283,158).

Financial assumptions

The key financial assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

	% pa
- Investment return pre-retirement	5.3
- Investment return post-retirement – Non - pensioners	3.4
- Investment return post-retirement - Pensioners	3.4
- Rate of salary increases	4.1
- Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued post 6 April 2005	1.7
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

Mortality Tables

Non Pensioners – 44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females.
Pensioners – 90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females.

Contribution Rates for Future Service (payable from 1 April 2015)

	%
- Defined Contribution	variable

Contribution Rates for Past Service Deficit (payable from 1 April 2015)

	£
- Defined Benefit	540,371

23. Pension scheme (continued)

Employer debt regulations

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 buy-out 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 Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for the Association was £16,893,674.

(iii) Pension Trust's Growth Plan

The Association participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

23. Pension scheme (continued)

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

The Association paid contributions at the rate of 0% during the accounting period, as the scheme was initially set up for AVC purposes. Members paid contributions at the rate of 4% during the accounting period.

As at the balance sheet date there was 1 active member of the Plan employed by the Association. The Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
Investment return pre-retirement	4.9
Investment return post-retirement	
Actives/deferrers	4.2
Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary is currently finalising the 2014 valuation and results will be communicated in due course. At 30 September 2013, the market value of the Plan's assets was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

23. Pension scheme (continued)

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan. During the year, the Association made a past service deficit contribution of £3,422 (2014: £3,422) on the basis that no additional contributions from participating employers are required at this point in time. The past service deficit contribution for 2015/16 will be £3,524.

A copy of the recovery plan must be sent to The Pensions Regulator. The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012.

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 Plan and The Pensions act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out 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 Plan. 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 Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating 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 Plan liabilities, Plan 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, but at 30 September 2014 the estimated employer debt on withdrawal from the Growth Plan was £50,467.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan.

24. Payments to members and Board members

No member of the Association received any fee or remuneration during the year (2014: £Nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £7,075 (2014: £12,180).

25. Related parties

Certain of the 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.

Cairn Homes and Services Limited is a 100% subsidiary of the Association. Cairn Homes and Services Association Limited was dormant this year. The Association has made an advance to the company to enable it to pay its set up costs. At the year-end £3,250 (2014: £3,250) was due to the Association.

26. Reconciliation of surplus for the year to cash inflow from operating activities

	2015 £	Restated 2014 £
Operating surplus for the year	1,933,815	1,508,227
Depreciation charges	2,566,110	2,372,695
Impairment charge	25,000	90,000
Decrease in creditors	(440,671)	(1,023,863)
Increase in debtors	(16,874)	(99,531)
Share capital cancelled	(58)	(4)
Investment disposed of	1	-
Net cash inflow from operating activities	4,067,323	2,847,524

27. Capital expenditure and financial investment

	2015 £	2014 £
Payments to acquire and improve housing stock	(3,343,088)	(2,367,335)
Purchase of other fixed assets	(262,848)	(407,609)
Sale of other fixed assets	-	837,000
HAG and other capital grants received in year	51,223	308,490
Sale of houses (including Homestake)	1,225,660	940,267
HAG repaid	(59,892)	(86,752)
Net cash outflow from capital expenditure and financial investment	(2,388,945)	(775,939)

28. Financing

	2015 £	2014 £
Housing loans repaid	(2,077,153)	(2,195,905)
Proceeds from shares	-	11
Net cash outflow from financing	(2,077,153)	(2,195,894)

29. Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Decrease in cash in the year	(1,824,736)	(1,516,953)
Loans repaid	2,077,153	2,195,905
	252,417	678,952
Net debt at 1 April 2014	(39,674,173)	(40,353,125)
Net debt at 31 March 2015	(39,421,756)	(39,674,173)

30. Analysis of net debt

	Restated At 1 April 2014 £	Cash Flows £	Non-Cash Changes £	At 31 March 2015 £
Amounts held on short term deposit	4,000,000	(1,000,000)	-	3,000,000
Cash at bank	1,091,758	(584,617)	-	507,141
Bank overdraft	(359,056)	(240,119)	-	(599,175)
	4,732,702	(1,824,736)	-	2,907,966
Debt due within 1 year	(2,079,921)	2,077,153	(2,081,555)	(2,084,323)
Debt due after 1 year	(42,326,954)	-	2,081,555	(40,245,399)
Total	(39,674,173)	252,417	-	(39,421,756)

31. Continuing and discontinued operations

	Continued operations £	Discontinued operations £	2015 Total £
Turnover	16,778,994	215,081	16,994,075
Operating costs	(14,824,113)	(236,147)	(15,060,260)
Operating surplus/(deficit)	1,954,881	(21,066)	1,933,815

	Continued operations £	Discontinued operations £	Restated 2014 Total £
Turnover	15,609,529	490,849	16,100,378
Operating costs	(14,139,682)	(452,469)	(14,592,151)
Operating surplus	1,469,847	38,380	1,508,227

Four very sheltered housing units were transferred to another provider and another was closed down during the year ended 31 March 2015.

32. Prior year adjustment

The following prior year adjustments were made to the opening reserves at 1 April 2013:

	£
Impairment of four very sheltered housing units	(664,934)
Reversal of depreciation on investment properties	684,759
Impairment of two care homes	(268,962)
Release of legacy creditor	370,276
Depreciation of heritable office properties	(60,910)
Depreciation of shared ownership housing properties	(273,516)
	(213,287)

The following prior year adjustments were made to the opening reserves at 1 April 2014:

Revaluation of investment property	1,482,208
Depreciation of heritable office properties	(14,525)
Depreciation of shared ownership housing properties	(20,732)
Correction of gain on disposal of housing costs	9,132
	1,456,083
Cumulative adjustment to opening reserves	1,242,796

(£26,125) of this adjustment is reflected in the restated surplus for 2013/14 with the remaining £1,268,921 going straight to reserves.

Allocated to:	
Revenue reserve	(609,688)
Restricted reserve	370,276
Revaluation reserve	1,482,208
	1,242,796

In addition to the above, there was an overdraft of £359,056 netted off in cash at bank and in hand in the prior year financial statements. This has been reallocated to creditors: amounts falling due within one year via a prior year adjustment.

The prior year adjustment had the following impact on the surplus for the year ended 31 March 2014:-

	£
Surplus for the year ended 31 March 2014	554,600
Depreciation of heritable office properties	(14,525)
Depreciation of shared ownership housing properties	(20,732)
Correction of gain on disposal of shared ownership housing properties	9,132
Restated surplus for the year ended 31 March 2014	528,475

33. Post balance sheet event

During 2015/16 the Association plans to dispose of its two Care Homes to a specialist care provider, as well as properties at Grange Loan and Polwarth Terrace. The Association is in discussion with its lenders to restructure the debt to allow an increased spend on planned investment over 2015/16 and 2016/17.

Cairn Housing Association Limited

Audit management report for the year ended 31 March 2015

Scott-Moncrieff
business advisers and accountants

Cairn Housing Association Limited

Audit management report for the year ended 31 March 2015

1 Purpose of this report

Recognising the importance of effective two-way communication in an audit of financial statements, we have prepared this report to provide you with constructive observations arising from the audit process.

International Standards on Auditing (UK & Ireland) 260, "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance" require Scott-Moncrieff to report the significant findings from our audit to you.

This report details:

- any expected modifications to our audit report;
- any unadjusted items in the financial statements (except any unadjusted items which are clearly trivial) including the effect of unadjusted items related to prior periods on the current period;
- any material weaknesses in systems we have identified during the course of our audit work and our views about the quality of accounting practices and financial reporting procedures; and
- any other relevant matters.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- this report has been prepared for the sole use of the Board of Cairn Housing Association Limited;
- it must not be disclosed to any third party without our written consent; and
- no responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with Derek Adam.

We would like to thank Derek Adam and the rest of the staff for their kind co-operation and assistance during our audit.

2 Audit conclusion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended. The financial statements have also been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice - Accounting by registered social housing providers, the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

We are pleased to confirm that our audit report, which is included in the financial statements, is unqualified. In our opinion, from information provided to us during the audit, no events or conditions appear to exist which cast doubt on the Association’s ability to continue as a going concern. We are therefore satisfied with the disclosure in the financial statements.

Our audit opinion is based on your approval of the financial statements and signing of the letter of representation. Within this letter, you have confirmed that there are no subsequent events that require amendment to the financial statements.

3 Respective responsibilities

Responsibilities of the Board of Management

The Board of Management's statutory responsibilities include:

- Preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business. The financial statements have to be prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice - Accounting by registered social housing providers, the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.
- Maintaining proper accounting records and an effective system of internal control;
- Safeguarding assets;
- Taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- Ensuring sound corporate governance and the proper conduct of the Association's operations.

Responsibilities of the auditor

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

The audit includes the consideration of internal controls relevant to the preparation of the financial statements but we do not express an opinion on the effectiveness of internal control. We are also required to communicate any significant matters arising from the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process.

The matters being reported are limited to those deficiencies in control that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported to those charged with governance.

International Standards on Auditing (UK and Ireland) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.

Independence

International Standard on Auditing (UK & Ireland) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Scott-Moncrieff currently provides internal audit services to the Association. The Financial Reporting Council (FRC) governs our audit work and publishes Ethical Standards that we must adhere to. Ethical Standard 5 (ES5)– Non audit services provided to audited entities includes guidance to audit firms who provide both external and internal audit services to the same entity. ES5 states that an external auditor may provide internal audit services provided that "the auditor is satisfied that there is informed management and appropriate safeguards are applied to reduce the self-review threat".

We believe that the board and management of Cairn Housing Association Limited have the necessary financial knowledge and experience to evaluate our work and findings in respect of both the internal and external audit.

In line with ES5, the safeguards that we have put in place are:

- The external audit service is led by Iain Lee and James McBride who have no involvement in the internal audit work. The other members of the external audit team have had no involvement in the internal audit work.

- The internal audit services are currently led by Robert Mackenzie and Susan Mackay with the work performed by internal audit staff. No one involved in the provision of the internal audit service is involved in the external audit. Iain and James have never been involved in the internal audit of the Association.

- The external audit will be led and performed by staff from our external audit department whilst the internal audit is performed by staff from our internal audit department. Neither team would have access to the other team's working papers.

ES5 also requires that Scott-Moncrieff in its role as internal auditor does not act in a management role for the Association, which it clearly does not.

As external auditor we would not be able to place "significant reliance on the internal work performed". This means that if we need assurance over a particular area in respect of our audit of the financial statements we cannot rely on the work performed by the internal auditor. It is important when considering the likely impact of this we acknowledge that the function of the external and internal audit is completely different. The objective of the external audit is to provide an opinion on whether the financial statements show a true and fair view whilst the internal audit function focusses on the internal controls and procedures of the organisation and helps review governance and risk management and makes recommendations based on best practice within the sector.

In some instances there may be a cross-over between the work of the internal auditor and the assurance that we seek to obtain as part of our audit of the financial statements. In these instances, as external auditor we would have to perform the work ourselves. Please note that our fee has been prepared on this basis.

We also provide tax services to the Association. This work is led by a tax partner and staff that are not involved in the audit. Therefore the provision of tax services does not impact on our independence as external auditor.

We can confirm that we have complied with the APB's Ethical Standard 1 – "Integrity, Objectivity and Independence". In our professional judgement the audit process has been independent and our objectivity has not been compromised.

4 Audit risk areas identified at the planning stage

Identified audit risk areas

As noted in our audit planning letter submitted to the Board of Management on 2 April 2015 we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
Risk 1 – Management override of controls	
In any organisation, there is a risk that management and Board members have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK & Ireland) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements". Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.	Our review of the accounting records did not identify any significant transactions outside the normal financial control processes. We did not identify any evidence of management override. Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.
Risk 2 – Revenue recognition	
Under International Standard on Auditing (UK & Ireland) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements" there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Association could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported revenue position. Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.	We evaluated each material revenue stream, considered the Association's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied. Conclusion: We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.
Risk 3 - Impairment of care homes	
The Association is in the process of finalising the disposal of two care homes, Cherryholme House	We have reviewed the Director of Finance and Investment's calculations and journals processed in

Audit risk areas	Audit findings
and Jubilee House. The sale is expected to be completed after the year end however given the impending disposal the Association must consider if an impairment exists as at 31 March 2015. Given the loss on disposal is expected to be in excess of £200k, it is clear that the care homes are not worth their current carrying value and should be written down to the expected disposal price. The decision to sell the care homes was approved by the Board in December 2012 and the management accounts for the care homes for 2012, 2013 and 2014 show losses being generated. After discussions with the Director of Finance and Investment we have agreed that the care homes should have been impaired as part of the 2012/13 financial statements and thus the impairment charge will be processed as a prior year adjustment correcting the opening reserves as at 1 April 2013 as part of the 2014/15 financial statements.	relation to this prior year adjustment in respect of the impairment of the two Care Homes. We have agreed that a late adjustment would be processed to correct the original impairment value included in the financial statements (see Appendix 1, adjustment 10). There was also a material loss on disposal of the four sheltered units in the year. After discussion, it was agreed that these units were impaired in previous years and thus a prior year adjustment was processed to incorporate this impairment (see Appendix 1, adjustment 4). Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.
Risk 4 - Discontinued operation - disposed sheltered housing units	
In 2014/15, four very sheltered schemes were transferred over to a new provider for proceeds of £1m and another was closed down. Under Financial Reporting Standard 3, this disposal should be accounted for as a discontinued operation in the 2014/15 financial statements. In 2015/16 the disposal of the care homes will be accounted for as a discontinued operation. This treatment has been agreed with the Director of Finance and Investment.	We have reviewed the workings prepared by the Director of Finance and Investment as well as the disclosure included in the financial statements. We are satisfied that the financial statements include the correct disclosure. The required disclosure is included in the Income and Expenditure account on page 7 of the financial statements and note 31 on page 31. Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.
Risk 5 - Welfare Reform Act	
Arguably one of the biggest challenges facing RSLs is the welfare reform. The introduction of the ‘bedroom tax’ has resulted in a decrease in housing benefit for some tenants which has led to, in some cases, increased housing arrears. This increase in arrears puts further financial pressure on the Association in an already difficult economic environment. As part of the preparation of the financial statements, senior management and the Board of Management must perform a detailed review of the housing arrears at the year-end and identify those that will not be recoverable and write these off and	The rental arrears balance at the year-end has been reviewed and we have raised an unadjusted item to increase the bad debt provision by £57k (Appendix 2, journal 3). Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.

Audit risk areas	Audit findings
identify those that may not be recoverable and make a suitable provision against them. We would also expect, in most cases, that former arrears balances are fully provided against. As part of the audit of the financial statements we will review the bad debt write off and provision made by the Association to determine if these are appropriate. We will place a particular focus on former arrears balances and significant current arrears balances. The eventual roll out of Universal Credit and direct payment is likely to lead to an increase in irrecoverable arrears. The Association should be planning for these changes and considering their impact on budgets and forecasts.	
Risk 6 - Defined Benefit Pension Scheme	
The affordability of defined pension schemes has been a hot topic within the RSL sector in recent years. The SHAPS pension scheme in particular continues to struggle and this has resulted in Associations being forced to pay past deficit contributions in order to close the funding gap within the pension scheme as well as pay additional employer contributions in respect of future benefits. Some Associations have opted to close the final salary scheme to all members whilst others have closed it to new members whilst keeping it open to existing members. Some RSLs have opted for career average schemes whilst others have chosen the defined contribution route. The Association has taken decisive action and has now transferred existing members to the Defined Contribution option within the Scheme whilst closing the scheme to new entrants from 1 April 2014. This decision has capped the pension liability but the Association must still consider how it will fund the past service deficit repayment as part of the agreed recovery plan requiring monthly payments that sought to address the past service deficit by 30 September 2027. The Board of Management must ensure that these expected pension payments are incorporated into budgets, forecasts and business plans to ensure that these can be paid by the	After consultation with professional advisors and members of staff the decision was taken to close the Association's defined benefit scheme to future accrual, with the Association participating from 1 April 2014 in a defined contribution scheme within the Scottish Housing Associations' Pension Scheme, for existing members. All new staff members are eligible to participate in a defined contribution scheme provided by Standard Life. The Association has included the past service deficit repayments in the budget. The cashflow projections confirm that the Association will be able to afford these payments. The Association has considered the likely impact of recognising the past service deficit contribution payments as a liability on the balance sheet. In order to mitigate the negative impact that this will inevitably have on the Association's net assets. In order to mitigate the impact of the pension liability, the Association may opt to take advantage of a transitional option within FRS 102 and revalue its housing properties at their existing use value and deem this to be historical cost. This means that the asset value will increase in the financial statements which will mitigate the decrease in net assets resulting from the requirement to incorporate the

Audit risk areas	Audit findings
Association from future surpluses. Each year as part of our audit we will assess the current pension provision and its affordability to the Association. It is also important to note that FRS 102 will require past service deficit contribution plans to be recognised on the balance sheet as a pension liability which will have a materially adverse impact on the net assets of the Association and may have a negative effect on existing banking covenants. We would encourage the Association to assess the impact of this accounting change on its banking covenants as soon as possible.	pension liability. Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.

Going concern and subsequent events

We are required under International Standard on Auditing (UK & Ireland) 570, “Going Concern” to consider the appropriateness of the Board of Management’s use of the going concern assumption in the preparation of the financial statements, and to consider whether there are material uncertainties about the Association’s ability to continue as a going concern which need to be disclosed in the financial statements.

The term "subsequent events" is used to refer to events occurring between the year-end date of the financial statements and the date of the auditor's report. International Standard on Auditing (UK & Ireland) 560, “Subsequent events” requires us to assess all such matters before signing our audit report.

In order to gain assurance on these matters our work included:

- a review of bank facilities;
- a review of budgets and cash flow projections covering a period of 12 months from the expected signing of the audit report, together with post year end management accounts;
- a review of the minutes of post balance sheet board meetings;
- enquiring of senior management and the Association’s solicitors concerning litigation, claims and assessments; and
- testing a sample of post balance sheet transactions.

Conclusion

We confirm that we have identified no issues affecting the Association’s ability to continue as a going concern.

Within the financial statements, a note (note 33) has been added to disclose the Association’s intention to dispose of its two Care Homes to a specialist provider post year end.

We did not identify any further subsequent events which require amendments to be made to the financial statements.

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

During the course of our audit work we identified and discussed the following significant issues with management, which we consider should be brought to your attention.

Significant audit issues	Audit conclusion
During the financial year ended 31 March 2015 the Association sold 4 very sheltered houses. The Board decided in 2012/13 to change their strategy by selling the very sheltered housing. It was determined that the maximum selling price that would be attainable was £1m. The net book value of the very sheltered housing at the selling date was £1.63m. As the decision was taken in 2012/13 to sell the properties at £1m (less legal costs of £34k), the impairment of £664k should have been recorded in the 2012/13 financial statements. This was not identified prior to the audit starting.	We have raised a prior year adjustment to correct this misstatement in the 2012/13 financial statements. See Appendix 1, audit adjustment 4. This has removed the loss on disposal of £664k from this year's results and instead allocated it to the Revenue Reserves brought forward.
We identified that £370,276 of legacy income had been deferred in the prior year financial statements. In line with accounting standards, this income should have been recognised in the Income and Expenditure Account in the year it was received and the Association was entitled to it.	We have raised a prior year adjustment to correct this misstatement in the financial statements. See Appendix 1, audit adjustment 3. This has moved £258k that was included in creditors and £112k that was in other income to the Revenue Reserves brought forward.
During the year the Scottish Government confirmed that the Association did not owe any HAG monies. However, the 2015 financial statements include a creditor of £122,257 within current liabilities and £117,581 within fixed assets.	We have raised an unadjusted error in relation to this misstatement (see appendix 2, adjustments 4 and 5). It has been agreed with Derek Adam that these amounts are not material and will remain unadjusted within the 2015 financial statements.
It was identified this year that the Association has historically included a number of investment properties within the housing properties in the financial statements.	A prior year adjustment has been incorporated into the financial statements (see Appendix 1, adjustment 11) to reallocate these properties from housing property to investment properties. Investment properties should not be depreciated and thus as part of this prior year adjustment, accumulated depreciation of £685k was written back to Revenue Reserves.

Significant audit issues	Audit conclusion
	As part of this work we obtained valuations for those properties that have been valued. These valuations have been incorporated into the financial statements which resulted in a £1.48m increase in value, with this increase included in a revaluation reserve. Properties that have not been valued are held at cost. Please note regular valuations will have to be carried out for investment properties with changes in valuations reflected in the financial statements.
During our audit testing it was identified that a large number of new components had been capitalised. The component that was replaced should have been disposed of in line with accounting standards. However, a large number of component additions did not have a corresponding disposal.	This was a material misstatement of the financial statements. This was discussed with Derek Adam who agreed to review the disposals and correct the financial statements. An adjustment was made to the financial statements to correct this material misstatement (see appendix 1, adjustment 8).
Heritable office properties and shared ownership housing properties have not been depreciated in line with Financial Reporting Standard 15 and the SORP.	A prior year adjustment was incorporated to back date depreciation of the heritable office properties and shared ownership housing properties by £60,910 and £273,516 respectively at 1 April 2013. We also incorporated the depreciation charge that should have been applied in 2013/14 and 2014/15 via an audit adjustment. Please see journal 12 and 13 at Appendix 1.

The effect of the prior year adjustments is detailed in note 32 of the financial statements.

Audit adjustments

A summary of the effect of the audit adjustments is shown below. A schedule of the actual adjustments can be found in appendix 1.

Number of audit adjustments	Effect on surplus
14	A decrease of £360,501

We agreed all audit adjustments with Derek Adam.

Unadjusted items

A summary of the net effect of the unadjusted items is shown below. A schedule of the unadjusted items can be found in appendix 2.

Number of unadjusted items	Effect on surplus
11	An increase of £56,156

We agreed with Derek Adam that these amounts are not material and thus they have not been incorporated into the financial statements.

Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the Association.
The timing of the transactions and the period in which they are recorded.	We identified a number of prior year adjustments as part of our audit testing. Please refer to note 32 in the financial statements.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.
The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.	We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the financial statements.	We did not identify any unusual transactions in the period from our testing except for the prior year adjustments noted previously.
Apparent misstatements in the Board of Management's report or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the Board of Management's report.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention, other than notes 31 and 32 in the financial statements. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or	There was no disagreement during the course of

Qualitative aspect considered	Audit conclusion
financial statement disclosure.	the audit with regards to any accounting treatment or disclosure.
Difficulties encountered in the audit.	We did not encounter any difficulties during the audit.

Management representations

We have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the financial statements.

Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the Board of Management. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity that were not reported to us. We are aware of the small immaterial fraud that occurred in the year and acknowledge controls have been strengthened to address this.

Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

6 Review of financial performance

The material movements in the financial statements were:

Income and Expenditure Account

Account	Movement	Explanation for movement
Turnover	**2015:** £16,994,075 **2014:** £16,100,378 **Increase:** £893,697	During the year, the Scottish Government confirmed that the Association did not owe them any HAG monies. Thus, the net creditor that was included in the prior year financial statements (£596,188) was written off to the Income and Expenditure Account in 2015. Rental income has increased by £293,612 due to the Association applying a 2.9% rental increase.
Operating costs	**2015:** £15,060,260 **2014:** £14,592,151 **Increase:** £468,109	This increase is primarily due to an increase in salary costs. All employees received a 2.7% pay increase during the year. The past service deficit payment in relation to the defined benefit pension scheme has increased by £257,213 in 2015 to £540,371. This is to ensure that the Association is covering its share of the deficit in the scheme.
Operating surplus	**2015:** £1,933,815 **2014:** £1,508,227 **Increase:** £425,588	This increase is due to the write off of the net HAG creditor that was included in the prior year financial statements (£596,188). This income does not have any corresponding costs and thus has led to an increase in the operating surplus.

Balance Sheet

Account	Movement	Explanation for movement
Investment properties	**2015 and restated 2014:** £5,391,380 **2014 signed financial statements:** £nil	As discussed on page 10 a prior year adjustment has been incorporated to reallocate investment properties from housing properties and to recognise an increase in the value of the properties of £1.48m.
Prepayments and accrued income	**2015:** £1,372,157 **2014:** £927,580 **Increase:** £444,577	The prepayments and accrued income for the year ended 31 March 2015 includes accrued income of £474,637 (2014: £75,653). This is due to the timing of grant claims and timing of when the money was received.
Net HAG creditor	**2015:** £122,257 **2014:** HAG creditor of £1,063,942 less HAG	£596K of this HAG creditor was released to income in the year (see note 4 of the financial statements). There remains a further £122K remaining in creditors at 31 March 2015. If this is no longer due to the Scottish Government it should be written off. An

	debtor of £448,910, gave a net creditor of £615,032. **Decrease:** £492,775	unadjusted item (Appendix 2, journal 4) has been raised to do this.
Accruals	**2015:** £1,398,849 **2014:** £956,579 **Increase:** £442,270	The Association moved into new premises in Edinburgh in March 2013. As part of the lease agreement, the Association has received a rent fee period from 1 March 2013 to 31 May 2015. However, the total rent payable over the lease period must be accounted for evenly over the period. Thus, as the Association is still within the rent free period at 31 March 2015, the rent accrual has increased by £175,104. The Association also has an accrual for £150,906 in relation to work performed on some housing properties (2014: £nil). This increase is simply due to the timing of the work performed and when the invoice was received.
Net assets	**2015:** £22,127,830 **2014:** £21,400,736 **Increase:** £727,094	The net assets of the Association have increased by £727,094. This is comprised of the surplus (£727,152) achieved in the year ended 31 March 2015 less the reduction in share capital (£58).

7 Accounting systems and internal controls

During the course of our audit of the financial statements, we examined the principal internal controls which the Board of Management have established to enable them to ensure, as far as possible, the accuracy and reliability of the Association's accounting records and to safeguard the Association's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below. Management responses are still outstanding.

		No of audit observations
Grade	**Definition**	**Current year**
5	Very high risk exposure - Major concerns requiring immediate attention	-
4	High risk exposure - Absence / failure of significant key controls	2
3	Moderate risk exposure - Not all key control procedures are working effectively	4
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	3
1	Efficiency / housekeeping point	-

Action plan

1	Impairment of assets
Observation	Material impairments were not identified and accounted for in the financial period they incurred. This resulted in prior year adjustments being incorporated this year to recognise the impairment of the four very sheltered housing units disposed of in the year and the two Care Homes being transferred in 2015/16.
Risk and recommendation	Assets should be reviewed for impairment periodically throughout the year (eg quarterly) and as part of the annual financial statement process. The Board and the SMT should look out for indicators of impairment such as significant voids, development overruns or loss making business units or activities. **Grade 4**

Management response	Losses in relation to the sale of the Very Sheltered properties and Care Homes were fully disclosed in the budgets, but never identifies as potential impairments by Chiene and Tait, merely as losses to be taken in the year of sale. We accept the recommendation and will review for impairment on a quarterly basis.

2	Legacy income
Observation	During the audit, we identified that £370,276 of legacy income had been deferred in the prior year financial statements. In line with accounting standards, this income should have been recognised in the Income and Expenditure Account in the year it was received.
Risk and recommendation	If legacy income is deferred until it is spent then the income is not being accounted for in line with accounting standards. Legacy income should be recognised when the Association is entitled to it and once it expects to receive the funding. **Grade 4**
Management response	Our treatment of legacy income was fully discussed with Chiene and Tait at the last few audit review meetings. They were content with our treatment. We agree with the recommendation.

3	Component accounting
Observation	During our audit testing it was identified that a large number of new components had been capitalised. The component that was replaced should have been disposed of in line with accounting standards. However, a large number of component additions did not have a corresponding disposal.
Risk and recommendation	If disposed components are not removed from the fixed asset register and nominal ledger correctly, the financial statements will be misstated. Disposed components should be removed on a quarterly basis. **Grade 3**
Management response	We agree with the recommendation. The current excel solution is very time consuming, and we will look to invest in a packaged software solution.

4	Component accounting
Observation	During the audit, it was identified that the fixed asset register for the housing properties had incorrect opening balances for a number of properties. During the financial year ended 31 March 2015 the Association sold 4 very sheltered houses. The initial impairment calculation was based on these incorrect opening balances and indicated that the impairment was immaterial. However, once the opening balances were corrected it was identified that the impairment was £664k. As the decision was taken in 2012/13 to sell these properties at £1m (the eventual selling price), the impairment of £664k should have been recorded in the 2012/13 financial statements.
Risk and recommendation	The financial statements may be misstated if an accurate fixed asset register is not maintained. A computerised fixed asset register should be purchased. This should be

	updated on a quarterly basis and reconciled to the nominal ledger. **Grade 3**
Management response	Recommendation accepted.

5	Depreciation of shared ownership and heritable office properties
Observation	No depreciation charge was applied to shared ownership properties and heritable office properties. This was corrected via audit adjustments.
Risk and recommendation	Depreciation should be applied to these properties to account for the 'economic consumption' and depreciation should be applied in accordance with Financial Reporting Standard 15. Going forward depreciation should be charged on shared ownership properties and the heritable office properties. **Grade 3**
Management response	Recommendation accepted. Chiene and Tait asked us to separately identify shared ownership properties within the asset register, but did not ask that these be depreciated.

6	Journals
Observation	It was noted that all finance staff can post journals to the nominal ledger Journals over £20,000 are reviewed by the Finance Manager. However, for all journals below £20,000 no review process is undertaken.
Risk and recommendation	There is a risk that incorrect or fraudulent journals are processed to the nominal ledger, which may result in a material misstatement of the financial statements. It is recommended that all journals are authorised prior to being posted to the nominal ledger or at least a sample of journals less than £20,000 are reviewed each month as part of the month end process. **Grade 3**
Management response	Recommendation accepted.

7	Back-ups
Observation	It was noted that back-ups are taken daily but are not tested periodically.
Risk and recommendation	There is a risk that back-ups could not be restored successfully if required, meaning that data may be lost. If this data could not be recovered by other means then normal business activity might be severely impaired and the financial statements could be materially misstated as a result. It is recommended that back-ups are tested periodically. **Grade 2**
Management response	Recommendation accepted, and will form part of our Business Continuity work.

8	Care and Repair bank accounts
Observation	It was noted that the Association holds money on behalf of Care and Repair clients. This money is held in two bank accounts in the Association's name.
Risk and recommendation	These bank accounts should be included in the financial statements and a creditor should be recorded to recognise the obligation to pay this money to the Association's clients. It is recommended that these bank accounts are included in the trial balance

	and that a creditor for the same value is recorded. **Grade 2**
Management response	Recommendation accepted.

9	VAT returns
Observation	It was noted that the VAT return for the quarter ended 31 March 2015 was submitted late.
Risk and recommendation	There is a risk that the Association may incur penalties and interest on late payments. It is recommended that all VAT returns are submitted to HMRC before the required submission date to ensure penalties are not incurred. **Grade 2**
Management response	Recommendation accepted.

8 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website: http://www.scott-moncrieff.com/news/e-bulletin-signup.

Appendix 1 – Audit adjustments

As summarised in Section 5, we identified the following adjustments during the audit. We have discussed these adjustments with Derek Adam who has agreed that they should be incorporated into the financial statements.

Surplus per draft 1 accounts						£1,087,652
		Income and Expenditure Account		**Balance Sheet**		**Impact on surplus**
No.	**Narrative**	**Dr**	**Cr**	**Dr**	**Cr**	**£**
1	Dr Fixtures depreciation			£ 55,368		£ -
	Cr Office property				£ 55,368	£ -
	Being correction of opening balances					
2	Dr Cash at bank and in hand			£ 599,175		£ -
	Cr Overdraft				£ 599,175	£ -
	Being reallocation of the overdraft balance					
3	Dr Legacy funds creditor			£ 258,285		£ -
	Dr Other income	£ 111,991				-£ 111,991
	Cr Restricted reserves				£ 370,276	£ -
	Being prior year adjustment to release the legacy deferred income					
4	Dr Revenue reserve			£ 664,934		£ -
	Cr gain/loss on disposal		£ 664,934			£ 664,934
	Being prior year adjustment for impairment of 4 sheltered units					
5	Dr Restricted reserves			£ 3,218		£ -
	Cr Revenue reserve				£ 3,218	£ -
	Being transfer of costs incurred using restricted monies					
6	Dr Subscriptions	£ 1				-£ 1
	Cr Investments				£ 1	£ -
	Being release of investment in The Highland Housing Association					
7	Dr Gain / loss on sale	£ 513,875				-£ 513,875
	Cr Depreciation on disposals				£ 20,233	£ -
	Cr HAG on disposals				£ 487,329	£ -
	Cr Disposals				£ 6,313	£ -
	Being correction of property disposals within housing properties held for letting					
8	Dr Depreciation on disposal BS			£ 220,947		£ -
	Dr HAG on disposal			£ 90,523		£ -
	Cr Disposals				£ 574,871	£ -
	Dr Depreciation P&L	£ 315,628				-£ 315,628
	Cr Depreciation on disposal BS				£ 52,227	£ -
	Being correction of component disposals within housing properties held for letting					
9	Dr Depreciation P&L	£ 68,266				-£ 68,266
	Cr Depreciation BS				£ 68,266	£ -
	Being correction of depreciation for housing properties held for letting					
10	Dr Depreciation brought forward			£ 861,038		£ -
	Cr P&L reserves				£ 861,038	£ -
	Being impairment recorded as prior year adjustment					

11	Dr Housing properties held for letting B/f depreciation			£ 684,759		£ -
	Cr P&L reserves				£ 684,759	£ -
	Dr Housing properties held for letting HAG			£ 6,844,683		£ -
	Cr Investment properties cost				£ 6,844,683	£ -
	Dr Investment properties cost			£ 10,753,855		£ -
	Cr Housing properties held for letting cost				£ 10,753,855	£ -
	Dr Investment properties cost			£ 1,482,208		£ -
	Cr Revaluation reserve				£ 1,482,208	£ -
	Being prior year adjustment to reallocate investment property					
12	Dr P&L reserve			£ 360,551		£ -
	Cr Heritable office properties - depreciation				£ 75,435	£ -
	Cr Shared ownership units - depreciation				£ 285,116	£ -
	Being incorporation of historical depreciation that should have been applied to office properties and shared ownership housing units					
13	Dr Depreciation charge - office property (I&E)	£ 14,525				-£ 14,525
	Dr Depreciation charge - shared ownership (I&E)	£ 19,748				-£ 19,748
	Cr Gain on disposal		£ 18,599			£ 18,599
	Cr Heritable office properties - depreciation				£ 14,525	£ -
	Cr Shared ownership units - depreciation				£ 1,149	£ -
	Being incorporation of depreciation charge for this year office properties and shared ownership housing units as well as depreciation on disposal of shared ownership properties					
14	Dr Service charge admin income	£ 159,486				-£ 159,486
	Cr Service charge admin cost		£ 137,933			£ 137,933
	Cr Management and administration costs		£ 21,553			£ 21,553
	Being removal of duplicate income and cost in relation to the service charge administration income and expenditure					
					Net effect on surplus	-£ 360,501
					Rounding	£ 1
					Surplus per final accounts	£ 727,152

Appendix 2 – Unadjusted items

As summarised in Section 5, we identified the following unadjusted items during the audit. We agreed with Derek Adam that these amounts are not material and thus they have not been incorporated into the financial statements.

		Income and Expenditure account		Balance Sheet		Impact on surplus
No.	Narrative	Dr	Cr	Dr	Cr	£
1	Dr Bank			£200,620		-
	Cr Trade creditors				£200,620	-
	Being reversal of post year end payment included within the financial year end 31 March 2015					
2	Dr Accrued income			£21,377		-
	Cr Interest received		£21,377			£21,377
	Being correction of the interest accrued income					
3	Dr Bad debts	£57,258				-£57,258
	Cr Bad debt provision				£57,258	-
	Being increase in the bad debt provision					
4	Dr HAG creditor			£122,257		-
	Cr Other income		£122,257			£122,257
	Being release of the HAG creditor					
5	Dr Fixed assets - HAG			£117,581		-
	Cr Other income		£117,581			£117,581
	Being release of the HAG from within fixed assets					
6	Dr Accruals			£26,510		-
	Cr Rent		£26,510			£26,510
	Being correction of the rent accrual					
7	Dr Legal fees	£8,196				-£8,196
	Cr Accruals				£8,196	-
	Being inclusion of unbilled fees from TC Young					
8	Dr Legal fees	£6,544				-£6,544
	Cr Accruals				£6,544	-
	Being inclusion of unbilled fees from MacKenzie					
9	Dr Repairs	£118,779				-£118,779
	Cr Housing property component additions				£118,779	-
	Being over capitalisation of repairs					
10	Dr Bank			£152,260		-
	Cr Other creditors				£152,260	-
	Being recognition of the money held for Care and Repair					
11	Dr Loan interest	£28,492				-£28,492
	Cr Accruals			£28,492		
	Being increase in loan interest accrual per review of bank letters					
12	Dr Gain on sale	£12,300				-£12,300
	Cr Accruals				£12,300	£0
	Being HAG due on RTB disposals in the year not recognised					
					Impact on surplus; increase of	£56,156

Appendix 3 – Your audit team

Iain Lee
Audit Partner
iain.lee@scott-moncrieff.com

James McBride
Audit Senior Manager
james.mcbride@scott-moncrieff.com

Natalie Breslin
Audit Assistant Manager
natalie.breslin@scott-moncrieff.com

Nneamaka Ochuba
Audit Assistant
nneamaka.ochuba@scott-moncrieff.com