BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

FCA
FINANCIAL CONDUCT 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

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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

3 1 / 0 3 / 2 0 1 6

Committee of management

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

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

1.3 Details of Chairman

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

1.4 Details of Treasurer

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

1.5 Details of Secretary

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

1.6 Details of Members of the Committee

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

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	96
B	Members ceased during year	0
C	Members admitted during year	7
D	Members at end of year	103
E	Turnover for year	£16,059,214
F	Total of income and expenditure (receipts and payments added together)	N/A
G	Net surplus/(deficit) for year	£2,019,802
H	Fixed assets	£98,403,337
I	Current assets	£2,031,158
J	Total assets (equal to amount in row O, below)	£100,434,495
K	Current liabilities	£4,099,309
L	Share capital	£103
M	Long-term liabilities	£43,390,862
N	Reserves	£52,944,221
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	£100,434,495

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)

23 / 09 / 2016

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	26/10/2016

cairn

Cairn Housing Association
FSA Annual Return 31 March 2016 AR 30 - Additional Board Member Details

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

Cairn Housing Association Limited

Audit management report for the year ended 31 March 2016

Scott-Moncrieff
business advisers and accountants

Cairn Housing Association Limited

Audit management report for the year ended 31 March 2016

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, the Director of Resources.

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 2016 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 including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’, the Statement of Recommended Practice - Accounting for Social Housing Providers issued in 2014, the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 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 also been prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', the Statement of Recommended Practice - Accounting for Social Housing Providers issued in 2014, the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 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 James McBride and Jennifer Alexander 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 Rachael Blenkinsop 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. James and Jennifer 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 21 March 2016 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.

Audit risk areas	Audit findings
Risk 3 - Transition to FRS 102 and the new RSL SORP	
The year ended 31 March 2016 is the first financial year that FRS 102 and the new RSL SORP applies with the Association's transition date being 1 April 2014. There is a risk that the changes in accounting requirements and accounting disclosures are not complied with. We will review the transition workings prepared by the Association ahead of the financial year end.	We have reviewed the accounting policy choices and the resulting transitional adjustments and disclosures made by the Association to ensure that these are reasonable and have been adopted correctly. Conclusion: Satisfactory assurance has been gained in respect of the mitigation of this risk.
Risk 4 - Discontinued operation – Care Home units	
In 2015/16, two care homes (Cherryholme House and Jubilee House) were sold. In addition to this a sheltered property at Grange Loan was also disposed. Under Financial Reporting Standard 102, these disposals should be accounted for as discontinued operations in the 2015/16 financial statements. This treatment has been agreed with the Director of Resources.	We have reviewed the workings prepared by the Director of Resources 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 Statement of Comprehensive Income in the financial statements. 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 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	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 £11k (Appendix 2, journal 6). Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.

Audit risk areas	Audit findings
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 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 has required past service deficit contribution plans to be	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 2015 valuation has now been received and has led to a significant reduction in pension liability which has been incorporated into the 2015/16 financial statements (Appendix 1, journal 2). The liability is now expected to be paid off by February 2022. We have confirmed that bank loans have been re-financed in the year in order to ensure covenants are not breached as a result of the changes under FRS 102. Conclusion: We have gained satisfactory assurance in respect of the mitigation of this risk.

Audit risk areas	Audit findings
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.	

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.

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

There are no subsequent events that require to be disclosed in the financial statements.

5 Significant audit and accounting matters

Significant issues identified during our audit fieldwork

We did not identify any further significant issues during the course of our audit work.

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
4	£nil

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
10	A decrease of £118,008

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 did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of accounting estimates or judgements used in the

Qualitative aspect considered	Audit conclusion
	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 Report of the Board of Management or material inconsistencies with the financial statements.	There has been no misstatement or material inconsistency with the financial statements included in the Report of the Board of Management.
Any significant financial statement disclosures to bring to your attention.	All disclosures made are required by relevant legislation and applicable accounting standards. We draw your attention to the additional disclosures required in relation to the transition to FRS 102 and in particular Note 30, which details the changes in accounting policies at transition together with the adjustments necessary to apply these policies.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of 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.

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:

Statement of Comprehensive Income

Account	Movement	Explanation for movement
Turnover	**2016:** £16,059,214 **2015 restated:** £16,994,075 **Decrease:** £934,861	There has been an decrease in rent and service charges in the year of £162k, made up of a £183k increase in rents as a result of a 2.9% increase in rent charges at the start of the year, offset by a £344k decrease in service charge income following the disposal of care and very sheltered housing properties in the current and prior year. In addition there has been a £154k decrease in Scottish Government grants for medical adaptations; income levels are set by the Scottish Government each year for this income depending on the works required to disabled peoples properties.
Operating costs	**2016:** £13,429,212 **2015 restated:** £14,463,525 **Decrease:** £1,034,313	The decrease in operating costs is a result of a £827k decrease in costs from social housing activity coupled with a £207k decrease in costs of other activities. Social letting expenditure has decreased primarily as a result of a £723k decrease in responsive maintenance costs; the Association has experienced increasing planned and cyclical maintenance costs including capitalised component replacements over the past couple of years which has resulted in fewer requirements for responsive maintenance. There have been additional decreases of £221k in management and admin costs as a result of smaller employee numbers in the current year, and also £328k reduction in service costs when compared to prior year. This is offset by a £387k increase in depreciation largely due to the loss on disposal of components of £530k included in the current year's depreciation charge compared with £3133k in 2014/15. Expenditure from other activities has decreased in line with the decrease in income from other activities; decrease of £207k.

Statement of Financial Position

Account	Movement	Explanation for movement
Housing properties	**2016:** £88,197,171 **2015 restated:** £84,719,431 **Increase:** £3,477,740	The increase in Housing properties is a result of £7.172m of additions in the year, net disposals of £1.978m, £1.648m of depreciation charged in the year and £68k assets transferred to other fixed assets.
Prepayments and accrued income	**2016:** £912,209 **2015 restated:** £1,368,907 **Decrease:** £456,698	This decrease is mainly due to the decreased medical adaptations debtor (decrease of £210k); partly relating to timing of receipts at year end and partly due to decreased medical adaptations being carried out in the year (see turnover comments above). Additionally, in the prior year there was Energy Savings Trust accrued income (£249k), which was a one-off with no such equivalent balance anticipated in the current year.
Housing loans	**2016:** £40,929,469 **2015 restated:** £42,329,722 **Decrease:** £1,400,253	Housing loans have fallen due to the repayments in the year.
Deferred Government capital grant	**2016:** £924,223 **2015 restated:** £51,223 **Increase:** £873,000	During the year Housing association grants of £873k relating to developments at Hedgefield and Slackbuie were received in the year. These will be amortised over the expected useful lives of the properties for which the grant was received.
Pension liability	**2016:** £3,220,508 **2015 restated:** £3,635,070 **Decrease:** £414,562	On transition to FRS 102 the pension liability is now included within the balance sheet. This has decreased by £415k due to deficit contributions of £537k being offset by the unwinding of the discount factor (£148k) and the impact of a change in assumptions (credit of £25k).

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 included below.

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

Please note three of the points raised in the prior year have yet to be fully actioned.

Action plan

1	Pension payments
Observation	During the audit testing it was identified that pension payments were not being made by the due date. It was also identified that pension payments were not made for the last four months of 2015.
Risk and recommendation	There is a risk of incorrect payments being made on behalf of staff and a risk of fraud. It is recommended that the controls over the payment of pensions are reviewed and an appropriate senior member of the finance team is responsible for the calculation and payment of pensions, and that the payments are authorised each month and paid promptly. **Grade 4**
Management response	The responsibility for managing the Payroll Officer transferred to the Resources Team in October 2015. The Director of Resources identified the non-payment of pensions in December 2015 and immediately rectified the position. The Payroll Officer has been off sick since December 2015, and the payroll duties have been absorbed within the Finance Team. The role of the Payroll Officer is currently under consultation with possible redundancy. Responsible Officer : Director of Resources

2	Payroll
Observation	Payroll summaries not authorised by a senior member of staff.
Risk and recommendation	There is a risk of incorrect payments being made to staff. There is also an increased risk of fraud. We recommend that procedures are amended to ensure that all payroll summaries and bank transfer sheets are signed as authorised by a senior member of staff who is not involved in the payroll processing. **Grade 3**
Management response	The responsibility for managing the Payroll Officer transferred to the Resources Team in October 2015. The Director of Resources identified the non-authorisation of payroll in December 2015 and immediately rectified the position. The Payroll Officer has been off sick since December 2015, and the payroll duties have been absorbed within the Finance Team. The role of the Payroll Officer is currently under consultation with possible redundancy. Payroll summaries will be evidenced as reviewed going forward. Responsible Officer: Director of Resources

3	Group accounts
Observation	Cairn Homes and Services Limited began trading in the year. The Association does not have approval from the FCA exempting the Association from preparing group accounts; although given the immaterial nature of the subsidiary's transactions we do not expect this to be an issue.
Risk and recommendation	Formal FCA approval has not been obtained. It is recommended that FCA approval for not preparing group accounts is obtained. Scott-Moncrieff can write a letter supporting this. **Grade 2**
Management response	This will be progressed with Scott-Moncrieff assistance. Responsible Officer : Director of Resources

Follow up on prior year 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 (e.g. 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**
Prior year management response	Losses in relation to the sale of the Very Sheltered properties and Care Homes were fully disclosed in the budgets, but never identified 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.
Audit observation in current year	**No unadjusted impairment of fixed assets was identified in the current year. This point has been cleared in 2015/16.**

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**
Prior year 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. However after discussions with you which included technical advice provided we agree that the prior treatment was not correct and that legacy income should be recognised in income, when the Association expects to receive the funds and has satisfied any conditions attached. We thus agree with the recommendation.
Audit observation in current year	**No deferred legacy income identified in the current year. This point has been cleared in 2015/16.**

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**
Prior year 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.
Audit observation in current year	**Where new components were capitalised in the current year a corresponding disposal was identified. This point has been cleared in 2015/16.**

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**
Prior year management response	Recommendation accepted.
Audit observation in current year	**Opening balances of fixed assets and restated opening balances following transition to FRS 102 were reviewed in the current year. Three investment properties had not been included at the correct restated opening balance in 2015/16. An actual adjustment has been raised for this (Appendix one, journal one). This point has thus not been fully actioned.**

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**
Prior year 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.
Audit observation in current year	**Treatment of shared ownership and heritable office properties have been reviewed in the current year and confirmed that appropriate depreciation has been applied. This point has been clerared in 2015/16.**

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**
Prior year management	Recommendation accepted.

response	
Audit observation in current year	**The journals posted and the processes in place for the posting of journals have been reviewed as part of the audit testing. It has been confirmed that there is now a spot-check review of journals conducted monthly by Derek Adam and Lesley Traill as part of the preparation of the monthly management accounts, however, all finance staff can continue to post journals to the nominal ledger for amounts under £20,000. The spot checks should hopefully minimise errors or fraudulent journals not being identified. Further controls could be added although there needs to be a balance between the need for a control and undue time and cost of implementing the control.**

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**
Prior year management response	Recommendation accepted, and will form part of our Business Continuity work.
Audit observation in current year	**It has been confirmed that the client is considering this risk as part of their business continuity work; however, at this point backups are not being tested regularly. This point is still applicable.**

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**
Prior year management response	Recommendation accepted.
Audit observation in current year	**Care and repair bank accounts continue to be held on behalf of clients. This point is still applicable.**

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**
Prior year management response	Recommendation accepted.
Audit observation in current year	**Due to problems with the HMRC online submission system the quarter 2 and quarter 3 VAT returns were not submitted on time. This issue has now been resolved and quarterly VAT returns are to be submitted going forward. It has been confirmed that the Association was in communication with HMRC regarding this issues, and there were no penalties or interest charged as the fault of the late submission lay with HMRC. The Association should ensure going forward all VAT returns are submitted on time. Point cleared.**

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.

		Statement of Comprehensive Income		Statement of Financial Position		Impact on surplus
No.	**Narrative**	**Dr**	**Cr**	**Dr**	**Cr**	**£**
Prior year actual adjustments:						
1	Dr Revenue Reserves			£ 113,500		£ -
	Cr Investment Properties				£ 113,500	£ -
	Being the double counting of buy backs in 2015 re 24 Abbey Court, 28 Abbey Court and 57 Cairn Court					
2	Dr Pension Liability			£ 3,317,930		£ -
	Cr Revenue Reserves				£ 3,317,930	£ -
	Being the reduction in pension deficit liability following 2015 valuation					
2015/16 actual adjustments:						
3	Dr Cash at bank and in hand			£ 177,549		£ -
	Cr Overdraft				£ 177,549	£ -
	Being reallocation of the overdraft balance					
4	Dr Depreciation - office property			£ 35,001		£ -
	Dr Impairment loss - P/L	£ 35,001				-£ 35,001
	Cr Office Property		£ 35,001		£ 35,001	£ 35,001
	Cr Depreciation - P/L					£ -
	Being reallocation of impairment from depreciation to against cost					
					Net effect on surplus	£ -

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.

No.	Narrative	Statement of Comprehensive Income Dr	Statement of Comprehensive Income Cr	Statement of Financial Position Dr	Statement of Financial Position Cr	Impact on surplus £
1	Dr P/L Reserves			£ 29,455		£ -
	Cr Trade creditors		£ 29,455			£ -
	Being 2014/15 council recharge cost received in 2015/16					
2	Dr Payroll Costs	£ 29,455				-£ 29,455
	Cr Accruals				£ 29,455	£ -
	Being anticipated council recharge for 2015/16 not yet invoiced					
3	Dr Payroll Costs	£ 22,158				-£ 22,158
	Cr Income		£ 22,158			£ 22,158
	Being grossing up of SCVO funding received in relation to work experience employees					
4	Dr Prepayments			£ 29,122		£ -
	Cr Accruals				£ 29,122	£ -
	Being correction to prepaid rent for the period 01/04/2016 - 27/05/2016 netted off against accruals					
5	Dr Bank			£ 144,781		£ -
	Cr Other creditors				£ 144,781	£ -
	Being recognition of the money held for Care and Repair					
6	Dr Bad debt provision - P/L	£ 11,059				-£ 11,059
	Cr Bad debt provision - BS				£ 11,059	£ -
	Being variance in bad debt provision per SM review.					
7	Dr Legal fees	£ 6,837				-£ 6,837
	Cr Accruals				£ 6,837	£ -
	Being inclusion of unbilled fees from T C Young					
8	Dr pension costs	£ 54,854				-£ 54,854
	Cr Accruals				£ 54,854	£ -
	Being unprocessed invoice for withdrawal from the pension growth fund					
9	Dr Finance costs	£ 15,803				-£ 15,803
	Cr Rental arrears				£ 15,803	£ -
	Being adjustment for discounting of payment plans					
10	Dr Gain on sale	£ 56,653				-£ 56,653
	Cr HAG creditor release		£ 56,653			£ 56,653
	Being reallocation of HAG due on share ownership sales					
					Impact on surplus; decrease of	-£ 118,008

Appendix 3 – Your audit team

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Scott-Moncrieff
business advisers and accountants

CAIRN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

Scottish Charity Number SC016647

CAIRN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

Contents

CAIRN HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

Board of Management	Mr K Ward, Chairperson Mr D Venters Mr J Woods Mr E T M Bell-Scott Mr S E G Guest Ms G Walch Mr M Allan Prof A Belcher (resigned 6 November 2015) Mr D Jamieson Mr W Gillespie Mr G Colgan Mrs H Barton (elected 25 September 2015) Mrs M Mackenzie (elected 25 September 2015)
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
Registration numbers	
Financial Conduct Authority	2335R(S)
The Scottish Housing Regulator	HEP218
Registered Scottish Charity	SC016647

CAIRN HOUSING ASSOCIATION LIMITED

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

For the year ended 31 March 2016

The Board of Management presents their Report and the audited financial statements for the year ended 31 March 2016.

Principal activities

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

Review of the business

The financial year to 31 March 2016 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 resilience and the effective use of our resources to ensure Cairn Housing Association Limited is fit for the future.

Highlights during the year have included:-

- Investment in our existing homes has been a major focus in the last year, with a programme of over £7 million of improvement works including bathrooms, kitchens, communal boilers, lift installations and insulation works all of which have directly enhanced the quality of life for our customers.

- The Association has produced a new Asset Management Strategy which will inform our work in informing future stock investment programmes and exploring options for decisions about the future of certain housing stock. The transfer of our two Care Homes to another provider was completed during the year.

- We developed a new Value for Money Statement in the last year as a draft for consultation with staff, members and customers. This will help shape our approach to value for money and affordability and cost efficiencies in the coming years.

- Cairn's Customer Panel continues its important work in scrutinising specific areas of the business and developing action plans to help us improve services further.

- Customers First is one of our core values, and Customer Service is a priority for the Association and our contact centre, CairnConnect, continues to support local teams in improving the customer experience and reducing customer effort. Service specific Net Promoter Scores continue to demonstrate high levels of satisfaction.

- Business Performance on all Key Performance Indicators continue to improve, with excellent results on income management, the repairs service and a very significant improvement in void relet performance.

- Investing in, and developing, our people has been an important area of work and the delivery of our revised People Strategy. During the year Cairn won the CIH Excellence Award for Building Skills & Capacity.

- As part of our commitment to high quality governance, we have continued our proactive approach to Board development and succession planning with the appointment of two new Board members during the year.

- A new Community Development Strategy was agreed and important work on financial inclusion and benefits continued to provide direct support and assistance to more vulnerable customers.

The operating surplus increased from £2.53 million in 2015 to £2.63 million in 2016. The Association generated a surplus for the year of £2.02 million (2015: £1.02 million). The surplus for the year has been taken to the Revenue Reserve.

Review of the business (cont'd)

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 delivering 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.

Future developments

As part of our business and financial planning we have the financial capacity to increase our newbuild development activity in the coming years. We intend to build at least 80 new units per year from 2018 and will also look at other funding models to assess the options of providing even more new homes. We will also be exploring growth and partnerships more generally to ensure the future and to be able to have a greater impact on the quality of lives of our customers and communities.

Risks and Uncertainties

Cairn continues to be a strong and resilient social business. There are a number of opportunities ahead such as increased grant funding for newbuild development and other growth and partnership opportunities. We will continue to robustly manage our risk profile and take mitigating actions as required. We will continue to develop our business continuity planning and oversee key risks such as securing income to the organisation and our response to ongoing changes to welfare and Social Security; the wider financial environment, regulatory compliance and proactive asset management.

Key Performance Indicators

Cairn continues to closely monitor Key Performance indicators, including those required under the Annual report on The Scottish Social Housing Charter. We also pay particular attention to key financial indicators on gearing and interest cover to ensure ongoing financial stability

Governance

Cairn Housing Association Limited has a Board of Management elected by the members of the Association. It is the responsibility of the Board to direct the strategy, set policy, overall direction and monitor the business plan of the Association and its subsidiary companies. The Board also ensures appropriate levels of assurance and risk management, including external advice where appropriate, and compliance with regulatory standards. The members of the Board of Management are currently unpaid, other than expenses.

As part of our commitment to continuous improvement we have once again set challenging business targets, which are regularly monitored and reviewed by the Board of Management and Senior Management Team.

Our governing body is our Board of Management which is responsible to the wider membership. Board of Management members undergo annual appraisals and an annual board succession and development plan is produced each year.

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 surplus or deficit 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;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are 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:

(a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association. A comprehensive programme of internal audit covering over time all the Association's main activities is on-going. Reports are made to the Audit and Performance Committee with appropriate action taken where necessary.

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

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

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

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

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

BY ORDER OF THE BOARD

Mr J MacGilp
Secretary

Date: 21 July 2016

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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

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 of Management and the auditor
As explained more fully in the Statement of the Board's Responsibilities on page 4, the Board of Management are 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 (APB'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.

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 2016 and of its income and expenditure for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014; 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 2014 issued by the Scottish Housing Regulator.

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

Group accounts Section 99 (3) of the Co-operative and Community Benefit Societies Act 2014 We agree with the opinion of the Management Committee of the Association 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 2016, because of the immaterial nature of the subsidiary's transactions in the year.

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
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Date: 21 July 2016

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

For the year ended 31 March 2016

In addition to our audit of the Financial Statements, we have reviewed your statements on page 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 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 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: 21 July 2016

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Note	2016 Continuing Operations £	2016 Discontinued Operations £	2016 Total £	Restated 2015 Continuing Operations £	Restated 2015 Discontinued Operations £	Restated 2015 Total £
Turnover	4	15,523,200	536,014	16,059,214	16,778,994	215,081	16,994,075
Operating expenditure	4	(12,747,926)	(681,286)	(13,429,212)	(14,227,378)	(236,147)	(14,463,525)
Operating surplus	4	2,775,274	(145,272)	2,630,002	2,551,616	(21,066)	2,530,550
Gain on sale of property, plant and equipment	11	1,072,331	-	1,072,331	139,171	-	139,171
Interest receivable	12	35,936	-	35,936	11,334	-	11,334
Interest payable and similar charges	13	(1,717,715)	-	(1,717,715)	(1,657,295)	-	(1,657,295)
Surplus for the year before tax		2,165,826	(145,272)	2,020,554	1,044,826	(21,066)	1,023,760
Tax	14	(752)	-	(752)	-	-	-
Surplus after tax		2,165,074	(145,272)	2,019,802	1,044,826	(21,066)	1,023,760
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		2,165,074	(145,272)	2,019,802	1,044,826	(21,066)	1,023,760

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016		Restated 2015	
		£	£	£	£
Tangible fixed assets and investments					
Housing properties	15(a)		88,197,171		84,719,431
Investment properties	15(b)		8,940,976		8,940,976
Other fixed assets	15(c)		1,265,189		1,277,265
Fixed asset investments	15(d)		-		-
Investments	15(e)		1		1
			98,403,337		94,937,673
Current assets					
Debtors	16	1,244,383		1,727,737	
Cash and cash equivalents	17	786,775		3,507,141	
		2,031,158		5,234,878	
Creditors: amounts falling due within one year	18	(4,099,309)		(5,854,343)	
Net current assets			(2,068,151)		(619,465)
Total assets less current liabilities			96,335,186		94,318,208
Creditors: amounts falling due after more than one year	19		(43,390,862)		(43,393,693)
Net assets			52,944,324		50,924,515
Capital and Reserves					
Share capital	24		103		96
Revenue reserves			52,944,221		50,557,361
Restricted reserves			-		367,058
			52,944,324		50,924,515

Approved and authorised for issue by the Board of Management on 21 July 2016.

.... Chairperson
Mr K Ward

.... Board Member
Mr S E G Guest

.... Secretary
Mr J MacGilp

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

As at 31 March 2016

	Share Capital £	Restricted Reserves £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015 as restated	96	367,058	50,557,361	50,924,515
Total Comprehensive Income for the year	-	-	2,019,802	2,019,802
Cancelled shares during the year	-	-	-	-
Shares issued during the year	7	-	-	7
Transfer between reserves	-	(367,058)	367,058	-
Balance at 31 March 2016	103	-	52,944,221	52,944,324

As at 31 March 2015

	Share Capital £	Restricted Reserves £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2014 as restated	154	370,276	49,530,383	49,900,813
Total Comprehensive Income for the year	-	-	1,023,760	1,023,760
Cancelled shares during the year	(58)	-	-	(58)
Shares issued during the year	-	-	-	-
Transfer between reserves	-	(3,218)	3,218	-
Balance at 31 March 2015 as restated	96	367,058	50,557,361	50,924,515

The notes form part of these financial statements

CAIRN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016		Restated 2015	
		£	£	£	£
Net cash generated from operating activities	25		4,561,691		4,067,323
Cash flow from investing activities					
Payments to acquire and improve housing stock		(7,171,799)		(3,343,088)	
Purchase of other fixed assets		(301,864)		(262,848)	
HAG and other capital grants received		873,000		51,223	
Proceeds from sale of tangible fixed assets		2,674,265		1,225,660	
HAG repaid		-		(59,892)	
Interest received		35,936		11,334	
Taxation		-		-	
			(3,890,462)		(2,377,611)
Cash flow from financing activities					
Interest paid		(1,569,715)		(1,437,295)	
Housing loans repaid		(1,400,254)		(2,077,153)	
Taxation		-		-	
			(2,969,969)		(3,514,448)
Net change in cash and cash equivalent			(2,298,740)		(1,824,736)
Cash and cash equivalent at beginning of year			2,907,966		4,732,702
Cash and cash equivalent at end of the year			609,226		2,907,966

The notes form part of these financial statements

1. General Information

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

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

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

The Association was incorporated in Scotland. The Association is a registered social landlord (HEP218) and a registered charity (SC016647). The registered address is Citypoint, 65 Haymarket Terrace, Edinburgh, EH12 5HD.

2. Principle Accounting policies

(a) Basis of accounting and consolidation

The financial statements are prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards and statements of recommended practice. However, please note that on transition to FRS 102, an existing use value has been used as deemed cost for housing properties. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date. The Association has a subsidiary company "Cairn Homes and Services Limited", however, due to the immaterial nature of the subsidiary's transactions, consolidated financial statements have not been prepared.

(b) Going concern

The financial statements have been prepared on a going concern basis by the Board of Management as surpluses are expected in 2016/17 and 2017/18, there is a healthy cash balance and the Association has recently completed a refinancing of its loans. Thus the Board continues to adopt the going concern basis of accounting in preparing the financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(e) Interest receivable

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

2. Principal Accounting policies (cont'd)

(f) Interest payable

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

(g) Tangible fixed assets - housing properties

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

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

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

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

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

(h) Shared ownership transactions

First tranche proceeds arising from part-owners' 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.

(i) Government Capital Grants

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

(j) Government Revenue Grants

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

(k) Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

2. Principal Accounting Policies (cont'd)

(k) Non-government capital and revenue grants (cont'd)

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

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

(l) Depreciation

Housing properties

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

Freehold land is not depreciated.

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

Component	**Useful Economic Life**
Structure	60 years
Kitchens	20 years
Bathrooms	25 years
Central Heating Systems (excl boilers)	30 years
Boilers	25 years
Lifts	25 years
Roofs	60 years
Windows and Doors	25 years
Rewiring	30 years

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

Shared ownership housing properties

Depreciated over 60 years.

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

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

2. Principal Accounting Policies (Cont'd)

(m) 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 Statement of Financial Position 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.

(n) Pensions (Note 23)

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.

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

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

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

(o) Operating leases

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

(p) Investment properties

Investment properties are initially recorded at cost. Thereafter investment properties are held at market value with any changes in market value recognised in the Statement of Comprehensive Income.

(q) Restricted reserves

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

(r) Investments

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

2. Principal Accounting Policies (Cont'd)

(s) Debtors

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

(t) Rental arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 16.

(u) Cash and Cash Equivalents

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

(v) Creditors

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

(w) Financial instruments

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

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

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

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

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

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

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

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

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

4. Particulars of turnover, operating expenditure and operating surplus

2016

	Turnover £	Operating Expenditure £	Operating Surplus £
Social lettings (note 5)	14,647,706	12,332,888	2,314,818
Other activities (note 6)	1,411,508	1,096,324	315,184
	16,059,214	13,429,212	2,630,002

2015 - Restated

	Turnover £	Operating Expenditure £	Operating Surplus £
Social lettings (note 5)	14,905,113	13,160,249	1,744,864
Other activities (note 6)	2,088,962	1,303,276	785,686
	16,994,075	14,463,525	2,530,550

5. Particulars of turnover, operating expenditure and operating surplus or (deficit) from social letting activities

	General Needs Housing £	Amenity Housing £	Sheltered Housing £	Supported Housing £	Shared Ownership £	Other Housing £	2016 £	Restated 2015 £
Rent receivable net of service charges	8,450,099	1,415,765	1,736,988	255,314	108,126	651,146	12,617,438	12,434,555
Service charges net of voids	147,958	527,651	782,469	388,420	4,962	57,059	1,908,519	2,252,938
Gross income from rents and service charges	8,598,057	1,943,416	2,519,457	643,734	113,088	708,205	14,525,957	14,687,493
Less: Rental voids	(27,381)	(16,752)	(20,012)	(31,303)	(3,581)	(437)	(99,466)	(157,721)
Net income from rents and service charges	8,570,676	1,926,664	2,499,445	612,431	109,507	707,768	14,426,491	14,529,772
Grants from the Scottish Ministers	127,893	28,823	64,429	-	-	70	221,215	375,341
Total turnover from social letting activities	8,698,569	1,955,487	2,563,874	612,431	109,507	707,838	14,647,706	14,905,113
Management and maintenance admin costs	3,318,794	734,304	854,322	67,247	87,910	243,629	5,306,206	6,069,292
Service costs	194,040	599,528	872,018	563,122	6,583	52,516	2,287,807	2,615,351
Planned and cyclical maintenance	3,223,041	1,915,019	1,211,486	17,986	-	41,719	6,409,251	3,258,694
Planned and cyclical maintenance capitalised	(2,680,181)	(1,843,523)	(1,096,829)	(1,682)	-	-	(5,622,215)	(2,434,503)
Responsive maintenance costs	1,077,279	229,734	390,706	20,839	-	66,586	1,785,144	1,885,421
Responsive maintenance capitalised	(78,038)	(481)	(1,961)	-	-	-	(80,480)	-
Bad debt provision	2,584	-	-	-	-	-	2,584	(50,890)
Write offs	63,895	25,064	16,297	36,445	2,104	16	143,821	26,888
Non-refundable rent	(26,959)	(9,152)	(38,423)	(2,121)	(59)	(4)	(76,718)	(990)
Depreciation of social housing	1,715,362	243,056	176,316	22,756	19,998	-	2,177,488	1,790,986
Operating expenditure for social letting activities	6,809,817	1,893,549	2,383,932	724,592	116,536	404,462	12,332,888	13,160,249
Operating surplus or (deficit) for social lettings	1,888,752	61,938	179,942	(112,161)	(7,029)	303,376	2,314,818	1,744,864
Operating surplus or (deficit) for social lettings – 2015 as restated	1,438,245	161,894	364,607	(58,136)	(53,668)	(108,078)	1,744,864	
Number of units in management:								
2016	2,094	472	590	37	48	149	3,390	
2015	2,151	345	663	76	51	154	3,440	

Included in depreciation of social housing is £529,902 (2015: £313,422) relating to the loss on disposal of components.

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

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total turnover £	Operating Expenditure - bad debts £	Other operating expenditure £	Operating surplus or (deficit) 2016 £	Restated Operating surplus or (deficit) 2015 £
Care and repair of property	-	438,780	-	-	438,780	-	415,001	23,779	6,301
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	96,996	-	96,996	-	137,035	(40,039)	33,315
Care activities	-	247,626	-	-	247,626	-	247,626	-	-
Factoring activities	-	-	-	84,108	84,108	(7,874)	73,438	18,544	10,625
HAG creditor release	-	-	-	214,625	214,625	-	-	214,625	596,188
Service charge admin recharge	-	-	-	155,180	155,180	-	133,165	22,015	28,932
Third party recharge costs	-	-	-	75,571	75,571	-	43,767	31,804	2,843
Other activities	-	-	-	98,622	98,622	6,209	47,957	44,456	107,482
Total from other activities 2016	-	686,406	96,996	628,106	1,411,508	(1,665)	1,097,989	315,184	785,686
Total from other activities 2015 as restated	-	845,987	439,562	803,413	2,088,962	(10,094)	1,313,370	785,686	

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

7. Continuing and discontinued operations

	Continued operations £	Discontinued operations £	2016 Total £
Turnover	15,523,200	536,014	16,059,214
Operating expenditure	(12,747,926)	(681,286)	(13,429,212)
Operating surplus/(deficit)	2,775,274	(145,272)	2,630,002

	Continued operations £	Discontinued operations £	Restated 2015 Total £
Turnover	16,778,994	215,081	16,994,075
Operating expenditure	(14,227,378)	(236,147)	(14,463,525)
Operating surplus/(deficit)	2,551,616	(21,066)	2,530,550

8. Employees

	2016 £	Restated 2015 £
Staff costs during year:		
Wages and salaries	4,086,867	4,829,828
Social security costs	373,971	413,037
Pension costs	333,902	356,267
Pension costs – Past service scheme expenses	19,466	18,472
Pension costs – Past service deficit measurement	(26,000)	488,000
Death in service	43,408	41,957
Accrued Holiday pay	126,165	100,000
Agency Costs	251,458	305,121
Redundancy and compensation payments (Including NI)	69,295	113,592
	5,278,532	6,666,274

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

During the past year post service deficit contributions of £556,028 (2015: £540,371) were paid. Of this payment £536,562 (2015: £522,000) was a payment in respect of the SHAPS past service deficit liability. The remainder of £19,466 (2015: £18,371) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to finance costs in the Statement of Comprehensive Income. This finance cost was £148,000 (2015: £220,000) in the year.

8. Employees (cont'd)

	2016 Ave No.	2016 FTE No.	2015 Ave No.	2015 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	97	86	96	86
HomeWorks Staff	12	12	12	8
Housing managers and other staff	92	49	140	97
	201	147	248	191

9. Directors' emoluments

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

	2016 £	2015 £
Aggregate emoluments payable to officers (excluding pension contributions)	328,657	317,187
Total emoluments payable to the Chief executive (excluding pension contributions) amounted to:	98,108	96,526

The numbers of officers including the highest paid Officer who received emoluments (excluding pension contributions) in the following ranges were:	Number	Number
£70,001 - £80,000	3	3
£80,000 - £90,000	-	-
£90,000 - £100,000	1	1

Total pension contributions to directors whose emoluments exceeded £60,000 were £77,688 (2015: £67,870). No enhanced or special terms apply to membership and the directors have no other pension arrangements to which the Association contributes.

	£	£
Total Board of Management expenses reimbursed in so far as not chargeable to United Kingdom Income Tax	12,328	13,679

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 23. The Association's contributions for the Chief Executive in the year amounted to £23,107 (2015: £20,616).

10. Auditor's remuneration (including VAT)

	2016 £	2015 £
External Auditor		
- audit services	16,066	15,040
- non audit services	540	-
Internal Auditor		
- audit services	13,111	17,382

11. Gain on sale of housing properties

	2016 £	2015 £
(Loss) on sale of office premises	(6,986)	-
Gain on sale properties held for letting	1,001,394	-
Gain on right to buy sales	6,816	118,498
Gain on shared ownership tranches	71,107	20,673
	1,072,331	139,171

12. Interest receivable

	2016 £	2015 £
Interest receivable on bank deposits	35,936	11,334

13. Interest payable and similar charges

	2016 £	Restated 2015 £
On bank loans	1,569,715	1,437,295
Unwinding of discount factor – Past Service Pension (note 23)	148,000	220,000
	1,717,715	1,657,295

14. Taxation

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

	2016 £	2015 £
Corporation Tax due on other activities	752	-

15. 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 as restated	84,852,811	1,235,411	108,773	86,196,995
Additions during year				
- new developments/components	242,631	-	1,226,473	1,469,104
- improvements to existing property (replacement components)	5,702,695	-	-	5,702,695
Disposals during year				
- properties	(1,438,334)	(34,809)	-	(1,473,143)
- replacement components	(551,838)	-	-	(551,838)
- reclassification	(69,787)	-	-	(69,787)
Transfer	108,773	-	(108,773)	-
At the end of the year	88,846,951	1,200,602	1,226,473	91,274,026
Depreciation				
At the start of the year as restated	1,456,990	20,574	-	1,477,564
Charge for year	1,627,588	19,998	-	1,647,586
Disposals during year				
- properties	(24,333)	(577)	-	(24,910)
- replacement components	(21,936)	-	-	(21,936)
- reclassification	(1,449)	-	-	(1,449)
At the end of the year	3,036,860	39,995	-	3,076,855
Net book value				
At 31 March 2016	85,810,091	1,160,607	1,226,473	88,197,171
At 31 March 2015 as restated	83,395,820	1,214,837	108,773	84,719,431

Total cost of components capitalised for the year amounted to £5,702,695 (2015: £2,434,503). The amount spent on maintenance of housing properties held for letting can be seen in Note 5.

Additions to Housing Properties during the year includes £nil capitalised interest (2015 - £nil) and £nil capitalised administration costs (2015 - £nil). All housing properties are freehold. Properties with a cost of £1,473,143 (2015: £1,364,831) and accumulated depreciation of £24,910 (2015: £nil) have been disposed of in the year for net proceeds (after grant repaid of £nil) of £2,527,550 (2015: £1,225,660 after grant repaid of £59,892). Components with a cost of £551,838 (2015: £313,422) and accumulated depreciation of £21,936 (2015: £nil) have been disposed of for £nil (2015: £nil) net proceeds.

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

15 (b) Investment properties	**2016** £	**Restated 2015** £
At 1 April and 31 March	8,940,976	8,940,976

Investment properties are accommodation, offices and garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 5.

The investment properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) in accordance with FRS 102.

(c) Other fixed assets	**Heritable Office Property** £	**Office Furniture and Equipment** £	**Other Fixed Assets Total** £
Cost			
At start of year	881,106	1,203,891	2,084,997
Additions during year	-	301,864	301,864
Disposals during year	(171,177)	-	(171,177)
Reclassified	69,787	-	69,787
Impairment	(35,000)	-	(35,000)
At end of year	744,716	1,505,755	2,250,471
Depreciation			
At start of year	179,959	627,773	807,732
Provided during year	11,832	181,746	193,578
Disposals during year	(17,477)	-	(17,477)
Reclassified	1,449	-	1,449
At end of year	175,763	809,519	985,282
Net book value			
At 31 March 2016	568,953	696,236	1,265,189
At 31 March 2015	701,147	576,118	1,277,265

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

(d) Fixed Asset Investments	2016 £	2015 £
Homestake units		
Cost	12,092,368	12,092,368
Housing Association Grant	(12,092,368)	(12,092,368)
	-	-

(e) Investments	2016 £	2015 £
Investment in subsidiary undertaking:		
Cairn Homes and Services Limited	1	1

Cairn Housing Association Limited owns 1 ordinary £1 share in Cairn Homes and Services Limited (SC341478). The investment is held at cost. This represents a 100% shareholding in Cairn Homes and Services Limited, a company registered in Scotland, whose principal activity is that of renting and operating of Housing Association real estate. Cairn Homes and Services Limited made a loss of £2,623 (2015: £nil, as dormant) for the year ended 31 March 2016 and had net liabilities of £5,872 (2015: £3,249).

(f) Securities

Securities have been provided on various housing properties (see note 20).

16. Debtors

	2016 £	2015 £
Rent arrears	652,459	678,386
Less: provision for bad debts	(325,390)	(322,806)
	327,069	355,580
Amounts owed by subsidiary	5,105	3,250
Prepayments and accrued income	912,209	1,368,907
	1,244,383	1,727,737

17. Cash and cash equivalents

	2016 £	2015 £
Deposit accounts	500,000	3,000,000
Current account	286,775	507,141
	786,775	3,507,141
Overdraft	(177,549)	(599,175)
	609,226	2,907,966

18. Creditors: amounts falling due within one year

	2016 £	Restated 2015 £
Current instalments due on loans (note 20)	1,115,696	2,084,323
Overdraft	177,549	599,175
Trade creditors	123,175	331,515
Prepaid rents and service charges	464,942	461,860
Rents to be refunded	165,721	215,566
Accruals and deferred income	1,470,532	1,498,849
Other taxes and social security	14,052	2,798
HAG repayable	-	122,257
Past service pension liability (note 23)	547,978	538,000
Deferred Government capital grant (note 22)	19,664	-
	4,099,309	5,854,343
Secured creditors	1,293,245	2,683,498

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

	2016 £	Restated 2015 £
Housing loans (note 20)	39,813,773	40,245,400
Past service pension liability (note 23)	2,672,530	3,097,070
Deferred Government capital grant (note 22)	904,559	51,223
	43,390,862	43,393,693
Secured creditors	39,813,773	40,245,400

20. Loans

	2016 £	2015 £
Loans or mortgages secured by charges on the Association's housing properties:		
Loans advanced by:		
Private lenders	40,929,469	42,329,723
Amounts falling due in:		
One year (note 18)	1,115,696	2,084,323
One year or more but less than two years (note 19)	1,115,696	2,088,761
Two years or more but less than five years (note 19)	3,347,088	6,587,925
Five years or more (note 19)	35,350,989	31,568,714
	40,929,469	42,329,723

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

21. Financial Instruments

	2016 £	2015 £
Financial Assets		
Financial assets measured at amortised cost	1,244,383	1,727,737
Financial Liabilities		
Financial liabilities measured at amortised cost	46,551,896	49,194,015

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

Financial liabilities measured at amortised cost comprised bank loans and overdrafts, trade creditors, rent and service charges in advance, rents to be refunded, sundry creditors, accruals, HAG repayable and the SHAPS deficit repayment plan.

22. Deferred capital grants

		2016 £	2015 £
Deferred capital grants 1 April		51,223	-
Grants received in year		873,000	51,223
Grant released on disposal		-	-
		924,223	51,223
Split:	< 1 year	19,664	-
	1-2 years	19,664	1,090
	2-5 years	58,992	3,270
	> 5 years	825,903	46,863
Total		924,223	51,223

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.

79 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.

29 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.

23. Pension scheme (cont'd)

(ii) SHAP scheme

On 31 March 2014 the Association closed its participation in the Scottish Housing Associations' Pension Scheme ('the Scheme') to future accrual and moved to a defined contributions scheme.

Cairn Housing Association Limited participates in the Scottish Housing Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely;

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate contracted in
- Defined Contribution

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Cairn Housing Association Limited has elected to operate the Defined Contributions Option for existing and new entrants. However, the Association is still required to fund the past service deficit liability.

The Trustee commission 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.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Cairn Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.There was an additional annual employer past service deficit contribution of £536,562 (net of administration costs) made in the year ended 31 March 2016 (2015 - £522,000).

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

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

The last formal published 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 to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

23. Pension scheme (cont'd)

Financial Assumptions

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below:

	% p.a.
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 price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA). All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the Career average 1/80ths benefit structure was assessed as 16.9%.

This is split between employers and members. Accordingly the contribution rates for the Final Salary with 1/60th accrual from 1 April 2015 is 12.3% employer contributions and 12.3% member contributions.

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

Valuation	**2012**	**2015**
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7 (26.3 on inception from 1 April 2014)	28.7
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery) plan) and date	30 September 2027	28 February 2022

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 (cont'd)

The Trustees have recently supplied Cairn Housing Association Limited with an estimated updated contribution figure to the past service deficit. The past service deficit contribution for 2016/17 is £553,683 (net of administration costs). From 1 April 2017 Cairn Housing Association Limited will be required to pay £554,142 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Present Value of Provision

Reconciliation of Opening and Closing Provisions

		2016 £	2015 £
Provision at start of period		3,635,070	3,449,070
Unwinding of the discount factor (interest expense)		148,000	220,000
Deficit contribution paid		(536,562)	(522,000)
Re-measurements – impact of changes in assumptions		(26,000)	488,000
Provision at end of period		3,220,508	3,635,070
Split:	< 1 year	547,978	538,000
	1-2 years	536,155	547,978
	2-5 years	1,630,897	1,619,655
	> 5 years	505,478	929,437
Total		3,220,508	3,635,070

Impact on Statement of Comprehensive Income	2016 £	2015 £
Interest Expense	148,000	222,000
Re-measurements – impact of changes in assumptions	(26,000)	488,000
	122,000	710,000

Assumptions	2016	2015
Rate of discount	2.29%	2.22%

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

24. Share capital	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April 2015	96	154
Cancelled during the year	-	(58)
Issued during the year	7	-
At 31 March 2016	103	96

24. Share capital (cont'd)

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

25. Net cash inflow from operating activities	**2016**	**Restated 2015**
	£	**£**
Surplus for the year	2,019,802	1,023,760
Adjustment for non cash items		
Depreciation charges including loss on disposal of components	2,371,066	1,913,375
Impairment charge	35,000	25,000
(Decrease) in creditors	(272,166)	(350,671)
Decrease/(increase) in debtors	483,354	(16,874)
Share capital issued/(cancelled)	7	(58)
Investment disposed of	-	1
Carrying amount of tangible fixed asset disposals	1,601,933	1,086,489
SHAPS past service deficit movements	122,000	708,000
HAG abatement	(214,625)	-
Adjustments for investing or financing activities		
Proceeds from the sale of fixed assets	(2,581,897)	(1,225,660)
Release of deferred Government Grants	-	-
Interest payable	1,569,715	1,437,295
Interest receivable	(35,936)	(11,334)
SHAPS past service deficit payment	(536,562)	(522,000)
Net cash inflow from operating activities	4,561,691	4,067,323

26. Payments to members, Board members and Key Management

No member of the Association received any fee or remuneration during the year (2015: £Nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £12,328 (2015: £7,075).

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

The total rent and service charge payable in the year relating to tenant Board members is £3,648 (2015: £3,545). The total rent and service charge arrears relating to tenant Board members included within debtors at the year end is £390 (2015: £474).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on page 1 was £406,345 (2015: £385,057).

27. Related parties

Cairn Homes and Services Limited is a 100% subsidiary of the Association. Cairn Homes and Services Association Limited was dormant last year but began to trade in 2015/16. The Association has made an advance to the company to enable it to pay its set up costs and recharged £611 of service costs in the year (2015: £nil). At the year-end £5,105 (2015: £3,250) was due to the Association and is included in debtors.

28. Capital commitments

	2016 £	2015 £
Contracted	730,733	1,245,749
Approved but not contracted for	-	775,000
	730,733	2,020,749

This is to be funded by:

HAG	-	873,000
Private finance	730,733	1,147,749
	730,733	2,020,749

Committed funding will be utilised within the coming year. There are no performance related conditions attached to this funding.

29. Revenue commitments

At 31 March 2016 the Association had total future minimum lease commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2016 £	Other 2016 £	Restated Land & Buildings 2015 £	Restated Other 2015 £
Within a year	238,229	72,057	229,506	79,368
Within 2-5 years	919,150	-	918,025	-
After 5 years	374,855	-	577,500	-
	1,532,234	72,057	1,725,031	79,368

30. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

30. Transition to FRS 102 (cont'd)

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Housing units have been valued on an existing use value at 1 April 2014 and this has been taken as deemed cost.

Investment properties have been revalued at the transition date of 1 April 2014.

Government Capital Grants were transferred to revenue reserves at 1 April 2014 as the Association opted to use an existing use value as deemed cost. This is in accordance with the SORP. From 1 April 2014, Government Capital Grants are now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure and other components (excluding land).

All employee benefits not paid to the employee at the year end must be accrued. As such, the Association accrues a monetary value for all unused holidays at the year end based on the individual employee's salary.

Revaluation reserves were transferred to the revenue reserve.

The Association participated in the SHAPs defined benefit pension scheme and makes annual contributions towards the past service deficit in line with the fund plan. Under FRS 102, the future discounted contributions in respect of the deficit must now be shown as a liability on the Statement of Financial Position with the actual payment being released to the Statement of Comprehensive Income as it falls due.

	£
Capital and reserves as at 1 April 2014 as previously stated	21,400,736
Effects of:	
Restatement of housing properties at deemed cost	(76,813,356)
Transfer of Government grant held for housing properties to the revenue reserve	105,089,072
Restatement of shared ownership at deemed cost	(1,678,137)
Transfer of Government grant held for shared ownership properties to the revenue reserve	2,013,374
Revaluation of investment properties	3,348,194
Recognition of holiday pay and TOIL accrual	(10,000)
Recognition of SHAPS past service deficit pension liability	(3,449,070)
Restated capital and reserves as at 1 April 2014	49,900,813

30. Transition to FRS 102 (cont'd)

	£
Capital and reserves as at 31 March 2015 as previously stated	22,127,830
Effects of:	
Prior year adjustments	
Restatement of housing properties at deemed cost	(76,813,356)
Transfer of Government grant held for housing properties to the revenue reserve	105,089,072
Restatement of shared ownership at deemed cost	(1,678,137)
Transfer of Government grant held for shared ownership properties to the revenue reserve	2,013,374
Revaluation of investment properties	3,348,194
Recognition of holiday pay and TOIL accrual	(10,000)
Recognition of SHAPS past service deficit pension liability	(3,449,070)
In year adjustments	
Restatement of depreciation charge in housing properties and shared ownership properties	650,529
Restatement of housing property disposals	(77,921)
Increase in holiday pay and TOIL accrual	(90,000)
Movement in SHAPS past service deficit pension liability	(186,000)
Restated capital and reserves as at 31 March 2015	50,924,515

	£
Surplus for the year ended 31 March 2015 as previously stated	727,152
Effects of:	
Restatement of depreciation charge in housing properties and shared ownership properties	650,529
Restatement of housing property disposals	(77,921)
Increase in holiday pay and TOIL accrual	(90,000)
Movement in SHAPS past service deficit pension liability	(186,000)
Restated surplus for the year ended 31 March 2015	1,023,760