



Working with our Tenants

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

Report and Financial Statements for the year ended
31 March 2017

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
YEAR ENDED 31 MARCH 2017

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DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
YEAR ENDED 31 MARCH 2017

Board Members

David McMillan (Chair)	Pat McTaggart (resigned 24 May 2016)
Robert Carnochan (appointed 22 September 2016)	Stella Milsom (appointed 22 September 2016; resigned 26 April 2017)
Beryl Castle	Annie Murray
Thomas Gillan (resigned 14 December 2016)	Fred Murray
John Hay	Bill Robertson
Robert Higgins (Vice Chair)	Liz Roper (resigned 1 April 2016)
Billy Lockhart (resigned 22 September 2016)	Jim Steen (Chair of Audit Committee)
Robert Love	Elaine Tyler (appointed 14 December 2016)
Michael Lyons (appointed 22 September 2016)	Bill Zemaititis (resigned 22 September 2016)
George McBurnie	

Executive Management Team

Chief Executive and Company Secretary	Zoe Forster
Director of Finance	Hugh Carr
Director of Housing Services	Jayne Moore

Registration Particulars

Register of Companies	Companies Act 2006 Registered Number: SC220297
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: 315
Office of the Scottish Charity Regulator	Charities and Trustee Investment (Scotland) Act 2005 Charity No. SC039896
Property Factors (Scotland) Act 2011	Property Factor Registered Number PF000358

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

YEAR ENDED 31 MARCH 2017

Registered Office	Grierson House The Crichton Bankend Road Dumfries DG1 4ZS	
Auditors	Haines Watts 1st Floor, 24 Blythswood Square Glasgow, G2 4BG	
Lenders	Dexia Public Finance Bank 13 th Floor 200 Aldersgate Street London EC1A 4HD	The Housing Finance Corporation plc 4th Floor, 107 Cannon Street London, EC4 5AF
	Allia Ltd Future Business Centre King's Hedges Road Cambridge CB4 2HY	
Bankers	Royal Bank of Scotland plc Kirkstane House, 139 St Vincent Street Glasgow G2 5JF	Nationwide International Ltd 5-11 St Georges Street Douglas Isle of Man IM99 1RN
	Santander UK plc Customer Service Centre Bootle Merseyside L30 4GB	Barclays Bank plc 1st Floor Aurora House 120 Bothwell Street Glasgow G2 7JT
	Handelsbanken Lower Ground Floor 206 St Vincent Street Glasgow G2 5SG	Bank of Scotland 6th Floor, 33 Old Broad Street London EC2N 1HZ

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

YEAR ENDED 31 MARCH 2017

Solicitors	BTO Solicitors LLP 48 St. Vincent Street Glasgow G2 5HS	Harper MacLeod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE
	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ	Clyde and Co 144 West George Street Glasgow G2 2HG
Internal Auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE	

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

The Board presents its Strategic Report together with the audited accounts for the year to 31 March 2017.

Legal Status

Dumfries and Galloway Housing Partnership Limited (DGHP) is incorporated in Scotland as a company limited by guarantee under the Companies Act 2006. It is registered with the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. It is also a Scottish charity, registered with the Office of the Scottish Charity Regulator (OSCR), under the Charities and Trustee Investment (Scotland) Act 2005

The liability of the members of DGHP is limited to £1 each. At 31 March 2017, there were approximately 1,650 members.

DGHP has two subsidiary companies; Novantie Limited provides commercial and mid market rented properties, and DGHP 3 Limited acts as development agent for the group. These consolidated accounts include the results of all three Group companies.

Memorandum and Articles

DGHP is a Company Limited by Guarantee and does not have a share capital. The liability of the members is limited to £1 each. At 31 March 2017, there were approximately 1,600 members.

Registered Office

The Registered Office of the Company and its subsidiary companies is Grierson House, The Crichton, Bankend Road, Dumfries, DG1 4ZS.

Governance

DGHP is governed by a voluntary Board of upto 15 members. The DGHP Board is elected by the members of the Company. It is the responsibility of the Board to determine the strategy, policy and overall direction of the Company. It also monitors the operational activities of the Company. Board members are unpaid.

At 31 March 2017, there were 13 members and two casual vacancies, which will be filled at the Company's Annual General Meeting in September 2017. Six of the Board members are tenants of DGHP. The Board meets monthly and is supported by an Audit Committee comprising seven Board members.

The members of the Board are directors for the purposes of company law and each of those members who have served during the year are noted on page 2.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

The Boards of Novantia Limited and of DGHP 3 Limited comprise three members appointed by DGHP, who select two further members of each subsidiary's Board. The DGHP Board oversees the activities of Novantia and DGHP 3 within the Group Business Plan.

Executive Management Team

The Executive Management Team is responsible for achieving the strategy, through undertaking the operational activities in line with the policies and standards set by the Board, and reports to the Board through the Chief Executive.

Strategic Objectives and Activity

DGHP was established in 2003 to receive a transfer of the housing stock of Dumfries and Galloway Council. At March 2017, it owns and manages 10,300 homes across Dumfries and Galloway, of which over 700 have been built by DGHP since 2008.

DGHP has set itself the following strategic objectives:

1. To provide good quality and cost effective services to our customers;
2. To improve and maintain the quality and sustainability of our housing stock, for the benefit of our customers;
3. To build new affordable housing, to strengthen our communities throughout Dumfries and Galloway;
4. To maximise DGHP's accountability to our customers, and to work effectively with all of our stakeholders and partners for the benefit of local communities;
5. To strive in all areas of management , to be a cost effective and well-managed organisation, achieving high standards of governance and financial management; and
6. To develop the capacity of our organisation and our people, to achieve continuous improvement in efficiency and in the end results experienced by customers and service users.

The delivery of these objectives is set out annually in the Group's Business Plan, which sets out in detail the environment in which DGHP operates, the demands and risks it faces and how these will be managed.

Key Achievements

Since 2003, DGHP has

- Invested more than £160 million in our tenants' homes
- Built over 700 new homes across Dumfries and Galloway, as part of mixed tenure regeneration and development programmes

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

- Achieved the Scottish Housing Quality Standard (SHQS)
- Attracted high levels of investment to the region, benefiting Dumfries and Galloway's economy as well as the tenants and local communities we serve
- Incorporated innovative energy efficiency solutions in our investment and development work, to reduce fuel poverty and reduce carbon emissions
- Provided housing support services to assist our more vulnerable tenants
- Taken a sector-leading approach to community involvement in DGHP's activities
- Continuously improved our housing services, resulting in 95% of tenants expressing satisfaction with our services in a large-scale tenant survey in spring 2017
- Completed a fundamental staff restructure programme which has reshaped the business to face emerging needs while reducing ongoing costs by almost £1m per year
- Embedded a new organisational culture that focuses on the development of our people and on meeting the needs of our customers

Key Priorities

DGHP, like all social landlords, will be working in an environment characterised by risk and uncertainty in the coming years, due to factors such as the prevailing economic climate, uncertainties caused by Brexit and the challenges presented by Welfare Reform. DGHP will continue to be proactive in identifying the risks to our strategic objectives and, where feasible, in taking action to manage and mitigate the risks involved.

In 2017/18, DGHP will focus on the following:

- Continuing to support our tenants and protect DGHP's future income streams, as Universal Credit and other Welfare Reform measures are rolled out at local level
- Implementing a new Digital Strategy to bring about long-term changes to our tenant communication and customer care
- Improving access to our housing and the sustainability of new tenancies
- Complete the committed development programme which will see another 157 homes completed, across a range of tenures, by 2020
- Implement the investment priorities described in the Plan, which represent a £76million investment in our tenants' homes over the next five years.
- Implement DGHP's next generation Asset Management Strategy, and in particular, complete option appraisals on our poorer performing properties.
- Maintain our housing at the level set by the SHQS and work towards the new Scottish Government Energy Efficiency for Social Housing (ESSH) Standard for 2020

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

- Improving customer satisfaction with re-let standards for empty houses; continuing to improve our performance in keeping repairs appointments and achieving first time fixes; while also continuing to run and improve a number of repairs pilot projects in rural areas.
- Continue to work towards achieving and demonstrating improved value for money in all our activities, through improved performance reporting, use of benchmarking and new procurement processes

None of DGHP's achievements and ambitions would be possible without a strong and supportive corporate function. That strength comes from quality, in financial resources, governance standards, staff skills and development and operational infrastructure. These will all be maintained and developed.

Above all, DGHP is in a healthy financial position, and the Business Plan puts the maintenance of that at the centre of every activity. The quality of our financial performance is evidenced by strong cash collection; good cost control through flexible best value procurement; rigorous scrutiny of regeneration and investment costs, benefits and risks; proactive risk management and planning; strong financial controls and reporting; and committed lenders behind strong funding agreements.

Treasury Management

DGHP has a long term funding agreement with Dexia Public Finance Bank, which provides the funding required to meet investment and regeneration commitments entered into before 2011. At 31 March 2017, total loan commitments to Dexia were £110m (2016 - £110m), from a total facility of £130m. The Company's policy is to manage debt in a prudent and non-speculative manner, and therefore £85m of this loan is subject to interest rates fixed until various dates up to 2030.

DGHP also has a 30 year fixed rate loan with The Housing Finance Corporation plc of £40m. This loan was drawn down in March 2012, and provides sufficient funds for the new build developments currently being delivered with Scottish Government and Dumfries and Galloway Council grant support.

During 2016/17, DGHP negotiated a loan of £5m from Allia Limited, as part of the Scottish Government's Charitable Bonds programme. This loan is for 10 years at a fixed rate of interest. These funds will be used to fund the development of a further 80 homes for social and mid-market rent.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

Business Plan Process

Each year the Board approves the 30 year Business Plan, annual budget and rolling three year Internal Management Plan. Key risk areas are identified and risk management processes implemented. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year, information on the key risk areas and service and performance standards. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Housing Services

DGHP is committed to a high standard of customer service in all its activities. Key to this is the Customer Service Centre, which is the principal point of contact for all customer enquiries, and locally based neighbourhood management and technical staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

Asset Management and Investment

Since acquiring the housing stock of Dumfries and Galloway Council in 2003, DGHP has invested approximately £160m in bringing its tenants homes to the Scottish Housing Quality Standard, which was achieved at the Scottish Government's deadline of March 2015. The major elements of this programme were the installation of

- modern secure front and rear doors
- modern kitchens and bathrooms, including a significant number of bathrooms adapted for people with mobility needs
- affordable and effective heating systems, including many state of the art low carbon systems to bring affordable heating to all its tenants.

DGHP is now working on achieving the new Energy Efficiency Standard for Social Housing, which the Scottish Government requires RSLs to meet by 2020.

DGHP has developed an asset management strategy that seeks to:

- develop a strategic approach to investing in and restructuring the housing stock.
- use DGHP's assets and resources to build stronger communities.
- provide housing in line with need across Dumfries and Galloway.
- build asset value.

DGHP will therefore continue to improve the quality of its stock through active asset management, which may include demolitions, selective market sales of stock no longer fit for its original purpose, improvements where economically justifiable and new build where the appropriate funding is available.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

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YEAR ENDED 31 MARCH 2017

On a routine basis, DGHP is committed to maintaining its properties to the highest standard. To this end programmes of cyclical repairs are carried out to deal with the gradual and predictable deterioration of building components, and a comprehensive responsive maintenance service is provided.

Of the total expenditure on works to new and existing properties in the year; £7,350k (2016: £7,350k) were capitalised. Of these total capitalised costs £2,946k relates to replaced components (2016: £2,946k) and £4,404k relates to new built and improved properties (2016 £4,404k).

Regeneration and Development

DGHP, in conjunction with Dumfries and Galloway Council and the Scottish Government, has an ambitious programme of regeneration and new build housing development to meet the high levels of demand for new affordable homes across the region, and will continue to explore opportunities for the provision of new housing in other parts of the region. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before DGHP commits to a development.

During 2016/17, DGHP completed 53 new build properties for rent, plus XX for sale under the Scottish Government's New Supply Shared Equity scheme.

Risk Management

The Board has developed, with advice from internal auditors and insurers, a formal risk management process to identify and assess business risks and implement appropriate risk management strategies. This involved identifying the types of risks the Company faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board has reviewed the adequacy of the Partnership's current internal controls.

Accordingly the Board has set policies on internal controls which cover the following:

- consideration of the type of risks the Company faces
- the level of risks regarded as acceptable
- the likelihood of risks occurring
- the Company's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained
- defining the appropriate responsibilities of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- embedding risk management and effective control systems in the Company's operations

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

- developing systems to identify, assess and respond quickly to evolving risks in the Company and in the external environment
- including procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken

Financial Summary

In the year to 31 March 2017, DGHP generated a surplus of £5,910k (2016 – surplus of £4,723k) before tax.

Turnover

Turnover was £44m (2016 - £44m). Of this, over £40m was the income from the letting of properties at affordable rents. DGHP's policy is to set rents at affordable levels. DGHP also sold 15 properties (2016 – 20 properties) under the Scottish Government's New Supply Shared Equity scheme

Operating Costs

Operating costs totalled £31m (2016 - £33m). This includes responsive and void repairs of £7.5m (2016 - £7.8m); gas and other heating servicing and repairs of £1.4m (2016 £1.3m); staff costs of £8.3m (2016 - £8.4m) and overheads of £3.2m (2016 - £3.5m).

Included in operating costs are costs of £600k for the staff restructuring programme.

Approximately £4m was invested in improvements to the existing stock; the bulk of this expenditure is capitalised under component accounting rules.

Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Board has established with a view to providing effective internal financial control are outlined on page 11.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

Big Lottery

During 2011/12, DGHP completed the development of 10 flats in Dumfries for young people leaving care and setting up their own home for the first time, supported by DGHP staff living in the same accommodation. This important project has been supported by the Scottish Government and by the Big Lottery Fund. The Big Lottery Fund is funding the costs of staff, other administration costs and the capital costs of fittings and equipment.

Sales of housing properties

DGHP sold 115 (2016 – 56) properties under Right to Buy in the year; the higher rate was stimulated by the abolition of RTB by the Scottish Government, with a final date for applications in August 2016. Approximately 40 sales will be completed in 2017/18.

When tenants exercise their Right to Buy, the largest part of the sale proceeds are passed to Dumfries and Galloway Council under the terms of the stock transfer agreement; DGHP retains only a small amount from each sale

Going Concern

The Board has reviewed the results for this year and has also reviewed the projections for the next five years. It therefore has a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Employee Involvement and Health & Safety

The Company encourages employee involvement in all initiatives and holds annual conferences for staff and the Board to agree its objectives. A health and safety report is regularly reviewed by the Board.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training. High quality personnel are seen as an essential part of the control environment and the standards of integrity expected are communicated directly through the Chief Executive.

Employees with disabilities

Applications for employment by people with disabilities are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with DGHP may continue. DGHP's policy is that training, career development and promotion opportunities should be available to all employees.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2017

Charitable Donations and Community Involvement

The Company made charitable donations of £3,800 in the year (2016 - NIL). DGHP also part funds the Dumfries and Galloway Tenants Federation.

Credit Payment Policy

The Company's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 24 days. The Company seeks to pay all suppliers within 30 days, subject to the need to ensure costs are properly incurred and invoiced.

Other Information

The directors have included other information, in accordance with s414(C) of the Companies Act 2006, within the strategic report, being information on the future development of the company.

Information for auditors

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Haines Watts has indicated its willingness to continue in office.

Signed by order of the Board



Secretary – Zoe Forster

Date: 16 August 2017

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

STATEMENT OF THE BOARD'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2017

Company law requires the Board to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Board are required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. The Board is responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2017

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial operational information and the safeguarding of the Group's assets and interest.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the Turnbull principles as incorporated in the GPN15: demonstrating internal controls assurance in housing associations.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The Executive Management Team (EMT) regularly considers and receives reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Documentation of Controls

Written policies and procedures, including Standing Orders and Financial Regulations, cover all key areas, setting out the authority delegated by the Board to the Chief Executive, EMT and staff.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2017

Environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct for Employees. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and deterrence of fraud and corruption. (including anti-bribery policy).

Information and financial reporting systems

The company uses integrated accounting systems, with specialist sub-modules for key activity areas including rent accounting, purchasing and payroll. It has strong procedures for investment and development appraisal and project management, and for procurement of contracts

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and quarterly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the EMT and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Fraud Assurance

As part of its system of internal control the Board has a well-defined and clear policy on fraud. It covers the specific responsibilities all employees and Board Members must adopt in preventing, detecting and reporting fraudulent activity. In addition, a clearly established whistleblowing policy is in place for all staff.

Staffing

All staff are trained in fraud awareness, data protection and anti-bribery processes annually. Staff with financial management and reporting duties are recruited and trained on the basis of job descriptions and person specifications that require the appropriate skills and experience. Processes and systems are designed to ensure that appropriate segregation of duties is in place

Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Executive directors and report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year. The annual Internal Audit programme is informed by an analysis of the risks facing the company, and the programme is approved annually by the Audit Committee.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2017

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an ongoing process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board.

On behalf of the Group, the Audit Committee has reviewed the effectiveness of the systems of internal financial control in existence for the year ended 31 March 2017.

The Board has reviewed the effectiveness of the system of internal control and is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

By order of the Board



Secretary – Zoe Forster

Date: 16 August 2017

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT BY THE AUDITORS' TO THE MEMBERS ON CORPORATE GOVERNANCE MATTERS
YEAR ENDED 31 MARCH 2017

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on pages 15 to 17 concerning the Company'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 to corporate governance matters with Bulletin 2006/5 issues by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on pages 10 and 11 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 enquiry of the Board of Management and Officers of the Company and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on 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.



Haines Watts
1st Floor
24 Blythswood Square
Glasgow
G2 4BG

Date: 16 August 2017

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED
YEAR ENDED 31 MARCH 2017

We have audited the group and parent financial statements of Dumfries and Galloway Housing Partnership Limited (DGHP) for the year ended 31 March 2017 on pages 20 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Board's Responsibilities Statement set out on page 14, the Board are responsible for the preparation of the financial statements and for being satisfied that they 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED
YEAR ENDED 31 MARCH 2017

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 March 2017 and of the group's and the company's income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements- 2014.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the Board's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Senior Statutory Auditor
For and on behalf of Haines Watts, Statutory Auditor
1st Floor, Blythswood Square
Glasgow
G2 4BG

Date: *16th August 2017.*

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	44,050	44,062
Operating Costs	2	(31,414)	(32,569)
Operating surplus		<u>12,636</u>	<u>11,493</u>
Loss on disposal of fixed assets		(531)	(495)
Finance income		190	92
Finance charges	5	(7,190)	(7,023)
Other finance (costs)/income		(127)	
Movement in Fair Value of Financial Instruments	25	968	699
Surplus on ordinary activities before		<u>5,946</u>	<u>4,766</u>
Taxation	6	(35)	(26)
Surplus for the year		<u>5,911</u>	<u>4,740</u>
Actuarial gain (loss) on pension scheme	20	(2,297)	1,235
Total comprehensive income for the year		<u>3,614</u>	<u>5,975</u>

The results for the year relate wholly to continuing activities.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2017


	Notes	2017 £'000	2016 £'000
Turnover	2	43,999	44,001
Operating costs	2	(31,424)	(32,550)
Operating surplus		<u>12,575</u>	<u>11,451</u>
Loss on disposal of fixed assets		(506)	(495)
Finance income		190	92
Finance charges	5	(7,190)	(7,023)
Other finance (costs)/income		(127)	0
Movement in Fair Value of Financial Instruments	25	968	699
Surplus on ordinary activities before tax		<u>5,910</u>	<u>4,724</u>
Taxation	6	0	0
Surplus for the year		<u>5,910</u>	<u>4,724</u>
Actuarial gain (loss) on pension scheme	20	(2,297)	1,235
Total comprehensive income for the year		<u>3,613</u>	<u>5,959</u>

The results for the year relate wholly to continuing activities.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Property, plant & equipment					
Housing properties	7		208,151		201,940
Other Fixed Assets	7		412		531
			<u>208,563</u>		<u>202,471</u>
Investment Properties	8		595		626
Total Fixed Assets			<u>209,158</u>		<u>203,097</u>
Current Assets					
Work in Progress	10	5,738		5,831	
Debtors	11	4,316		3,756	
Cash in bank and on hand		32,635		24,037	
			<u>42,689</u>		<u>33,624</u>
Creditors: Amounts falling due within one year	12	(10,714)		(11,274)	
Net current assets			<u>31,975</u>		<u>22,350</u>
Total assets less current liabilities			<u>241,133</u>		<u>225,447</u>
Creditors: Amounts falling due after more than one year					
	13		(228,795)		(219,312)
Pension (liability)	20		(6,152)		(3,558)
			<u>(234,947)</u>		<u>(222,870)</u>
Provision for Liabilities			(125)		(130)
Net liabilities			<u>6,061</u>		<u>2,447</u>
Reserves					
Revenue reserve			5,466		1,821
Revaluation Reserve			595		626
Total Funds			<u>6,061</u>		<u>2,447</u>

These financial statements were approved by the Board and authorised for issue on 16 August 2017 and signed on its behalf by:


 Secretary – Zoe Forster

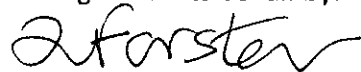

 Director – David McMillan

Company registration number: SC220297

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Property, plant & equipment					
Housing properties	7		209,055		202,703
Other Fixed Assets	7		<u>393</u>		<u>505</u>
			209,448		203,208
Current Assets					
Work in Progress	10		5,738		5,801
Debtors	11		4,427		3,938
Cash in bank and on hand			31,661		23,645
			<u>41,826</u>		<u>33,384</u>
Creditors: Amounts falling due within one year	12		(10,668)		(11,677)
Net current assets			<u>31,158</u>		<u>21,707</u>
Total assets plus current assets			<u>240,606</u>		<u>224,915</u>
Creditors: Amounts falling due after more than one year	13		(228,775)		(219,291)
Pension (liability)	20		(6,152)		(3,558)
			<u>(234,927)</u>		<u>(222,849)</u>
Net Assets / (Liabilities)			<u>5,679</u>		<u>2,066</u>
Reserves					
Revenue reserve			5,679		2,066
Total Funds			<u>5,679</u>		<u>2,066</u>

These financial statements were approved by the Board and authorised for issue on 16 August 2017 and signed on its behalf by:



Secretary – Zoe Forster



Director – David McMillan

**DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2017**

	Revenue reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2016	1,821	626	2,447
Total comprehensive income	3,614		3,614
Released from Revaluation Reserve	31	(31)	0
Balance at 31 March 2017	<u>5,466</u>	<u>595</u>	<u>6,061</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2017**

	Revenue reserve £'000	Total £'000
Balance at 31 March 2016	2,066	2,066
Total comprehensive income	3,613	3,613
Balance at 31 March 2017	<u>5,679</u>	<u>5,679</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Cash flows from operating activities	18				
Cash generated from operations			18,090		18,487
Tax paid			(28)		(49)
Net cash from operating activities			<u>18,062</u>		<u>18,438</u>
Cash flow from investing activities					
Improvement of properties		(5,595)		(4,619)	
Construction of new properties		(8,850)		(2,746)	
Purchase of other fixed assets		(11)		(72)	
Right-to-buy proceeds		4,207		2,344	
Government grants received		6,468		4,913	
Repayment of proceeds to council		(3,676)		(1,879)	
Net cash from investing activities			<u>(7,457)</u>		<u>(2,059)</u>
Cash flow from financing activities					
Finance income		189		92	
Finance charges		(7,189)		(7,023)	
Bank loans drawn down		5,000		8,700	
Bank loans repaid					
Net cash from financing			<u>(2,000)</u>		<u>1,770</u>
Increase/(decrease) in cash and cash equivalents			<u>8,605</u>		<u>18,149</u>
Cash and cash equivalents at the start of year			24,037		5,888
Cash and cash equivalents at end of			<u>32,642</u>		<u>24,037</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2017

	Notes	2017		2016	
		£'000	£'000	£'000	£'000
Cash flows from operating activities	19				
Cash generated from operations			17,103		18,230
Tax paid			0		0
Net cash from operating			<u>17,103</u>		<u>18,230</u>
Cash flow from investing					
Improvement of properties		(5,595)		(4,619)	
Construction of new properties		(8,455)		(2,249)	
Purchase of other fixed assets		(11)		(11)	
Right-to-buy proceeds		4,207		2,344	
Government grants received		6,468		4,658	
Repayment of proceeds to council		(3,676)		(1,879)	
Net cash from investing activities			<u>(7,062)</u>		<u>(1,756)</u>
Cash flow from financing					
Finance income		190		92	
Finance charges		(7,190)		(7,023)	
Bank loans drawn down		5,000		8,700	
Bank loans repaid					
Net cash from financing			<u>(2,000)</u>		<u>1,769</u>
Increase/(decrease) in cash and cash equivalents			<u>8,041</u>		<u>18,243</u>
Cash and cash equivalents at the start of year			23,645		5,372
Cash and cash equivalents at end of			<u>31,686</u>		<u>23,615</u>

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

1 Statement of Principal Accounting Policies

- 1.1. The Company is incorporated under the Companies Act 2006 and is registered as a company limited by guarantee with Companies House in Scotland.
- 1.2. The financial statements of the company are prepared in accordance with the Companies Act 2006, the Determination of Accounting Requirements 2014 and in compliance with the Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers 2014" and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102).

Basis of Preparation

- 1.3. The financial statements are prepared under the historical cost convention and on a going concern basis. To support its operation the Company has in place loan facilities totalling £175m. The Company's activities are based on a long term business plan, which anticipates that it will continue to generate the cashflow required to support and repay its borrowings. The Board believes that with the continuing support of its lenders it is proper to continue to prepare the financial statements on a going concern basis.

Consolidation

- 1.4. In accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the financial statements show the consolidated position of Dumfries & Galloway Housing Partnership Limited and its subsidiaries Novantie Limited and DGHP 3 Limited.

Turnover

- 1.5. Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from the Scottish Ministers and others, and sales of shared equity properties.

Sale of housing properties

- 1.6. Properties are disposed of under the relevant legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.
- 1.7. Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Improvements

1.8. Improvements are capitalised where they result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- An increase in rental income or
- A material reduction in future maintenance costs or
- A significant extension of the life of the property.

1.9. Works to existing properties, which fail to meet the above criteria, are charged to the Comprehensive Statement of Income.

Housing, land and buildings – depreciation

1.10. Housing Properties are stated at cost, less accumulated depreciation.

1.11. Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 75 years
Kitchen	Over 20 years
Bathroom	Over 30 years
Windows	Over 30 years
Rewiring	Over 30 years
Heating-Radiators	Over 24 years
Boiler	Over 10 years
Heating - Green	Over 20 years
Roofs (pitched)	Over 45 years
Roofs (flat)	Over 15 years
Extensions	Over 55 years
Garages	Over 20 years
Aids and Adaptations	Over 20 years

Investment Properties

1.12. Investment properties are accounted for at valuation.

Other fixed assets

1.13. All other fixed assets are initially recorded at cost. Depreciation is charged on a straight line basis at rates estimated to write off costs less any residual value over expected useful lives

Fixtures, fittings & equipment	over 3 or 5 years
Office property	over 75 years

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Housing Association Grants (HAG) & Mortgage to Rent Grants (MTR)

- 1.14. HAG and MTR grants are receivable from the Scottish Government and are used to reduce the capital costs of housing properties. Grants received in respect of capital expenditure are credited to the Comprehensive Statement of Income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. Where following the sale of a property, HAG or MTR grant becomes repayable subject to abatement, it is included as a current liability until repaid. HAG is subordinated in respect of loans by agreement with the Scottish Government. HAG is repayable under certain circumstances.

Other Grants

- 1.15. These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the Comprehensive Statement of Income in the same period as the expenditure to which they relate.

Work in Progress

- 1.16. Work in progress relates to New Supply Shared Equity (NSSE) properties and is valued at the lower of cost and net realisable value. Cost comprises the cost of land, development. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.
- 1.17. Grants received for NSSE properties are held as deferred income and released to the Comprehensive Statement of Income in line with the costs incurred

Investments

- 1.18. Investments in unlisted investments are held at cost.

Financial Instruments

- 1.19. Financial Instruments are classified as basic or non-basic as set out in the SORP and FRS102.
- 1.20. Basic loans are accounted for at amortised cost applying the effective interest method
- 1.21. Non-basic financial instruments are accounted for at fair value with changes to the fair value taken through the Comprehensive Statement of Income

Value Added Tax

- 1.22. The Company is VAT registered. Minimal recovery of input VAT is made, and as a result expenditure is shown inclusive of irrecoverable VAT.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Deferred Taxation

- 1.23. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the Statement of Financial Position where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.
- 1.24. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases and hire purchase contracts – operating leases

- 1.25. Rentals paid under operating leases are charged to income as incurred.

Capitalisation of development overheads.

- 1.26. Directly attributable external development costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice. The Company does not capitalise internal costs.

Development Interest

- 1.27. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Retirement benefits (Note 18)

- 1.28. Retirement benefits to employees of the Company recruited after October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions are made by DGHP of 10% of salary, and by the employee. Contributions charged to the Comprehensive Statement of Income represent the contributions payable by the company in the year.
- 1.29. Retirement benefits to employees of the Company recruited before October 2003 are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.
- 1.30. The Company has fully adopted the defined benefit pension requirements of accounting standard FRS102. The impact of this standard has been reflected throughout the financial statements. For defined benefit schemes the amount charged to the Comprehensive Statement of Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

- 1.31. Actuarial gains and losses arising from new valuations and from updating valuations to the date of the Statement of Financial Position are recognised in the Comprehensive Statement of Income.
- 1.32. Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Estimation and Uncertainty

- 1.33. The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board to exercise judgement in applying the company's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Rent Arrears - Bad Debt Provision

- 1.34. The Company assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, payment arrangements in place, and court action.

Life Cycle of Components

- 1.35. The Company estimates the useful lives of major components of its housing property with reference to surveys carried out by qualified surveyors and specialist advice.

Useful life of properties, plant and equipment

- 1.36. The Company assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this

Key Judgements made in the application of Accounting Policies

The Categorisation of Housing Properties

- 1.37. In the judgement of the Board the entirety of the Company's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

Identification of cash generating units

- 1.38. The Company considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2017

Financial Instruments

- 1.39. Following recent guidance from the Financial Reporting Council, the Group and Company and its Board of Management are of the view that the clauses held within the loan agreements do not require these financial instruments, other than the 'non-cancellable call option', to be classified as 'non-basic' financial instruments.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

2 Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business

	GROUP		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Affordable lettings	40,640	(28,304)	12,336
Other Activities	3,410	(3,110)	300
Total	44,050	(31,414)	12,636
2016	44,062	(32,569)	11,493

	COMPANY		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Affordable lettings	40,640	(28,319)	12,321
Other Activities	3,359	(3,105)	254
Total	43,999	(31,424)	12,575
2016	44,001	(32,550)	11,451

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities - Group

	General Needs Housing	Supported Housing	Other	Total	2016
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of service charges	37,127	1,429	427	38,983	38,268
Service charges	82	94		176	148
Gross income from rents and service charges	37,209	1,523	427	39,159	38,416
Less voids	476	39	73	588	571
Net income from rents and service charges	36,733	1,484	354	38,571	37,845
Revenue grants from the Scottish Ministers	361			361	302
Other revenue grants		752		752	776
Grants released from deferred income	941	15		956	1,045
Total turnover from social letting activities	38,035	2,251	354	40,640	39,968
Management and maintenance administration costs	10,545	805		11,350	11,473
Service Costs	114	68		182	149
Planned and cyclical maintenance including major repairs costs	2,966	15		2,981	2,813
Reactive maintenance costs	6,141	173	60	6,374	7,033
Bad debts – rents and service charges	513			513	530
Depreciation of social housing	6,673	218	13	6,904	6,755
Operating costs for social letting activities	26,952	1,279	73	28,304	28,753
Operating surplus for social lettings	11,083	972	281	12,336	11,215
Operating surplus for social lettings for previous period of account	9,911	1,012	292	11,215	

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities - Company

	General Needs Housing	Supported Housing	Other	Total	2016
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of service charges	37,127	1,429	427	38,983	38,268
Service charges	82	94		176	148
Gross income from rents and service charges	37,209	1,523	427	39,159	38,416
Less voids	476	39	73	588	571
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Management and maintenance administration costs	10,545	805		11,350	11,473
Service Costs	114	68		182	149
Planned and cyclical maintenance including major repairs costs	2,966	15		2,981	2,813
Reactive maintenance costs	6,141	173	60	6,374	7,033
Bad debts – rents and service charges	513			513	530
Depreciation of social housing	6,688	218	13	6,919	6,755
Operating costs for social letting activities	26,967	1,279	73	28,319	28,753
Operating surplus for social lettings	11,068	972	281	12,321	11,215
Operating surplus for social lettings for previous period of account	9,911	1,012	292	11,215	

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

4 Particulars of turnover, operating costs and operating surplus or deficit from other activities - Group	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	2016 Operating surplus / (deficit)
Wider action/wider role							(65)	(65)	
Factoring		154			154	14	(247)	(79)	(121)
Development activities									
Support activities			176	4	180		(214)	(34)	(32)
Care activities									
Agency/management services				158	158		(270)	(112)	(164)
Developments and improvements for sale to non-registered social landlords				2,220	2,220		(2,308)	(88)	(69)
Environmental Grants				419	419			419	408
Commercial Rent				51	51		(20)	31	48
Other activities				228	228			228	208
Total from other activities	176	3,234			3,410	14	(3,124)	300	278
2016	176	3,918			4,094	0	(3,816)	278	

Included in other activities is income in relation to cost recovery e.g. legal costs and staff telephone costs.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

Particulars of turnover, operating costs and operating surplus or deficit from other activities - Company

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	2016 Operating surplus / (deficit)
Wider action/wider role							(65)	(65)	(1)
Factoring			154		154	14	(247)	(79)	(121)
Development activities									
Support activities			176	4	180		(229)	(49)	(24)
Care activities									
Agency/management services			158		158		(270)	(112)	(164)
Developments and improvements for sale to non-registered social landlords				2,220	2,220		(2,308)	(88)	(69)
Environmental Grants				419	419			419	408
Other activities				228	228			228	208
Total from other activities	176	3,183	3,857	14	3,359	14	(3,119)	254	237
2016	176	3,857	4,033				(3,796)	237	

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

5 Finance charges

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest payable in period	(7,190)	(7,023)	(7,190)	(7,023)
	<u>(7,190)</u>	<u>(7,023)</u>	<u>(7,190)</u>	<u>(7,023)</u>

6 Taxation

DGHP has charitable status and its charitable activities are therefore exempt from corporation tax.

Novantie is subject to UK Corporation Tax and was charged £12k current taxation less £6k deferred taxation credit (2016 - £8k current taxation, £2k deferred taxation charge) in the year.

DGHP 3 is subject to UK Corporation Tax and was charged £28k (2016 – £16k) in the year

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7 Property, plant & equipment – Group – Social Housing Properties

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross Cost			
At 1 April 2016	10,387	240,343	250,730
Additions	8,948	5,595	14,543
Disposals in year	(25)	(2,114)	(2,139)
Transfers	(6,040)	6,040	
At 31 March 2017	<u>13,270</u>	<u>249,864</u>	<u>263,134</u>
Depreciation			
At 1 April 2016		48,789	48,789
Charge for year		6,905	6,905
Disposals		(712)	(712)
Transfer			
At 31 March 2017		<u>54,982</u>	<u>54,982</u>
Net book value			
31 March 2017	<u>13,270</u>	<u>194,881</u>	<u>208,151</u>
1 April 2016	<u>10,387</u>	<u>191,553</u>	<u>201,940</u>

Property, plant & equipment – Company – Social Housing Properties

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross Cost			
At 1 April 2016	10,488	240,996	251,484
Additions	9,103	5,595	14,698
Disposals in year	(25)	(2,114)	(2,139)
Transfers	(6,040)	6,040	0
At 31 March 2017	<u>13,526</u>	<u>250,517</u>	<u>264,043</u>
Depreciation			
At 1 April 2016		48,781	48,781
Charge for year		6,919	6,919
Disposals		(712)	(712)
Transfer			0
At 31 March 2017		<u>54,988</u>	<u>54,988</u>
Net book value			
31 March 2017	<u>13,526</u>	<u>195,529</u>	<u>209,055</u>
1 April 2016	<u>10,488</u>	<u>192,215</u>	<u>202,703</u>

None of the Company's properties are held under lease agreements. No material impairment of the Company's housing stock was identified at the year end.

A valuation of 9,181 units of the housing stock secured to Dexia Credit Local London Branch was carried out as at 31 January 2017 for security purposes by Savills (L&P) Limited, which placed the value of the properties on an EUV-SH basis at £228.585m, which is significantly in excess of the carrying value of the housing property.

A valuation of 1,141 units of the housing stock secured to The Housing Finance Corporation was carried out as at 31 January 2017 for security purposes by Savills (L&P) Limited, which placed the value of the properties on an MV-T basis at £73.6m, which is significantly in excess of the carrying value of the housing property.

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7 Property, plant & equipment – Group – Other Fixed Assets

	Office Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost			
At 1 April 2016	390	2,958	3,348
Additions		11	11
Disposals		(6)	(6)
At 31 March 2017	<u>390</u>	<u>2,963</u>	<u>3,353</u>
Depreciation			
At 1 April 2016	46	2,771	2,817
Charge for year	5	125	130
Disposals		(6)	(6)
At 31 March 2017	<u>51</u>	<u>2,890</u>	<u>2,941</u>
Net book value			
31 March 2017	<u>339</u>	<u>73</u>	<u>412</u>
1 April 2016	<u>344</u>	<u>187</u>	<u>531</u>

Property, plant & equipment – Company – Other Fixed Assets

	Office Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost			
At 1 April 2016	390	2,902	3,292
Additions		11	11
Disposals		(6)	(6)
At 31 March 2017	<u>390</u>	<u>2,907</u>	<u>3,297</u>
Depreciation			
At 1 April 2016	46	2,741	2,787
Charge for year	5	118	123
Disposals		(6)	(6)
At 31 March 2017	<u>51</u>	<u>2,853</u>	<u>2,904</u>
Net book value			
31 March 2017	<u>339</u>	<u>54</u>	<u>393</u>
1 April 2016	<u>344</u>	<u>161</u>	<u>505</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
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8 Investment Properties

	Group		Group	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Property held at Valuation	595	626	-	-

Novantia Ltd owns 16 shops which are held to generate rental income. These properties are stated at valuation. Investment property was valued on an open market basis at 31 May 2016 by MR Rodgers and Partners an independent firms of Chartered Quantity Surveyors.

9 Investments

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Investment in Subsidiary Companies	-	-	4	4

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in Novantia Limited, representing a 100% shareholding. Novantia's principal activity is management of commercial property. At 31 March 2017, the capital and reserves of Novantia Ltd were £639k (2016: £609k), with a profit after taxation for the period of £33k (2016: £49k).

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in DGHP 3 Limited, representing a 100% shareholding. DGHP 3 Ltd's principal activity is to perform design and build contracts. At 31 March 2017, the capital and reserves of DGHP 3 Ltd were £709k (2016 £599k), with a profit after taxation for the period of £110k (2016: £65k).

10 Stock and Work in Progress

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Cost of developing	2,077	3,111	2,077	3,111
Properties held for sale	3,661	2,720	3,661	2,690
	5,738	5,831	5,738	5,801

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11 Debtors

	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Rent arrears	2,394	2,297	2,388	2,289
Less: bad debt provision	<u>(1,204)</u>	<u>(1,032)</u>	<u>(1,199)</u>	<u>(1,024)</u>
	1,190	1,265	1,189	1,265
Prepayments and accrued income	384	390	384	390
Amounts owed by group cos			169	228
Other debtors	2,742	2,101	2,685	2,055
	<u>4,316</u>	<u>3,756</u>	<u>4,427</u>	<u>3,938</u>

There are no amounts included in Debtors which are receivable after more than 12 months (2016 - £11k).

12 Creditors – Amounts falling due within one year

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade creditors	2,310	2,681	1,176	1,251
Other tax and social security	163	174	163	174
Accruals and deferred income	56	28	56	28
Rent in advance	304	242	304	239
Amounts owed to Group cos			1,136	1,862
Corporation tax creditor	43	28		
Other creditors	4,447	3,527	4,443	3,527
NSSE Grant	2,382	3,662	2,382	3,662
Deferred Capital Grant	1,009	932	1,008	931
	<u>10,714</u>	<u>11,274</u>	<u>10,668</u>	<u>11,677</u>

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13 Creditors – Amounts falling due after one year

	2017	2016	2017	2016
	£000	£000	£000	£000
Loans	157,486	153,454	157,486	153,454
Deferred capital grant	71,309	65,858	71,289	65,837
	<u>228,795</u>	<u>219,312</u>	<u>228,775</u>	<u>219,291</u>

Dexia Credit Local London Branch holds a standard security and floating charge over approximately 9,200 of the company's properties. Interest is payable at rates of 1.45% to 5.46% (2016 1.45% to 5.46%). The loan is repayable in instalments due as follows:

	2017	2016
	£'000	£'000
Within 2 - 5 years	10,000	60,000
In five years or more	100,000	50,000
	<u>110,000</u>	<u>110,000</u>

The Housing Finance Corporation plc holds a standard security over 1,141 of the company's properties. The loan of £40m is repayable in full in October 2043 and interest is fixed at 4.948%. The loan premium of £1.602m received on drawdown in 2012 is being amortised over the life of the loan and at the balance sheet date stood at £1.343m (2016 - £1.395m).

The company has borrowed £5m from Allia Ltd under a ten year fixed rate loan agreement which forms part of the Scottish Government Charity Bonds programme. The loan is unsecured, and the principal in full in December 2026. Interest accrues at 3.32% per year and is payable on maturity.

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14 Deferred capital grant	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
At 1 April 2016	66,792	63,173	66,770	63,151
Grant Received	6,468	4,658	6,468	4,658
Grant Released	(942)	(1,039)	(941)	(1,039)
At 31 March 2017	<u>72,318</u>	<u>66,792</u>	<u>72,296</u>	<u>66,770</u>
Projected Amortisation of Grant				
Amounts to be released in one year	1,009	932	1,008	931
Amounts to be released in more than one year	71,309	65,857	71,288	65,837
	<u>72,318</u>	<u>66,789</u>	<u>72,296</u>	<u>66,768</u>
Housing Association Grant				
	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
At 1 April 2016	66,433	62,771	66,411	62,749
Grant Received	6,475	4,661	6,475	4,661
Grant Released	(905)	(999)	(904)	(999)
At 31 March 2017	<u>72,003</u>	<u>66,433</u>	<u>71,981</u>	<u>66,411</u>
Projected Amortisation of Grant				
Amounts to be released in one year	969	890	968	890
Amounts to be released in more than one year	71,034	65,540	71,013	65,540
	<u>72,003</u>	<u>66,430</u>	<u>71,981</u>	<u>66,430</u>
Other Grant				
	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
At 1 April 2016	359	402	359	402
Grant Received	(7)	(3)	(7)	(3)
Grant Released	(37)	(40)	(37)	(40)
At 31 March 2017	<u>315</u>	<u>359</u>	<u>315</u>	<u>359</u>
Projected Amortisation of Grant				
Amounts to be released in one year	40	42	40	41
Amounts to be released in more than one year	275	317	275	297
	<u>315</u>	<u>359</u>	<u>315</u>	<u>338</u>

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15 Employees

	Group	
	2017	2016
	£'000	£'000
Staff costs during year		
Wages and salaries	6,602	6,544
Social security costs	660	635
Other pension costs	1,114	1,264
	8,376	8,443

The average full time equivalent number of persons employed during the year was as follows:

	2017	2016
	No	No
Administration and Leasing services	202	222

No member of the Board received any emoluments in respect of their services to the Company or the subsidiary companies.

The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 (2016: £60,000 per year).

All the Directors emoluments were paid through the parent company.

	2017	2016
	£'000	£'000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	468	464
Emoluments payable to Highest Paid Director (excluding pension contributions)	115	114

The number of Directors, excluding the highest paid Director, who received emoluments (excluding pension contributions) in the following ranges were:-

	No	No
£90,001 - £100,000	3	3

The Company's pension contributions for the Chief Executive in the year amounted to £25k (2016 £25k).

	2017	2016
	£'000	£'000
Total Board Members' expenses reimbursed	11	12

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16 Auditors' Remuneration

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
The remuneration of the external auditors for the year	30	28	19	20
Auditors' remuneration for non-audit services:				
- Taxation	3	2	1	1
	<u>33</u>	<u>30</u>	<u>20</u>	<u>21</u>

17 Big Lottery

During the year, the company received £161,962 (2016 – £187,240) from the Big Lottery Fund in respect of the company's Supported Housing Pathway to Independence project.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
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18 Group Statement of Cash Flows

	2017	2016
	£'000	£'000
Reconciliation of operating surplus to net cash outflow from operating activities		
Operating surplus	12,636	11,493
Depreciation charges	6,904	6,913
Amortisation of Capital Grants	(956)	(1,294)
Pension adjustment	574	280
(Increase)/decrease in work in progress	93	1,703
(Increase)/decrease in debtors	(560)	(752)
(Decrease)/increase in creditors	(601)	144
Net cash inflow from operating activities	<u>18,090</u>	<u>18,487</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash for the year	8,598	18,149
Loans received	(5,000)	(8,700)
Loan repayments		
Loan amortisation	968	751
Change in net debt	<u>4,566</u>	<u>10,200</u>
Net debt as at 1 April 2016	(129,417)	(139,617)
Net debt as at 31 March 2017	<u>(124,851)</u>	<u>(129,417)</u>

Analysis of Changes in net debt

	At 1 April	Cash Flow	Other	At 31
	2016		Items	March
	£'000	£'000	£'000	£'000
Cash at bank and in hand	24,037	8,598		32,635
Debt due within one year				
Debt due after one year	(153,454)	(5,000)	968	(157,486)
	<u>(129,417)</u>	<u>3,598</u>	<u>968</u>	<u>(124,851)</u>

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19 Company Statement of Cash Flows

	2017 £'000	2016 £'000
Reconciliation of operating surplus to net cash outflow from operating activities		
Operating surplus	12,575	11,451
Depreciation charges	6,919	6,755
Amortisation of Capital Grants	(956)	(1,045)
Pension adjustment		280
(Increase)/decrease in work in progress	63	1,733
(Increase)/decrease in debtors	(489)	(735)
(Decrease)/increase in creditors	(1,009)	(209)
Net cash inflow from operating	<u>17,103</u>	<u>18,230</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash for the year	8,016	18,273
Loans received	(5,000)	(8,700)
Loan repayments		
Loan amortisation	967	753
Change in net debt	<u>3,983</u>	<u>10,326</u>
Net debt as at 1 April 2016	(129,807)	(140,133)
Net debt as at 31 March 2017	<u>(125,824)</u>	<u>(129,807)</u>

Analysis of Changes in net debt

	At 1 April £'000	Cash Flow £'000	Other £'000	At 31 £'000
Cash at bank and in hand	23,647	8,016		31,663
Debt due within one year				
Debt due after one year	(153,454)	(5,000)	967	(157,487)
	<u>(129,807)</u>	<u>3,016</u>	<u>967</u>	<u>(125,824)</u>

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20 Pension Funds

The Company operates two different pension schemes for its employees. Retirement benefits for employees of the Company recruited since 10 October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions of 10% of salary are made by the employer, and employees may make voluntary contributions. Contributions charged to the Income and Expenditure account represent the contributions payable by the Company in the year.

At 31 March 2017, £40k was due to be paid over to the defined contribution pension scheme (2015: £41k). This sum was paid in April 2017.

Employees who transferred to or joined the Company before 10 October 2003 belong to the Dumfries and Galloway Council Pension Fund which is part of the Local Government Pension Scheme (LGPS), which is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. In 2016/17, the employer's contribution was 22.8% of pensionable salary (2015/16 – 22.8%).

The amounts recognised in the balance sheet are as follows:

	2017	2016
	£'000	£'000
Present value of funded obligations	21,171	15,587
Fair value of plan assets	15,019	12,029
(Deficit)	<u>(6,152)</u>	<u>(3,558)</u>
Related deferred tax		
Net (Liability)	<u>(6,152)</u>	<u>(3,558)</u>

Actuarial assumptions

	2017	2016
Rate of increase in salaries	4.40%	4.20%
Rate of limited price indexation increases in pension in payment	2.40%	2.20%
Discount rate	2.60%	3.50%
Expected long rate return on scheme assets		
Post retirement mortality	Based on PFA92 and PMA 92 'year	

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
	£'000	£'000
Opening defined benefit obligation	15,587	16,201
Current Service cost	685	875
Past Service Cost	59	
Member Contributions	158	172
Interest cost	554	528
Actuarial (gains) / losses	4,526	(1,719)
Benefits paid	(398)	(470)
Closing defined benefit obligation	<u>21,171</u>	<u>15,587</u>

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Changes in the fair value of plan assets are as follows:

	2017	2016
	£'000	£'000
Opening plan assets	12,029	11,833
Expected return	427	383
Actuarial gains/(losses)	2,229	(484)
Contributions by	574	595
Contributions by members	158	172
Benefits paid	(398)	(470)
Closing plan assets	<u>15,019</u>	<u>12,029</u>

The amounts recognised in income and expenditure account are as follows:

	2017	2016
	£'000	£'000
Current service cost	685	875
Net interest on obligation	127	145
Past service cost	59	
Total	<u>871</u>	<u>1,020</u>

Total remeasurements recognised in Other Comprehensive Income:

	2017	2016
	£'000	£'000
Actuarial (losses)/gains	<u>(2,297)</u>	<u>1,235</u>

The major categories of plan assets as a percentage of total plan assets are as follows:

	2017	2016
Equities	76%	73%
Bonds	15%	16%
Property	9%	11%
Other	0%	0%
	<u>100%</u>	<u>100%</u>

The company expects to contribute £438k to the scheme in the year to March 2017. The company expects to contribute £372k to its defined contribution scheme in the year to March 2017.

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21 Commitments – Group and Company

	2017	2016
	£'000	£'000
Expenditure authorised by the Board contracted less certified	<u>23,713</u>	<u>10,787</u>

The commitments include both the costs for long term contracts for major repairs and contracts for the acquisition and construction of new housing developments.

These commitments will be financed by a combination of Housing Association Grants and Other Grants of £7.5m with the balance to be funded by private finance arranged by DGHP and secured on specific properties, which is already in place.

22 Housing Stock

The number of units in management at 31 March 2017 was as follows:-

	2017	2016
General Needs	10,001	10,060
Supported Housing	303	303
	<u>10,304</u>	<u>10,363</u>

All housing units are owned and managed by the Company.

23 Related Parties

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with group companies.

Some Board members and some relations of Board members are tenants of the Company. Their transactions with the Company are all conducted on standard terms, as applicable to all tenants. In aggregate, board members and their immediate family were charged rent of £62k in 2016/17 and had arrears of £1,656 (2016:£36)

24 Leasing Commitments

At 31 March 2017 the Group and Company had total commitments under non-cancellable operating leases as set out below.

Land and buildings

	2017	2016
	£'000	£'000
Operating leases which expire:		
Within 1 year	381	326
Within 2 to 5 years	908	8
After more than 5 years	2,247	
	<u>3,536</u>	<u>334</u>

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25 Financial instruments

The carrying amounts of the Group's financial instruments are as follows:

	2017 £'000	2016 £'000
Financial assets		
Debt instruments measured at amortised cost:		
Trade debtors (note 9)	1,190	1,265
Other debtors (note 9)	3,126	2,491
	<u>4,316</u>	<u>3,756</u>
Financial liabilities		
Measured at fair value through the Statement of Comprehensive Income:		
Derivative financial instruments (note 12)	2,486	2,059
	<u>2,486</u>	<u>2,059</u>
Measured at amortised cost:		
Bank loans (note 11)	155,000	151,395
Trade creditors (note 10)	2,310	2,681
Other creditors (note 10)	8,404	8,593
	<u>165,714</u>	<u>162,669</u>

The income, expenses, net gains and net losses attributable to the Group's financial instruments are summarised as follows:

	2017 £'000	2016 £'000
Net gains (losses) including changes in fair value		
Financial assets measured at fair value	<u>968</u>	<u>699</u>

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was £NIL (2016 - £NIL) and £5,864K (2016 - £5,814K) respectively.

The Group uses derivative financial instruments to manage interest rate risk on borrowings. The fair value of these instruments is determined by reference to the equivalent market rate at the accounting date.

26 Company limited by guarantee

The Company is a company limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each.