



Working with our Tenants

**DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED
AND SUBSIDIARIES**

Report and Financial Statements for the year ended
31 March 2019

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

FOR THE YEAR ENDED 31 MARCH 2019

LEGAL AND ADMINISTRATIVE DETAILS

Board Members

William Robertson (Chair)
Robert Carnochan
Maureen Dowden (Chair of Audit Committee)
Rose Gowan
Michael Greaves-Mackintosh
Heather Macnaughton
George McBurnie
David McMillan
Elaine Tyler
John Henderson (appointed 27 September 2018)

George Thorley (appointed 20 February 2019)
Irene Clark (appointed 20 February 2019)
Robert Higgins (resigned 30 January 2019)
Annie Murray (resigned 30 January 2019)
Fred Murray (resigned 30 January 2019)
John Hay (resigned 19 October 2018)
Jim Steen (resigned 27 September 2018)
Beryl Castle (resigned 27 September 2018)
Michael Lyons (resigned 25 April 2018)

Executive Management Team

Chief Executive and Company Secretary
Interim Chief Executive
Director of Finance
Director of Housing Services
Director of Investment & Regeneration

Zoe Forster (resigned 26 September 2018)
Alex McGuire (appointed 22 October 2018)
Hugh Carr
Jayne Moore
Jim Preston (appointed 1 January 2019)
Andrew Thompson (resigned 31 July 2018)

Company Secretary

Eilidh Mowat (appointed 25 October 2018)

Registration Particulars

Register of Companies

Scottish Housing Regulator

Office of the Scottish Charity Regulator

Property Factors (Scotland) Act 2011

Companies Act 2006
Registered Number: SC220297
Housing (Scotland) Act 2010
Registered Number: 315
Charities and Trustee Investment (Scotland) Act 2005
Charity No. SC039896
Property Factor Registered Number PF000358

Registered Office

Grierson House
The Crichton
Bankend Road
Dumfries
DG1 4ZS

Auditor

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

Lenders

Dexia Public Finance Bank
6th Floor, Suite 820
Salisbury House
London Wall
London
EC2M 5QQ

The Housing Finance Corporation plc
3rd Floor, 17 St Swithin's Lane
London
EC4N 8AL

Allia Ltd
Future Business Centre
King's Hedges Road
Cambridge
CB4 2HY

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

FOR THE YEAR ENDED 31 MARCH 2019

LEGAL AND ADMINISTRATIVE DETAILS (CONTINUED)

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

Handelsbanken
Lower Ground Floor
206 St Vincent Street
Glasgow
G2 5SG

Barclays Bank plc
1st Floor Aurora House
120 Bothwell Street
Glasgow
G2 7JT

Santander UK plc
Customer Service Centre
Bootle
L30 4GB

Bank of Scotland
6th Floor, 33 Old Broad Street
London
EC2N 1HZ

Solicitors

Harper MacLeod LLP
The Ca'd'oro
45 Gordon Street
Glasgow
G1 3PE

Clyde and Co
144 West George Street
Glasgow
G2 2HG

Devonshires
Park House
Park Square West
Leeds, LS1 2PW

BTO
48 St Vincent Street
Glasgow
G2 5HS

Internal Auditors

Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

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DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The Board presents its Report together with the audited consolidated financial statements for the year ended 31 March 2019.

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.

DGHP has two subsidiary companies: Novantia Limited provides commercial and mid-market rented properties and DGHP 3 Limited acts as development agent for the group. These consolidated financial statements 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 2019, there were approximately 1,000 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 up to 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. At 31 March 2019, there were 12 members. Five of the Board members are tenants of DGHP. The Board meets monthly and is supported by an Audit Committee comprising seven Board members. Board members are currently unpaid.

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 at the beginning of these financial statements.

During the year, DGHP completed an externally led Governance Review, which recommended a smaller Board with Board members selected against a rigorous skills assessment which is informed by the Scottish Housing Regulator's new Regulatory Framework. At an Extraordinary General Meeting in July 2019, the company membership approved changes to the Articles of Association, which reduce the size of the Board to seven independent members and three tenants, and allow for payment of Board members. There are no current proposals to pay Board members.

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.

DGHP is committed to effective tenant participation and engagement, and a new Tenants' Voice structure is being developed in 2019/20 to improve this further.

Constitutional Partnership

In July 2019, DGHP notified tenants and other stakeholders that the Board had decided to seek a constitutional partnership with the Wheatley Housing Group, Scotland's largest housing and property management group. This followed a review of the future strategic purpose and direction of DGHP, which concluded that the group's objectives would be best achieved as part of a larger group with access to the funding, development and other resources needed to move the group forward on its ambitious agenda.

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 Interim Chief Executive.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Strategic Objectives and Activity

DGHP was established in 2003 to receive a transfer of the housing stock of Dumfries and Galloway Council. At March 2019, it owns and manages 10,339 homes across Dumfries and Galloway, of which approximately 800 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 the quality and sustainability of our housing stock, communities and the environment in a cost-effective way, 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 the highest 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 800 new homes across Dumfries and Galloway, as part of mixed tenure regeneration and development programmes;
- Substantially 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 2019; and
- 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 2019/20, 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;
- Maintain rents at affordable and sustainable levels;

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Key Priorities (continued)

- 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 170 homes completed, across a range of tenures, by 2021, and progress further scheme totalling 70 homes for completion thereafter;
- Implement the investment priorities described in the Business Plan, which represent a £79million investment in our tenants' homes over the next five years;
- Implement DGHP's new Asset Management Strategy, and in particular, complete option appraisals on our poorer performing properties;
- Ensuring our housing stock meets the SHQS and Scottish Government Energy Efficiency for Social Housing (EESH) Standard;
- Maintain the excellent customer satisfaction levels we are currently achieving for our housing and repairs services, and target our improvement our current performance in completing repairs right first time;
- 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; and
- 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, and there has been significant investment in skills and resources to strengthen these in 2018/19.

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.

Business Plan

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.

Key Performance Indicators

The year to 31 March 2019 has seen strong operational performance across DGHP, with the following indicators reported in line with the Scottish Housing Regulator's Annual Return on the Social Housing Charter for the year:

- Void rent loss was 0.75%;
- Tenant rent arrears were reduced to 3.44% of gross rent;
- As at 31 March, every property requiring a Landlord Gas Safety Record had had one completed within the last 12 months, and DGHP's approach to managing gas safety has been cited as best practice by the Scottish Housing Regulator;

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Key Performance Indicators (continued)

- Emergency repairs were completed on average in under 2.5 hours;
- Non-emergency repairs were completed on average in under 8 days;
- 96% of repair appointments were kept and 93% of repairs completed right first time;
- 92% of tenants were satisfied or better with repairs undertaken in the year;
- 83% of tenants believe their rent represents good or very good value for money;
- 90% of the factoring charge income due from owner occupiers in factored properties was collected;
- The Public Service Ombudsman did not uphold any complaints raised against DGHP;
- 621 new heating systems were installed and 350 properties received new double glazing systems; and
- During the year, £900k was spent on aids and adaptations to enable people to live more comfortably in their own home.

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

DGHP is now working on achieving the Energy Efficiency Standard for Social Housing, which the Scottish Government requires RSLs to meet by December 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; and
- 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.

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

Since acquiring the housing stock of Dumfries and Galloway Council in 2003, DGHP has invested approximately £180m in bringing its tenants homes to the Scottish Housing Quality Standard. 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; and
- affordable and effective heating systems, including many state of the art low carbon systems to bring affordable heating to all its tenants.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

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.

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 2019, total loan commitments to Dexia were £110m (2018 - £110m), from a total facility of £130m. The Company's policy is to manage debt in a prudent and non-speculative manner, and therefore at 31 March 2019 £25m of this loan is subject to interest rates fixed until 2030. There is also a fixed rate swap in place until June 2020 for £25M of the loan facility. The fair value of this embedded derivative is recognised in the Statement of Financial Position.

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 2018/19, 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, and is in addition to two similar loans of £5m each negotiated in 2016/17 and 2017/18.

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

The principal risks of the Company are identified as:

- failing to ensure compliance with health and safety standards, in respect of gas, electric and fire safety, and management of hazardous materials such as asbestos;
- failing to recruit Board members and senior staff with the requisite skills;
- failing to meet the governance and performance standards set by regulators, notably the SHR;
- failing to anticipate and manage the impact of Universal Credit on tenants' arrears; and
- failing to complete planned development of new build housing within planned timescales and budget.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

Financial Summary

In the year to 31 March 2019, the DGHP group generated a surplus of £4,909k (2018 - £6,041k restated) before tax and adjustment for the actuarial movement on the defined benefit pension scheme.

Turnover

Turnover was £46m (2018 - £46m). Of this, £44m was the income from the letting of properties at affordable rents. DGHP's policy is to set rents at affordable levels. DGHP also sold 4 properties (2018 - 34 properties) under the Scottish Government's New Supply Shared Equity scheme.

Operating Costs

Operating costs totalled £34m (2018 - £34m). This includes reactive and void repairs of £7.3m (2018 - £6.8m); gas and other heating servicing and repairs of £1.8m (2018 - £1.3m); staff costs of £8.0m (2018 - £7.6m) and overheads of £4.0m (2018 - £3.5m).

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 pages 9 and 10.

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.

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 Interim 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.

Charitable Donations and Community Involvement

The Company made no charitable donations in the year (2018 - £nil). DGHP part funds the Dumfries and Galloway Tenants Federation.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

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 25 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.

Disclosure of information to the auditor

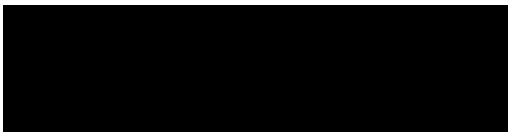
To the knowledge and belief of each of the persons who are members of the Board at the time this report is approved:

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

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

Signed by order of the Board



Secretary – Eilidh Mowat
Date: 21 August 2019

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

STATEMENT OF THE BOARD'S RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2019

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Housing Association and company legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group at the end of the year and of the income and expenditure of the Company and Group for the year then ended.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Board is responsible for keeping and maintaining a satisfactory system of control over proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable it 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 also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2019

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 control which are embedded within the normal management and governance process.

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 on-going 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 Interim 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 Interim 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.

Environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational and 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.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

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.

Role of the Audit Committee

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 on-going 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 2019 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: Eilidh Mowat
Date: 21 August 2019

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE AUDITOR TO THE BOARD OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the Financial Statements, we have reviewed your statements on pages 9 and 10 concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the 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 9 and 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control, and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Scott - Moncrieff

James McBride, Senior Statutory Auditor
for and on behalf of
Scott-Moncrieff, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 21 August 2019

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Dumfries and Galloway Housing Partnership Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the Group and Company Statements of Comprehensive Income, the Group and Company Statements of Changes in Capital and Reserves, the Group and Company Statements of Financial Position, the Group and Company Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 March 2019 and of the Group's and the Parent Company's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Board (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Board (incorporating the Strategic Report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board (incorporating the Strategic Report).

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

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

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities on page 8, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. The description forms part of our Auditor's Report.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Use of our report

This report is made solely to the Parent 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 Parent Company's members, as a body, those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott - Moncrieff

**James McBride, Senior Statutory Auditor
for and on behalf of
Scott-Moncrieff, Statutory Auditor**

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 21 August 2019

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	Restated 2018 £'000
Turnover	4	45,864	46,041
Operating expenditure	4	(34,267)	(33,521)
Impairment of housing properties	4	(1,076)	-
Operating surplus	7	10,521	12,520
Interest receivable and other income		281	194
Interest payable and similar charges	8	(6,728)	(7,577)
Movement in fair value of financial instruments	17	860	934
Surplus before tax		4,934	6,071
Taxation	9	(25)	(30)
Surplus for the year		4,909	6,041
Other comprehensive income			
Actuarial (loss)/gain on pension scheme	23a	(1,220)	4,452
Total comprehensive income for the year		3,689	10,493

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £'000	<i>Restated</i> 2018 £'000
Turnover	4	45,809	45,996
Operating expenditure	4	(34,275)	(33,555)
Impairment of housing properties	4	(1,076)	-
Operating surplus	7	10,458	12,441
Interest receivable and other income		279	194
Interest payable and similar charges	8	(6,728)	(7,577)
Movement in fair value of financial instruments	17	860	934
Surplus before tax		4,869	5,992
Taxation	9	-	-
Surplus for the year		4,869	5,992
Other comprehensive income			
Actuarial (loss)/gain on pension scheme	23a	(1,220)	4,452
Total comprehensive income for the year		3,649	10,444

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Revenue reserve £'000	Other reserve £'000	Total £'000
Balance at 1 April 2018 as restated	14,395	477	14,872
Total comprehensive income	3,689	-	3,689
Balance at 31 March 2019	<u>18,084</u>	<u>477</u>	<u>18,561</u>

**GROUP STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Revenue reserve £'000	Other reserve £'000	Total £'000
Balance at 1 April 2017 as restated	3,902	477	4,379
Total comprehensive income	10,493	-	10,493
Balance at 31 March 2018 as restated	<u>14,395</u>	<u>477</u>	<u>14,872</u>

**COMPANY STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Revenue reserve £'000	Total £'000
Balance at 1 April 2018 as restated	14,441	14,441
Total comprehensive income	3,649	3,649
Balance at 31 March 2019	<u>18,090</u>	<u>18,090</u>

**COMPANY STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Revenue reserve £'000	Total £'000
Balance at 1 April 2017 as restated	3,997	3,997
Total comprehensive income	10,444	10,444
Balance at 31 March 2018 as restated	<u>14,441</u>	<u>14,441</u>

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £'000	2019 £'000	Restated 2018 £'000	Restated 2018 £'000
Tangible fixed assets					
Housing properties	10a		210,724		211,383
Other fixed assets	10b		877		377
Investment properties	11		595		595
			<u>212,196</u>		<u>212,355</u>
Current assets					
Work in progress	13	2,226		2,776	
Debtors	14	2,518		3,689	
Current asset investments	15a	39,595		31,598	
Cash and cash equivalents	15b	15,356		10,493	
		<u>59,695</u>		<u>48,556</u>	
Creditors: amounts falling due within one year	16	(9,592)		(7,632)	
Net current assets			<u>50,103</u>		<u>40,924</u>
Total assets less current liabilities			<u>262,299</u>		<u>253,279</u>
Creditors: amounts falling due after more than one year	17		(239,877)		(236,077)
Pension – defined benefit liability	23a		(3,743)		(2,205)
Provision for liabilities	9		(118)		(125)
Net assets			<u>18,561</u>		<u>14,872</u>
Reserves					
Revenue reserve	24		18,084		14,395
Other reserve	24		477		477
			<u>18,561</u>		<u>14,872</u>

These financial statements were approved by the Board and authorised for issue on 21 August 2019 and signed on its behalf by:



Secretary – Eilidh Mowat



Director – William Robertson

Company registration number: SC220297

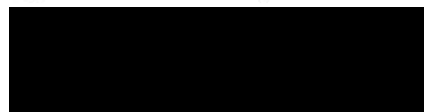
The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £'000	2019 £'000	Restated 2018 £'000	Restated 2018 £'000
Tangible fixed assets					
Housing properties	10a		211,793		212,384
Other fixed assets	10b		866		359
			<u>212,659</u>		<u>212,743</u>
Current assets					
Work in progress	13	2,226		2,776	
Debtors	14	2,596		3,686	
Current asset investments	15a	39,595		31,598	
Cash and cash equivalents	15b	13,959		9,550	
		<u>58,376</u>		<u>47,610</u>	
Creditors: amounts falling due within one year	16	<u>(9,343)</u>		<u>(7,649)</u>	
Net current assets			<u>49,033</u>		<u>39,961</u>
Total assets less current liabilities			<u>261,692</u>		<u>252,704</u>
Creditors: amounts falling due after more than one year	17		(239,859)		(236,058)
Pension – defined benefit liability	23a		(3,743)		(2,205)
Net assets			<u>18,090</u>		<u>14,441</u>
Reserves					
Revenue reserve	24		18,090		14,441
			<u>18,090</u>		<u>14,441</u>

These financial statements were approved by the Board and authorised for issue on 21 August 2019 and signed on its behalf by:



Secretary – Eilidh Mowat



Director – William Robertson

Company registration number: SC220297

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash generated from operations	21		22,914		20,310
Tax paid			(35)		(43)
			<u>22,879</u>		<u>20,267</u>
Cash flow from investing activities					
Improvement of properties		(5,800)		(6,535)	
Construction of new properties		(3,456)		(4,699)	
Purchase of other fixed assets		(609)		(22)	
Proceeds for the sale of fixed assets		715		-	
Government grants received		1,306		2,664	
Repayment of proceeds to council		(739)		-	
Interest received		281		194	
			<u>(8,302)</u>		<u>(8,398)</u>
Cash flow from financing activities					
Interest payable		(6,717)		(7,413)	
Bank loans drawn down (Deposit to)/withdrawal from current asset investments		5,000		5,000	
		<u>(7,997)</u>		<u>(9,518)</u>	
			<u>(9,714)</u>		<u>(11,931)</u>
Increase in cash and cash equivalents					
			4,863		(62)
Cash and cash equivalents at the start of year					
			<u>10,493</u>		<u>10,555</u>
Cash and cash equivalents at end of year					
			<u><u>15,356</u></u>		<u><u>10,493</u></u>

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Cash flows from operating activities					
Cash generated from operations	22		22,493		20,389
Cash flow from investing activities					
Improvement of properties		(5,800)		(6,535)	
Construction of new properties		(3,523)		(4,800)	
Purchase of other fixed assets		(608)		(14)	
Proceeds for the sale of fixed assets		715		-	
Government grants received		1,306		2,666	
Repayment of proceeds to council		(739)		-	
Interest received		279		194	
			<u>(8,370)</u>	<u>(8,489)</u>	
Cash flow from financing activities					
Interest payable		(6,717)		(7,413)	
Bank loans drawn down		5,000		5,000	
(Deposit to)/withdrawal from current asset investments		(7,997)		(9,518)	
			<u>(9,714)</u>	<u>(11,931)</u>	
Increase in cash and cash equivalents			4,409		(31)
Cash and cash equivalents at the start of year			9,550		9,581
Cash and cash equivalents at end of year			<u>13,959</u>		<u>9,550</u>

The notes form part of these financial statements.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. General information

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3). The presentation currency is pounds sterling and the financial statements are rounded to the nearest thousand.

The Company is a private company limited by guarantee and is incorporated in the United Kingdom and registered in Scotland. The Company is a registered social landlord in Scotland and its registered number is 315. The registered address is available on the first page of the financial statements. The Company is defined as a public benefit entity and thus the Company complies with all disclosure requirements relating to public benefit entities.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, subject to the revaluation of certain fixed assets, and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Board 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 2019 and of the results for the year ended on that date.

Consolidation

In accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the financial statements show the consolidated position of Dumfries and Galloway Housing Partnership Limited and its subsidiary undertakings, Novantie Limited and DGHP 3 Limited, drawn up to 31 March 2019 as obliged by statute. Inter-group transactions including surpluses or deficits on intra-group transactions are eliminated in full on consolidation.

Turnover

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. Turnover from rental, service charge and management charges from properties, agency fees and shared equity properties is recognised when the Company is entitled to it, it is probable that it will be received and it can be measured reliably. Income from revenue grants receivable has been covered in a separate accounting policy below.

Going concern

The Board expect the group to generate a surplus in 2019/20 and 2020/21 and the Board is satisfied that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Principal accounting policies (continued)

Government Capital Grants

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

Government Revenue Grants

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

Non-government capital and revenue grants

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

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

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

Apportionment of management expenses

Direct employee, administration and operating expenditure 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. The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable

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

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.

Sale of housing properties

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. Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Principal accounting policies (continued)

Operating leases

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

Housing properties

Housing Properties are stated at cost, less accumulated depreciation. The cost of properties includes land cost, all construction costs, professional fees and development administration costs.

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.

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

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 25 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

Impairment of housing properties arises where the fair value of housing stock is below the value in use, which is defined as depreciated carrying cost. Where indicators of impairment, such as low demand or high turnover are identified, DGHP performs a detailed appraisal of the future income and costs relating to that unit or scheme, and compares this to the value in use of the unit or scheme, and if necessary an impairment provision is raised.

Investment properties

Investment properties are accounted for at market value. The fair value of each property will be considered at each reporting date and any change will be recognised in the Statement of Comprehensive Income.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Principal accounting policies (continued)

Other fixed assets

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

Investments

Investments in unlisted investments are held at cost.

Capitalisation of development overheads

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

Work in progress

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 and subsequent development. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

Grants received for NSSE properties are held as deferred income and released to the Statement of Comprehensive Income in line with the costs incurred.

Debtors

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

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 14.

Current asset investments

Current asset investments are represented by long term deposits with financial institutions repayable after more than three months.

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.

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.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Principal accounting policies (continued)

Financial Instruments

Financial Instruments are classified as basic or non-basic as set out in the SORP and FRS102.

Basic loans are accounted for at amortised cost applying the effective interest method. Non-basic financial instruments are accounted for at fair value with changes to the fair value taken through the Statement of Comprehensive Income.

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

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

Lessor

The Group rents out commercial property under formal leases. The rental income is recognised within other activities (note 6) on an accruals basis.

Lease Obligations

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

Value Added Tax

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

Deferred Taxation

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 group'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.

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 Statement of Financial Position date. Deferred tax is measured on a non-discounted basis.

Retirement benefits

Retirement benefits to employees of the group 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 Statement of Comprehensive Income represent the contributions payable by the Group in the year.

Retirement benefits to employees of the Group 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.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2. Principal accounting policies (continued)

Retirement benefits (continued)

The Group 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 Statement of Comprehensive Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. 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 Statement of Comprehensive Income.

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

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

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The Board 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 property, plant and equipment	Property, plant and equipment is held at cost less their accumulated depreciation.
Useful lives of property, plant and equipment	The Group assesses the useful life of its properties, plant and equipment based on the knowledge of the management team, with reference to expected asset life cycles, and estimates the annual charge to be depreciated based on this.
The main components of housing properties and their useful lives	The cost of housing properties is split into separately identifiable components. The Group estimates the useful lives of major components of its housing properties with reference to surveys carried out by qualified surveyors and specialist advice.
Classification of mid-market rent properties as social housing	Properties held for mid-market renting are classified as social housing as allowed by the SORP, taking account of the social benefit provided.
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.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Estimated	Basis of estimation
The obligations under the defined benefit pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The measurement of the recoverable amount of assets for impairment reviews and the calculation of depreciation replacement cost	Impairment is calculated as the difference between the carrying value of income generating units and the estimated value in use. Value in use represents the net present value of expected future cash flows. Impairment losses are recognised in the Statement of Comprehensive Income.
The valuation of investment properties	An independent valuation was completed in 2016. Investment properties are held at the best estimate of fair value at the end of the financial year. Fair value is based on independent market valuations performed by expert valuers.
Identification of cash generating units	The group considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.
Financial instruments	Following guidance from the Financial Reporting Council, the Group and Company and its Board 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. The fair value of the swap is based on the discounted variance between the interest due to be paid under the remaining term of the swap compared with the interest that would be paid under a similar swap at current market rates at the year end. The option expires in June 2020.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Particulars of turnover, operating expenditure and operating surplus

Group	Turnover	Operating expenditure	Operating surplus	Operating surplus
	2019 £'000	2019 £'000	2019 £'000	2018 £'000
Affordable lettings (note 5a)	44,018	(32,776)	11,242	12,234
Impairment of housing properties (note 10a)	-	(1,076)	(1,076)	-
Other activities (note 6a)	1,846	(1,491)	355	286
Total 2019	<u>45,864</u>	<u>(35,343)</u>	<u>10,521</u>	
Total 2018	<u>46,041</u>	<u>(33,521)</u>		<u>12,520</u>
	=			

Company	Turnover	Operating expenditure	Operating surplus	Operating surplus
	2019 £'000	2019 £'000	2019 £'000	2018 £'000
Affordable lettings (note 5b)	44,018	(32,896)	11,122	12,229
Impairment of housing properties (note 10a)	-	(1,076)	(1,076)	-
Other activities (note 6b)	1,791	(1,379)	412	212
Total 2019	<u>45,809</u>	<u>(35,351)</u>	<u>10,458</u>	
Total 2018	<u>45,996</u>	<u>(33,555)</u>		<u>12,441</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5a. Particulars of turnover, operating expenditure and operating surplus or deficit from affordable letting activities

Group	General Needs Housing £'000	Supported Housing £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
Rents receivable net of service charges	40,339	1,551	463	42,353	40,321
Service charges	115	95	-	210	195
Gross income from rents and service charges	40,454	1,646	463	42,563	40,516
Less: voids	(616)	(42)	(106)	(764)	(635)
Net income from rents and service charges	39,838	1,604	357	41,799	39,881
Revenue grants from the Scottish Ministers	347	-	-	347	215
Other revenue grants	-	763	-	763	734
Grants released from deferred income	1,091	18	-	1,109	1,051
Total turnover from affordable letting activities	41,276	2,385	357	44,018	41,881
Management and maintenance administration costs	11,018	813	-	11,831	11,102
Service costs	131	61	-	192	202
Planned and cyclical maintenance including major repair costs	4,799	2	-	4,801	3,410
Reactive maintenance costs	7,015	206	40	7,261	6,759
Bad debts – rents and service charges	634	-	-	634	478
Depreciation of social housing	7,803	232	22	8,057	7,696
Operating expenditure for affordable letting activities	31,400	1,314	62	32,776	29,647
Operating surplus for affordable letting activities, 2019	9,876	1,071	295	11,242	
Operating surplus for affordable letting activities, 2018	10,930	990	314		12,234

Included in general needs housing activities is £568,521 (2018 - £554,755) of turnover in respect of mid-market units leased to tenants via our subsidiary, Novantie Limited.

Other income relates to income from garages and garage sites.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5b. Particulars of turnover, operating expenditure and operating surplus or deficit from affordable letting activities

Company	General Needs Housing £'000	Supported Housing £'000	Other £'000	Total 2019 £'000	Total 2018 £'000
Rents receivable net of service charges	40,339	1,551	463	42,353	40,316
Service charges	115	95	-	210	195
Gross income from rents and service charges	40,454	1,646	463	42,563	40,511
Less: voids	(616)	(42)	(106)	(764)	(635)
Net income from rents and service charges	39,838	1,604	357	41,799	39,876
Revenue grants from the Scottish Ministers	347	-	-	347	215
Other revenue grants	-	763	-	763	734
Grants released from deferred income	1,091	18	-	1,109	1,051
Total turnover from affordable letting activities	41,276	2,385	357	44,018	41,876
Management and maintenance administration costs	11,138	813	-	11,951	11,102
Service costs	131	61	-	192	202
Planned and cyclical maintenance including major repair costs	4,799	2	-	4,801	3,410
Reactive maintenance costs	7,015	206	40	7,261	6,759
Bad debts – rents and service charges	634	-	-	634	478
Depreciation of social housing	7,803	232	22	8,057	7,696
Operating expenditure for affordable letting activities	31,520	1,314	62	32,896	29,647
Operating surplus for affordable letting activities, 2019	9,756	1,071	295	11,122	
Operating surplus for affordable letting activities, 2018	10,925	990	314		12,229

Included in general needs housing activities is £568,521 (2018 - £554,755) of turnover in respect of mid-market units leased to tenants via our subsidiary, Novantie Limited.
Other income relates to income from garages and garage sites.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

6a. Particulars of turnover, operating expenditure and operating surplus or deficit from other activities – Group

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover £'000	Operating expenditure – bad debts £'000	Other operating expenditure £'000	2019 Operating surplus/ (deficit) £'000	2018 Operating surplus/ (deficit) £'000
Wider role	-	-	-	-	-	-	(6)	(102)	
Factoring	-	-	-	161	161	3	(276)	(112)	(100)
Development activities	-	-	-	-	-	-	(27)	(27)	-
Support activities	-	-	115	-	115	-	(245)	(130)	28
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services	-	-	-	74	74	-	(188)	(114)	(89)
Developments and improvements for sale to non- registered social landlords	-	-	-	667	667	-	(667)	-	(66)
Environmental grants	-	-	-	428	428	-	-	428	420
Commercial rent (Novantia Limited)	-	-	-	55	55	-	(85)	(30)	(19)
Other activities	-	-	-	346	346	-	-	346	214
Total from other activities 2019	-	-	115	1,731	1,846	3	(1,494)	355	
Total from other activities 2018	-	-	176	3,984	4,160	8	(3,882)		286

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

6b. Particulars of turnover, operating expenditure and operating surplus or deficit from other activities – Company

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total turnover	Operating expenditur e – bad debts	Other operating expenditure	2019 Operating surplus/ (deficit)	2018 Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wider role	-	-	-	-	-	-	(6)	(6)	(102)
Factoring	-	-	-	161	161	3	(276)	(112)	(100)
Development activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	115	-	115	-	(245)	(130)	(70)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services	-	-	-	74	74	-	(188)	(114)	(84)
Developments and improvements for sale to non- registered social landlords	-	-	-	667	667	-	(667)	-	(66)
Environmental grants	-	-	-	428	428	-	-	428	420
Other activities	-	-	-	346	346	-	-	346	214
Total from other activities 2019	-	-	115	1,676	1,791	3	(1,382)	412	
Total from other activities 2018	-	-	176	3,944	4,120	8	(3,916)		212

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

7. Operating surplus

Group	2019	2018
	£'000	£'000
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposal of components)	8,057	7,696
Depreciation of other fixed assets	109	54
Auditor's remuneration		
- In their capacity as auditor	35	31
- In respect of other services	2	3
	<u>8,103</u>	<u>7,784</u>
Company	2019	2018
	£'000	£'000
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposal of components)	8,057	7,696
Depreciation of other fixed assets	101	45
Auditor's remuneration		
- In their capacity as auditor	23	20
- In respect of other services	1	1
	<u>8,182</u>	<u>7,762</u>

8. Interest payable and similar charges

	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Loan interest payable in period	6,717	7,413	6,717	7,413
Amortisation of loan premium	(52)	-	(52)	-
Defined benefit pension liability – interest charge (Note 23a)	63	164	63	164
	<u>6,728</u>	<u>7,577</u>	<u>6,728</u>	<u>7,577</u>

9. 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 £18k current taxation less £nil deferred taxation credit (2018 - £19k current taxation, £6k deferred taxation credit) in the year.

DGHP 3 is subject to UK Corporation Tax and was charged £7k (2018 – £17k) in the year.

Deferred tax	Group	<i>Group</i>	Company	<i>Company</i>
	2019	<i>2018</i>	2019	<i>2018</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Deferred tax	118	125	-	-
	<u>118</u>	<u>125</u>	<u>-</u>	<u>-</u>

The deferred tax is in respect of the unrealised gain on investment properties within Novantie Limited.

As the Company's charitable activities are not subject to tax, no deferred tax asset has been recognised in respect of the fair value of the derivative financial liability (see note 17).

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

10a. Tangible fixed assets – Housing properties – Group

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross cost			
At 1 April 2018	13,278	259,705	272,983
Additions – properties	3,456	-	3,456
Additions – components	-	5,800	5,800
Disposals – properties	(781)	-	(781)
Disposals – components	-	(1,303)	(1,303)
Impairment	-	(1,076)	(1,076)
Transfers	(8,326)	8,326	-
	<u>7,627</u>	<u>271,452</u>	<u>279,079</u>
Depreciation			
At 1 April 2018	-	61,600	61,600
Charge for year	-	7,571	7,571
Disposals – properties	-	-	-
Disposals – components	-	(816)	(816)
	<u>-</u>	<u>68,355</u>	<u>68,355</u>
Net book value			
At 31 March 2019	<u>7,627</u>	<u>203,097</u>	<u>210,724</u>
At 31 March 2018	<u>13,278</u>	<u>198,105</u>	<u>211,383</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

10a. Tangible fixed assets – Housing properties – Company

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross cost			
At 1 April 2018	13,635	260,359	273,994
Additions – properties	3,523	-	3,523
Additions – components	-	5,800	5,800
Disposals – properties	(781)	-	(781)
Disposals – components	-	(1,303)	(1,303)
Impairment	-	(1,076)	(1,076)
Transfers	(8,493)	8,493	-
	<u>7,884</u>	<u>272,273</u>	<u>280,157</u>
Depreciation			
At 1 April 2018	-	61,610	61,610
Charge for year	-	7,570	7,570
Disposals – properties	-	-	-
Disposals - components	-	(816)	(816)
	<u>-</u>	<u>68,364</u>	<u>68,364</u>
Net book value			
At 31 March 2019	<u>7,884</u>	<u>203,909</u>	<u>211,793</u>
At 31 March 2018	<u>13,635</u>	<u>198,749</u>	<u>212,384</u>

None of the Company's properties are held under lease agreements. As detailed above, an impairment of the Company's housing stock of £1,076k (2018 - £nil) was identified during the year.

A valuation of 9,169 units of the housing stock secured to Dexia Credit Local London Branch was carried out as at 31 March 2019 for security purposes by Savills (L&P) Limited, which placed the value of the properties on an EUV-SH basis at £221m, 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.

Total cost of components capitalised for the year amounted to £5.8m (2018 - £5.7m). The amount spent on maintenance of housing properties held for letting is disclosed in Note 5.

Additions to Housing Properties during the year includes £nil capitalised interest (2018 - £nil) and £nil capitalised administration costs (2018 - £nil). All housing properties are freehold. Properties with a cost of £nil (2018 - £nil) and accumulated depreciation of £nil (2018 - £nil) have been disposed in the year. Components with a cost of £1,303k (2018 - £1,384k) and accumulated depreciation of £816k (2018 - £623k) were disposed of during the year.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

10a. Tangible fixed assets – Housing properties – Company (continued)

During the year the Company identified properties that were partially or fully impaired. 95 properties with depreciated cost of £766k have been impaired as they have no potential to generate future income. A further 34 properties have a depreciated cost in excess of their Value in Use for Social Purpose, by an aggregate of £310k. Thus an impairment charge of £1,076k (2018 - £nil) has been recognised in the Statement of Comprehensive Income.

10b. Tangible fixed assets – Other Fixed Assets – Group

	Office Property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 April 2018	390	2,948	3,338
Additions	-	609	609
Disposals	-	(150)	(150)
	<u>390</u>	<u>3,407</u>	<u>3,797</u>
At 31 March 2019	<u>390</u>	<u>3,407</u>	<u>3,797</u>
Depreciation			
At 1 April 2018	56	2,905	2,961
Charge for year	5	104	109
Disposals	-	(150)	(150)
	<u>61</u>	<u>2,859</u>	<u>2,920</u>
At 31 March 2019	<u>61</u>	<u>2,859</u>	<u>2,920</u>
Net book value			
At 31 March 2019	<u>329</u>	<u>548</u>	<u>877</u>
At 31 March 2018	<u>334</u>	<u>43</u>	<u>377</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

10b. Tangible fixed assets – Other Fixed Assets – Company

	Office Property £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 April 2018	390	2,884	3,274
Additions	-	608	608
Disposals	-	(150)	(150)
At 31 March 2019	<u>390</u>	<u>3,342</u>	<u>3,732</u>
Depreciation			
At 1 April 2018	56	2,859	2,915
Charge for the year	5	96	101
Disposals	-	(150)	(150)
At 31 March 2019	<u>61</u>	<u>2,805</u>	<u>2,866</u>
Net book value			
At 31 March 2019	<u>329</u>	<u>537</u>	<u>866</u>
At 31 March 2018	<u>334</u>	<u>25</u>	<u>359</u>

11. Investment properties

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Property held at valuation	<u>595</u>	<u>595</u>	<u>-</u>	<u>-</u>

Novantie Limited owns 16 shops which are held to generate rental income. These properties are stated at valuation and these valuation were made by M.R. Rodgers and Partners on 31 May 2016, on an open market value for existing use basis. These are still considered appropriate.

12. Investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Investment in subsidiary companies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Dumfries and Galloway Housing Partnership Limited owns 2 ordinary shares of £1 each in Novantie Limited, representing a 100% shareholding. Novantie Limited's principal activity is management of commercial property. At 31 March 2019, the capital and reserves of Novantie Limited were £791k (2018 - £719k), with a profit after taxation for the period of £72k (2018 - £82k).

Dumfries and Galloway Housing Partnership Limited owns 2 ordinary shares of £1 each in DGHP 3 Limited, representing a 100% shareholding. DGHP 3 Limited's principal activity is to perform design and build contracts. At 31 March 2019, the capital and reserves of DGHP 3 Limited were £811k (2018 - £780k), with a profit after taxation for the period of £30k (2018 - £71k).

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

13. Work in progress

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Properties held for sale	2,226	2,776	2,226	2,776
	<u>2,226</u>	<u>2,776</u>	<u>2,226</u>	<u>2,776</u>

14. Debtors

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Rent arrears	2,337	2,196	2,296	2,175
Less: provision for bad debts	(1,134)	(993)	(1,131)	(993)
	<u>1,203</u>	<u>1,203</u>	<u>1,165</u>	<u>1,182</u>
Prepayments and accrued income	602	421	602	421
Amounts owed by group companies	-	-	136	164
Other debtors	713	2,065	693	1,919
	<u>2,518</u>	<u>3,689</u>	<u>2,596</u>	<u>3,686</u>

15a. Current asset investments

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Deposit accounts (< 3 months)	<u>39,595</u>	<u>31,598</u>	<u>39,595</u>	<u>31,598</u>

15b. Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Current accounts	<u>15,356</u>	<u>10,493</u>	<u>13,959</u>	<u>9,550</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

16. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade creditors	2,379	2,005	2,350	1,092
Other tax and social security	148	178	148	157
Accruals and deferred income	1,508	259	632	259
Rent in advance	467	393	467	393
Amounts owed to group companies	-	-	802	982
Corporation tax creditor	26	36	-	-
Other creditors	3,290	2,520	3,171	2,525
NSSE grant	940	1,153	940	1,153
Deferred capital grant (note 18)	834	1,088	833	1,088
	<u>9,592</u>	<u>7,632</u>	<u>9,343</u>	<u>7,649</u>

Included within group accruals is £500,000 in respect of the estimated final costs of a completed development. The final certificate has still to be invoiced following which the final payment will be negotiated and the accrual represents the best estimate of the costs that will be incurred by the Group.

17. Creditors: amounts falling due after one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Loans	167,322	163,234	167,322	163,234
Deferred capital grant (note 18)	72,555	72,843	72,537	72,824
	<u>239,877</u>	<u>236,077</u>	<u>239,859</u>	<u>236,058</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 1.69% to 5.35% (2018 - 1.45% to 5.46%). Included in the loan value above is the fair value of the swap held by Dexia of £1,083K (2018: £1,943k) with the fair value movement recognised in the SOCI of £860k (2018: £934K).

The loan is repayable in instalments due as follows:

	2019 £'000	2018 £'000
Within 2-5 years	12,000	-
In five or more years	98,000	110,000
	<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 Statement of Financial Position date stood at £1.239m (2018 - £1.292m).

The company has borrowed £15m from Allia Ltd (2018 - £10m) under ten year fixed rate loan agreements which form part of the Scottish Government Charity Bonds programme. The loans are unsecured. £5m of principal is repayable in December 2026, £5m in March 2028 and £5m in February 2029. Interest accrues at 2.81% - 3.81% per year and is payable on maturity.

The net book value of housing properties secured at the year-end was £210,724k (2018 - £211,383k).

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Deferred capital grants

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Total				
At 1 April 2018	73,931	72,318	73,912	72,297
Grant received	1,306	2,664	1,306	2,666
Grant released	(1,109)	(1,051)	(1,109)	(1,051)
Grant repaid	(739)	-	(739)	-
At 31 March 2019	<u>73,389</u>	<u>73,931</u>	<u>73,370</u>	<u>73,912</u>
	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Projected amortisation of grant				
Amount to be released in one year	834	1,088	833	1,088
Amount to be released in more than one year	<u>72,555</u>	<u>72,843</u>	<u>72,537</u>	<u>72,824</u>
	<u>73,389</u>	<u>73,931</u>	<u>73,370</u>	<u>73,912</u>
	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Housing Association Grant				
At 1 April 2018	73,637	71,983	73,637	71,982
Grant received	1,306	2,658	1,306	2,658
Grant released	(1,070)	(1,004)	(1,070)	(1,003)
Grant repaid	(739)	-	(739)	-
At 31 March 2019	<u>73,134</u>	<u>73,637</u>	<u>73,134</u>	<u>73,637</u>
Projected amortisation of grant				
Amount to be released in one year	819	1,054	819	1,053
Amount to be released in more than one year	<u>72,315</u>	<u>72,583</u>	<u>72,315</u>	<u>72,584</u>
	<u>73,134</u>	<u>73,637</u>	<u>73,134</u>	<u>73,637</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Deferred capital grants (continued)

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Other Grants				
At 1 April 2018	294	335	275	315
Grant received	-	6	-	8
Grant released	(39)	(47)	(39)	(48)
	<u>255</u>	<u>294</u>	<u>236</u>	<u>275</u>
Projected amortisation of grant				
	15	34	14	35
Amount to be released in one year				
Amount to be released in more than one year	240	260	222	240
	<u>255</u>	<u>294</u>	<u>236</u>	<u>275</u>

19. Employees

	Group and Company 2019 £'000	Group and Company 2018 £'000
Staff costs during year		
Wages and salaries	6,215	5,837
Social security costs	615	600
Pension costs	880	843
Defined benefit pension charge – staff service costs	255	341
	<u>7,965</u>	<u>7,621</u>
The average full time equivalent number of persons employed during the year was as follows:-		
	No	No
Housing and Customer Services	138	137
Administration and Support Services	52	50
Total	<u>190</u>	<u>187</u>

The Directors are defined as the members of the Board, the Interim Chief Executive and any other person reporting directly to the Interim Chief Executive or the Board. No member of the Board received any emoluments in respect of their services to the Company or the subsidiary companies.

The Group considers key management personnel to be the Board and the senior management team of the Group as detailed on the first page of the financial statements under Executive Management Team.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

19. Employees (continued)

Key Management personnel emoluments

	2019 £'000	2018 £'000
Wages and salaries	325	330
Social security costs	38	47
Pension costs	52	57
Payments made to agencies for interim key management	257	115
	<u>672</u>	<u>549</u>

All the Directors' emoluments were paid through the parent company.

	2019 £'000	2018 £'000
Emoluments payable to the former Chief Executive		
Wages and salaries	99	116
Compensation for loss of office	30	-
Pension costs	21	26
	<u>150</u>	<u>142</u>

Emoluments payable to the Interim Chief Executive

Payments made to an agency for the Interim Chief Executive	<u>143</u>	<u>-</u>
------------------------------------------------------------	------------	----------

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

	No:	No:
£60,001 - £70,000	-	-
£70,001 - £80,000	-	-
£80,001 - £90,000	-	-
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-

The number of other staff, who received emoluments (excluding pension contributions) in the following ranges were:-

	2019 No:	2018 No:
£60,001 - £70,000	3	3

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
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19. Employees (continued)

Total emoluments paid to other staff whose emoluments (excluding pension contributions) exceeded £60,000 were as follows:

	2019	<i>2018</i>
	£'000	<i>£'000</i>
Wages and salaries	193	<i>193</i>
Social security costs	23	<i>22</i>
Pension costs	37	<i>34</i>
	253	<i>249</i>

Total Board Members' expenses reimbursed insofar as not chargeable to UK income tax

	2019	<i>2018</i>
	£'000	<i>£'000</i>
	11	<i>12</i>

20. Big Lottery

During the year, the Company received £87,120 (2018 - £84,535) 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. Group Statement of Cash Flows

	2019 £'000	<i>Restated</i> 2018 £'000
Surplus for the year	4,909	6,041
<u>Adjustment for non-cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	8,167	8,056
Release of deferred Government capital grants	(1,109)	(1,051)
Impairment of housing properties	1,076	-
Carrying amount of tangible fixed asset disposals	781	-
Decrease in work in progress	550	2,962
Decrease in debtors	1,171	627
Increase/(decrease) in creditors	2,224	(3,148)
Interest charge in respect of the defined benefit pension liability	63	164
Staff service costs in respect of the defined benefit pension liability	255	341
Corporation tax charge	25	30
Deferred tax movement	(7)	-
Loss on disposal of other fixed assets	-	3
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(715)	-
Interest payable	6,717	7,413
Amortisation of loan premium	(52)	-
Interest receivable	(281)	(194)
Movement in fair value of financial instruments	(860)	(934)
Net cash inflow from operating activities	<u>22,914</u>	<u>20,310</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	4,863	(62)
Movement in current asset investments	7,997	9,518
Loans received	(5,000)	(5,000)
Loan repayments	-	-
Amortisation of loan premium	52	-
Movement in fair value of derivative	860	934
Change in net debt	<u>8,772</u>	<u>5,390</u>
Net debt as at 1 April 2018	<u>(121,143)</u>	<u>(126,533)</u>
Net debt as at 31 March 2019	<u>(112,371)</u>	<u>(121,143)</u>

Analysis of changes in net debt	Restated At 1 April 2018 £	Cash Flow £	Other Items £	At 31 March 2019 £
	Cash at bank and in hand			10,493
Current asset investments	31,598	-	7,997	39,595
Debt due within one year	-	-	-	-
Debt due after one year	(163,234)	(5,000)	912	(167,322)
	<u>(121,143)</u>	<u>7,860</u>	<u>912</u>	<u>(112,371)</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

22. Company Statement of Cash Flows

	2019 £'000	<i>Restated</i> 2018 £'000
Surplus for the year	4,869	5,992
<u>Adjustment for non-cash items</u>		
Depreciation of tangible fixed assets including loss on disposal of components	8,158	8,051
Release of deferred Government capital grants	(1,109)	(1,051)
Impairment of housing properties	1,076	-
Carrying amount of tangible fixed asset disposals	781	-
Decrease in work in progress	550	2,962
Decrease in debtors	1,090	741
Increase/(decrease) in creditors	1,949	(3,099)
Interest charge in respect of the defined benefit pension liability	63	164
Staff service costs in respect of the defined benefit pension liability	255	341
Loss on disposal of other fixed assets	-	3
<u>Adjustments for investing or financing activities</u>		
Net proceeds from sale of tangible fixed assets	(715)	-
Interest payable	6,717	7,413
Amortisation of loan premium	(52)	-
Interest receivable	(279)	(194)
Movement in fair value of financial instruments	(860)	(934)
Net cash inflow from operating activities	<u>22,493</u>	<u>20,389</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash for the year	4,409	(31)
Movement in current asset investments	7,997	9,518
Loans received	(5,000)	(5,000)
Loan repayments	-	-
Amortisation of loan premium	52	-
Movement in fair value of derivative	860	934
Change in net debt	<u>8,318</u>	<u>5,421</u>
Net debt as at 1 April 2018	<u>(122,086)</u>	<u>(127,507)</u>
Net debt as at 31 March 2019	<u>(113,768)</u>	<u>(122,086)</u>

Analysis of changes in net debt	Restated At 1 April 2018 £	Cash Flow £	Other Items £	At 31 March 2019 £
	Cash at bank and in hand			9,550
Current asset investments	31,598	-	7,997	39,595
Debt due within one year	-	-	-	-
Debt due after one year	(163,234)	(5,000)	912	(167,322)
	<u>(122,086)</u>	<u>7,406</u>	<u>912</u>	<u>(113,768)</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

23a. 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 Statement of Comprehensive Income represent the contributions payable by the Company in the year.

At 31 March 2019, £nil was due to be paid over to the defined contribution pension scheme (2018 - £nil).

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 2018/19, the employer's contribution was 24.5% of pensionable salary (2017/18 - 22.8%). 56 members of staff are members of the Scheme.

The main financial assumptions used by the Council's Actuary, Hymans Robertson in their FRS 102 calculations are as follows:

Actuarial assumptions as at	31 March 2019	31 March 2018
Pension increase rate	2.50%	2.40%
Salary increase rate	3.30%	3.20%
Discount rate	2.40%	2.70%

Mortality

Life expectancy for both current and future pensioners is based on the Fund's VitaCurves with improvements in line with the CMI 2016 model with an allowance for smoothing of recent mortality experience and long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	21.8 years	24.3 years
Future Pensioners	23.0 years	26.2 years

	Value at 31 March 2019 £'000	Value at 31 March 2018 £'000
Present value of funded obligations	(18,421)	(15,911)
Fair value of plan assets	14,678	13,706
Net pension liability	<u>(3,743)</u>	<u>(2,205)</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

23a. Pension Funds (continued)

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

Reconciliation of defined benefit obligation	As at 31 March 2019 £'000	<i>As at 31 March 2018 £'000</i>
Opening defined benefit obligation	15,911	21,171
Current service cost	732	807
Past service cost	-	16
Member contributions	126	134
Interest cost	438	560
Actuarial losses/(gains)	1,405	(6,589)
Benefits paid	(191)	(188)
Closing defined benefit obligation	18,421	15,911

Reconciliation of fair value of employer assets	As at 31 March 2019 £'000	<i>As at 31 March 2018 £'000</i>
Opening fair value of employer assets	13,706	15,019
Expected return	375	396
Actuarial gains/(losses)	185	(2,137)
Contributions by employer	477	482
Contributions by members	126	134
Benefits paid	(191)	(188)
Closing fair value of employer assets	14,678	13,706

Analysis of amounts included in Statement of Comprehensive Income	2019 £'000	<i>2018 £'000</i>
Expected return on pension scheme assets	375	396
Interest on pension scheme liabilities	(438)	(560)
	(63)	<i>(164)</i>
Current service cost	732	807
Past service cost	-	16
Contributions by employer	(477)	(482)
Total operating charge	255	<i>341</i>

Analysis of amounts recognised in Other Comprehensive Income:	2019 £'000	<i>2018 £'000</i>
Actuarial (loss)/gain	(1,220)	4,452

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

23a. Pension Funds (continued)

The expected Employer's contributions for the year to 31 March 2020 will be approximately £449k.

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

	2019	2018
Equities	76%	75%
Bonds	15%	15%
Property	9%	10%
Other	0%	0%
	100%	100%
	100%	100%

23b. Contingent liability – Dumfries & Galloway Council Pension Fund

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for the Association in respect of the Dumfries & Galloway Council Pension Fund is currently uncertain and the scheme actuaries will perform the calculation in 2019/20 and therefore no allowance has been made for the effects of the GMP equalisation within the pension liability recognised in respect of the Dumfries & Galloway Council Pension Fund.

24. Reserves

Revenue reserve

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

Other reserve

Included in this reserve is the unrealised gain on the revaluation of the investment properties less the deferred tax position in respect of the unrealised gain.

25. Commitments – Group and Company

	2019 £'000	2018 £'000
Contracted for but not provided in these accounts	21,803	17,347
Approved by the Board but not contracted for	16,068	48,463
	16,068	48,463

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

25. Commitments – Group and Company (continued)

The commitments include costs for long term contracts for major repairs. The Board has also approved but not contracted for contracts for the acquisition and construction of new housing developments.

These commitments will be financed by private finance arranged by DGHP and secured on specific properties, which is already in place.

26. Housing Stock

The number of units in management at 31 March 2019 was as follows:

	Group 2019 £'000	<i>Group 2018 £'000</i>	Company 2019 £'000	<i>Company 2018 £'000</i>
General Needs	10,036	9,994	10,036	9,994
Supported Housing	303	303	303	303
	<u>10,339</u>	<u>10,297</u>	<u>10,339</u>	<u>10,297</u>

All housing units are owned and managed by the Group.

27. Related Parties

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with Group companies on the basis that these financial statements also include the consolidated results.

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. The total rent and service charge receivable in the year relating to tenant Board members and their immediate family is £66,500 (2018 - £71,642). The total rent and service charge arrears relating to tenant Board members and their immediate family included within debtors at the year-end is £799 (2018 - £1,380). The total rent and service charge prepaid relating to tenant Board members included within creditors at the year-end is £932 (2018 - £929).

28. Operating lease commitments

At 31 March 2019 the Group and Company had total commitments under non-cancellable operating leases as set out below:

Land and buildings	2019 £'000	<i>2018 £'000</i>
Within one year	376	381
Within two to five years	288	515
After more than five years	13	15
	<u>677</u>	<u>911</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

29. Financial Instruments

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

Group	2019 £'000	<i>Restated</i> 2018 £'000
Financial Assets		
Current asset investments	39,595	31,598
Cash and cash equivalents	15,356	10,493
Financial assets measured at amortised cost	1,916	3,258
	<u>56,867</u>	<u>45,349</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	173,379	166,053
Financial liabilities measured at fair value through SOCI	1,083	1,943
	<u>174,462</u>	<u>167,996</u>
Company	2019 £'000	<i>Restated</i> 2018 £'000
Financial Assets		
Current asset investments	39,595	31,598
Cash and cash equivalents	13,959	9,550
Financial assets measured at amortised cost	2,011	3,264
	<u>55,565</u>	<u>44,412</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	173,174	166,123
Financial liabilities measured at fair value through SOCI	1,083	1,943
	<u>174,257</u>	<u>168,066</u>

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

	2019 £'000	<i>Restated</i> 2018 £'000
Net gains/(losses) including changes in fair value		
Financial liabilities measured at fair value	<u>860</u>	<u>934</u>

Financial assets measured at amortised cost comprised rental arrears, other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprised trade creditors, amounts owed to group undertakings, other creditors, accruals and bank loans.

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

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

30. 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.

31. Post balance sheet event

In July 2019, DGHP announced that it is seeking to enter a constitutional partnership with the Wheatley Housing Group Limited.

32. Prior year adjustments

The fair value of the swap the Group and Company has with Dexia was not correctly stated in prior years and this has been corrected via a prior year adjustment.

	Group 1 April 2017	Group 31 March 2018	Company 1 April 2017	Company 31 March 2018
	£'000	£'000	£'000	£'000
Total reserves as previously stated	6,061	16,683	5,679	16,252
PY adjustment @ 1 April 2017	(1,682)	(1,682)	(1,682)	(1,682)
PY adjustment in 2017/18	-	(129)	-	(129)
Total reserves as restated	<u>4,379</u>	<u>14,872</u>	<u>3,997</u>	<u>14,441</u>

	Group Year ended 31 March 2018 £'000	Company Year ended 31 March 2018 £'000
Total comprehensive income as previously stated	10,622	10,573
PY adjustment in 2017/18	(129)	(129)
Total comprehensive income restated	<u>10,493</u>	<u>10,444</u>

	Group Year ended 31 March 2018 £'000	Company Year ended 31 March 2018 £'000
Surplus as previously stated	6,170	6,121
PY adjustment in 2017/18	(129)	(129)
Surplus restated	<u>6,041</u>	<u>5,992</u>

In addition to this, in the prior year the other reserve which is the cumulative unrealised gain on investment properties less the deferred tax liability in respect of this unrealised gain was recorded as £595,000 when it should have been £477,000 as the impact of the deferred tax liability had not been recognised within the other reserve. This has been corrected within these financial statements. The difference of £118,000 was credited to the revenue reserve. Thus this prior year adjustment did not amend the previously stated total reserves, total comprehensive income or surplus.