

**Dunbritton Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2015**

**Registered Housing Association No. HAL260**

**FCA Reference No. 2421R(S)**

**Scottish Charity No. SC036518**

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## CONTENTS

	<b>Page</b>
MEMBERS OF THE BOARD OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE BOARD OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	8
REPORT OF THE AUDITORS	9
INCOME AND EXPENDITURE ACCOUNT	11
BALANCE SHEET	12
CASH FLOW STATEMENT	13
NOTES TO THE FINANCIAL STATEMENTS	14

DUNBRITTON HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2015

**BOARD OF MANAGEMENT**

Sephton MacQuire	Chairperson
Alistair Tuach	Vice Chairperson
Sonja Aitken	Secretary
John O'Connor	Treasurer
Lillian Kennedy MBE	(Deceased)
Councillor Gary Mulvaney	Co-optee
Eamonn Hughes	Resigned 17/09/2014
Fiona Murphy	Resigned 17/09/2014
Garry Smith	Resigned 17/09/2014
Emma Jardine	Resigned 17/09/2014
Ken Baker	Co-opted 08/04/2015
Anthony Davey	
Terence Smalls	
Michael Appleton	
Anna Hemphill	
Councillor Thomas Rainey	Co-optee
Dean Walker	

**EXECUTIVE OFFICERS**

Morven Short	Director
Allan Murphy	Customer Services Manager
Callum Smith	Asset Manager

**REGISTERED OFFICE**

1st Floor  
32 High Street  
Dumbarton  
G82 1LL

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Bank of Scotland  
94/104 High Street  
Dumbarton  
G82 1PQ

**SOLICITORS**

Harper McLeod  
Ca'd'oro Building  
45 Gordon Street  
Glasgow  
G1 3PE

**FINANCE AGENTS**

FMD Financial Services Limited  
Unit 29, Ladyloan Place  
Drumchapel  
G15 8LB

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2015.

**Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2421R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036518.

**Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

**Review of Business and Future Developments**

We concluded 2014/15 with a healthy balance sheet and, having carried out a robust review of our long term financial projections, remain confident in our plans and projections for a healthy future despite challenges that are facing us as a registered social landlord and employer. Our projections demonstrate, subject to continued control, a positive financial outlook over the short, medium and long term with no material issues or concerns with the assumptions employed or the overall conclusion regarding the positive projected financial position of the Association.

The Association generated a surplus of £251,510 in the financial year and a 8% increase in net assets which now total £3.36 million.

We have a 3 year rolling Business Planning system, including our Internal Management Plan, Risk Register and Asset Management, Development, Wider Role and Customer Participation Strategies. Our strategic objectives and risks are backed by clear operational actions aimed at delivering on our Vision & Purpose.

**Our Vision**

'Dunbritton Housing Association's Vision for our area is a thriving, diverse, healthy and safe community with amenities that enhance quality of life.'

**Our Purpose**

**Dunbritton Housing Association's Purpose is to:**

- Support out tenants to sustain their tenancies and have a better quality of life
- Work with our customers, staff and partners to achieve our Vision
- Provide good quality housing and services that are affordable and accessible to all
- Support the physical, social, economic and environmental regeneration of our estates and the communities in our area
- Enhance quality of life in diverse communities that are safe, sustainable and attractive

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

Some key outcomes this financial year, based on our stated Purpose, included:

1. Providing and planning for more good quality homes for rent

We completed our Hermitage Academy development, delivering 51 much needs houses and flats in Helensburgh and made a start on another development in Helensburgh which will deliver 24 flats by the spring of 2016. Projects that we have been working on to make start on site during 2015/16 include 6 flats in Central Alexandria and 26 houses in Succoth, Arrochar.

2. Providing good quality homes and services

At 31st March 2015, we owned 788 homes and managed 64 shared ownership properties. Of our own properties, we have 16 properties which we term 'supported' accommodation, whether individual or multiple occupancy tenancies where a range of agencies provide support (e.g. for disabled people or Women's Aid). In addition, we provide a factoring service to 337 home owners and provide a rent management and repairs service to the Scottish Veterans Garden City Association for the 8 properties they own in Alexandria and Dumbarton.

Our Satisfaction Surveys, carried out on a quarterly basis, continued to demonstrate good results, albeit with room for improvement, with an overall satisfaction level of 87.6% (162 out of 185 tenants surveyed) which compares with 92.4% in 2013/14. We recognise there is room for improvement, hence the re-organisation that took place during the year with a clear remit for greater customer focus.

3. Working to sustain tenancies in a challenging economic climate

As at 31st March 2015, our gross arrears were 5.1%. This compares with 5.6% in the previous financial year.

With Welfare Reform changes in progress and more to come, we continue to analyse the changes that would impact on our business and our tenants and shared owners. This includes managing and updating an action plan to deal with the reforms; working with welfare advice providers, credit unions and citizens advice as well as maintaining contact with tenants who are most likely to be affected to discuss their support needs and requirements.

Along with neighbouring RSLs in Argyll & Bute and West Dunbartonshire, we were successful in getting Big Lottery Funding for projects which will assist in providing additional support and advice to our tenants and other residents in our area of operation as they come to terms with welfare reform changes. This includes a 'Crisis Intervention' officer covering our communities in Argyll and dedicated welfare rights support from CAB as well as development of Credit Union services in West Dunbartonshire. We have received People & Communities Fund grant approval to enable both projects to continue to March 2016.

As part of our own internal structure review, we have created a new post which has a primary focus on dealing with arrears management and our Housing Officers will be spending more time out visiting tenants in their own homes with a view to helping them to address the challenges they face in managing and sustaining their own tenancies.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

4. Supporting physical, social and economic community needs and working in partnership with others

We continue to pursue an active programme of 'wider role' projects. As well as those described in the previous section we also were involved in:

'Growing our Own': During 2014/15, with funding support in excess of £96k, we continued to support the Argyll & Bute Employability Team deliver a range of training and employment projects, benefitting Dunbritton in terms of environmental improvement works across our estates as well as securing work experience and job opportunities for 14 previously unemployed people. In addition, the Modern Apprentice we had taken on through this project secured a permanent job in Dunbritton as part of our structure review. We now intend taking on 2 Modern Apprentices during 2015/16.

'Moving On': Our partnership with Dumbarton & District Women's Aid continued as funding support exceeding £16k helped with a project to build confidence and employability of women in or having just left the Women's Refuge in Haldane, Balloch.

We assisted the Succoth & Arrochar communities in exploring means of enhancing play and sports facilities in the area, in partnership with Argyll & Bute Council and the National Park and Community Links Scotland completed a feasibility study for the Community Council.

5. Focussing on our Customers

In our Business Plan we said we would Focus on our Customers.

We commissioned a Review of the Association to assist in fulfilling the following desired outcomes and future benefits:

- Design an organisation that is able to fulfil its vision & purpose with the capacity to respond to external challenges of welfare reform, governance expectations, financial & other strategic risks, etc., as well as the less visible challenges around staff health & welfare.
- Reinforce our commitment to existing and future customers through effective front line service delivery.
- Clarity in our future direction - consolidation, growth, or a combination of both.
- Propose a staff structure that is fit for purpose.
- Propose staff roles that are clear and empower staff to fulfil their functions.
- Sufficient organisation capacity to enable responsive and proactive service delivery.
- Assist us to identify what we do well and what we can do better.
- Assist in improving/embedding the Association's culture in all aspects of the work that we do and the way we all serve the Association (staff & committee).

This review was completed in March 2014, with a new staff structure approved by Committee in May 2014 and the recruitment and implementation of this was completed in November 2014.

We are confident that the outcome of our reorganisation is already resulting in better customer services. We will be reporting on the outcomes during the course of 2015/16, having set ourselves a position statement that we will reach by March 2016.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

6. Taking a robust approach to Risk Management, Governance & Internal Control

Whilst we continue to develop more homes we continue on 'medium engagement' with the Scottish Housing Regulator. The Regulator is satisfied with our governance arrangements, finances, Business Planning and long term projections. They consider in particular that our long term projections have a good range of sensitivity analyses; however, they have suggested that we should do some further sensitivity analyses around our development plans. Whilst having no concerns about us continuing to have development ambitions, they have asked us during the course of 2015 to do more 'stress-testing' of our finances to include additional notional new housing developments to see how far we can go without putting our finances through undue stress.

In accordance with the Regulatory Standards, we completed a comprehensive appraisal of our Management Committee and individuals on the Committee, producing a Training Needs Analysis for delivery during 2015/16. We have introduced a system of review for those who have served more than 9 years on the Committee and we continue regularly to review our own Regulatory Standards Action Plan.

Our Committee's standards of governance and financial controls demonstrate we are a competent and viable organisation that has a strong asset base. Our Internal Audit reviews, carried out during the course of the year by TIAA Ltd., have continued to result in substantial or reasonable assurance assessments in respect of the effectiveness of the Association's internal controls and approach to risk management. Our external audit has also confirmed confidence in our control processes and no issues have been raised by way of a Management Letter from our external Auditors.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

**Board of Management and Executive Officers**

The members of the Board of Management and the Executive Officers are listed on Page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

The members of the Board of Management are also Trustees of the Charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

**Statement of Board of Management's Responsibilities**

The Co-operative & Community Benefit Societies Act 2014 requires the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.



REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

**Statement on Internal Financial Control**

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- suitably qualified and experienced financial consultants are employed to support staff as required;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

**By order of the Board of Management**

SONJA AITKEN  
Secretary  
12 August 2015



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REPORT BY THE AUDITORS TO THE MEMBERS  
DUNBRITTON HOUSING ASSOCIATION LIMITED  
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on Page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
12 August 2015

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNBRITTON HOUSING ASSOCIATION LIMITED**

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We have audited the financial statements of Dunbritton Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Board of Management and Auditors**

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

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

### **Scope of the audit on the Financial Statements**

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

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
DUNBRITTON HOUSING ASSOCIATION LIMITED**

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**Matters on which we are required to report by exception (contd.)**

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
12 August 2015

## DUNBRITTON HOUSING ASSOCIATION LIMITED

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### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	5,845,408	3,051,575
Operating Costs	2.	<u>(5,268,678)</u>	<u>(2,204,755)</u>
OPERATING SURPLUS	9.	576,730	846,820
Gain On Sale Of Housing Stock	7.	-	3,205
Interest Receivable and Other Income		12,329	16,807
Interest Payable and Similar Charges	8.	<u>(337,549)</u>	<u>(308,494)</u>
		(325,220)	(288,482)
<b>SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR</b>		<u>251,510</u>	<u>558,338</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses & deficits are identical to those shown in the accounts.

The notes on pages 14 to 30 form an integral part of the financial statements.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## BALANCE SHEET AS AT 31st MARCH 2015

	Notes	2015		2014	
		£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Depreciated Cost	11.(a)		64,423,628		64,711,831
Less: Social Housing Grant	11.(a)		(46,612,793)		(45,942,711)
: Other Public Grants	11.(a)		(1,947,753)		(4,374,331)
			<u>15,863,082</u>		<u>14,394,789</u>
Other fixed assets	11.(b)		12,723		5,294
			<u>15,875,805</u>		<u>14,400,083</u>
<b>FIXED ASSET INVESTMENTS</b>					
Investment in subsidiaries	22.		2		2
Shared Equity Cost	22.	288,446		288,446	
Shared Equity Grant	22.	(288,446)		(288,446)	
			<u>-</u>		<u>-</u>
<b>CURRENT ASSETS</b>					
Debtors	14.	985,881		706,139	
Investments	23.	1,000,000		750,274	
Cash at bank and in hand		673,325		993,515	
		<u>2,659,206</u>		<u>2,449,928</u>	
<b>CREDITORS: Amounts falling due within one year</b>	15.	<u>(2,340,978)</u>		<u>(2,232,897)</u>	
<b>NET CURRENT ASSETS</b>			<u>318,228</u>		<u>217,031</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>16,194,035</u>		<u>14,617,116</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16.	<u>(12,836,425)</u>		<u>(11,511,014)</u>	
<b>NET ASSETS</b>			<u>3,357,610</u>		<u>3,106,102</u>
<b>CAPITAL AND RESERVES</b>					
Share Capital	18.		64		66
Designated Reserves	19.(a)		994,038		994,038
Revenue Reserves	19.(b)		2,363,508		2,111,998
			<u>3,357,610</u>		<u>3,106,102</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 12 August 2015.

Chairperson



Vice-Chairperson



Secretary



The notes on pages 14 to 30 form an integral part of these financial statements.

DUNBRITTON HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2015

	Notes	2015	2014
		£	£
<b>Net Cash Inflow from Operating Activities</b>	17.	757,603	2,083,697
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	14,097	4,069	
Interest Paid	(362,327)	(308,494)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(348,230)	(304,425)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties	(2,438,578)	(8,292,583)	
Purchase of Other Fixed Assets	(13,230)	(1,223)	
Social Housing Grant Received	646,550	3,329,976	
Other Grants Received	-	2,872,142	
Proceeds on Disposal of Properties	-	57,038	
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(1,805,258)	(2,034,650)
<b>Net Cash Outflow before use of Liquid Resources and Financing</b>		(1,395,885)	(255,378)
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		(249,726)	(250,274)
<b>Financing</b>			
Loan Advances Received	2,200,000	-	
Loan Principal Repayments	(874,589)	(874,588)	
Share Capital Issued	9	13	
<b>Net Cash Inflow / (Outflow) from Financing</b>		1,325,420	(874,575)
<b>Decrease in Cash</b>	17.	(320,191)	(1,380,227)

The notes on pages 14 to 30 form an integral part of these financial statements.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

##### **Basis Of Consolidation**

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for Dunbritton Housing Association Limited present information about it as an individual undertaking and not about its Group.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Retirement Benefits**

The Association participates in the Scottish Housing Association Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

##### **Valuation Of Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Windows	30 years
Kitchens	16 years
Bathrooms	30 years
Central Heating	36 years
Boilers	18 years
Rewiring	40 years
Internal doors	35 years



# DUNBRITTON HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Furniture and Fittings	25%
Computer equipment	25%
Office Equipment	25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

##### **Social Housing Grant And Other Grants In Advance/Arrears**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

##### **Sales Of Housing Properties**

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

##### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Development Interest**

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

##### **Designated Reserves**

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

##### **Property Development Cost**

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,246,036	2,596,726	649,310	2,941,427	2,000,248	941,179
Other Activities	4.	2,599,372	2,671,952	(72,580)	110,148	204,507	(94,359)
<b>Total</b>		<b>5,845,408</b>	<b>5,268,678</b>	<b>576,730</b>	<b>3,051,575</b>	<b>2,204,755</b>	<b>846,820</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2015 Total £	2014 Total £
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	2,784,141	228,130	149,469	3,161,740	2,884,561
Service Charges Receivable	65,032	8,557	12,913	86,502	57,486
<b>Gross Rents Receivable</b>	<b>2,849,173</b>	<b>236,687</b>	<b>162,382</b>	<b>3,248,242</b>	<b>2,942,047</b>
Less: Rent losses from voids	2,206	-	-	2,206	620
<b>Net Rents Receivable</b>	<b>2,846,967</b>	<b>236,687</b>	<b>162,382</b>	<b>3,246,036</b>	<b>2,941,427</b>
<b>Total Income From Social Letting</b>	<b>2,846,967</b>	<b>236,687</b>	<b>162,382</b>	<b>3,246,036</b>	<b>2,941,427</b>
<b>Expenditure on Social Letting Activities</b>					
Service Costs	65,032	8,557	12,913	86,502	86,174
Management and maintenance administration costs	1,184,415	93,156	53,232	1,330,803	1,031,940
Reactive Maintenance	325,862	14,205	-	340,067	312,406
Bad Debts - Rents and Service Charges	798	-	-	798	15,562
Planned and Cyclical Maintenance, including Major Repairs	350,980	18,372	-	369,352	198,563
Depreciation of Social Housing	428,023	32,844	8,337	469,204	355,603
<b>Operating Costs of Social Letting</b>	<b>2,355,110</b>	<b>167,134</b>	<b>74,482</b>	<b>2,596,726</b>	<b>2,000,248</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>491,857</b>	<b>69,553</b>	<b>87,900</b>	<b>649,310</b>	<b>941,179</b>
<b>2014</b>	<b>769,976</b>	<b>83,689</b>	<b>87,514</b>		

# DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus / (Deficit) 2015 £	Operating Surplus / (Deficit) 2014 £
Wider Role Activities	81,339	-	-	81,339	-	124,311	(42,972)	(45,684)
Factoring	-	-	19,509	19,509	6,371	12,910	228	2,263
Development and construction of property activities	-	2,493,711	-	2,493,711	-	2,493,711	-	(36,576)
Other Income and Costs-svets/shops	-	-	4,312	4,312	-	2,309	2,003	4,348
Chargeable repairs	-	-	501	501	11,048	-	(10,547)	-
Other Activities - Tenant Participation	-	-	-	-	-	21,292	(21,292)	(18,710)
<b>Total From Other Activities</b>	<b>81,339</b>	<b>2,493,711</b>	<b>24,322</b>	<b>2,599,372</b>	<b>17,419</b>	<b>2,654,533</b>	<b>(72,580)</b>	<b>(94,359)</b>
<b>2014</b>	<b>83,251</b>	<b>-</b>	<b>26,897</b>	<b>110,148</b>	<b>5,089</b>	<b>199,418</b>	<b>(94,359)</b>	

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>63,474</u>	<u>-</u>
Compensation payable to Officers for loss of Office	<u>109,712</u>	<u>-</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>7,487</u>	<u>-</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>63,474</u>	<u>59,624</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	-

#### 6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>18</u>
Staff Costs were:	£	£
Wages and Salaries	744,178	576,971
Social Security Costs	57,391	51,220
Other Pension Costs	98,323	64,346
Temporary, Agency and Seconded Staff	93,377	76,123
	<u>993,269</u>	<u>768,660</u>

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	-	57,038
Cost of Sales	-	53,833
Gain On Sale Of Housing Stock	<u>-</u>	<u>3,205</u>

#### 8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>367,303</u>	<u>308,494</u>
	367,303	308,494
Less: Interest Capitalised	<u>29,754</u>	<u>-</u>
	<u>337,549</u>	<u>308,494</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2014 £0).

Interest capitalised was incurred at varying rates of interest.

#### 9. SURPLUS ON ORDINARY ACTIVITIES FOR THE YEAR

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	475,003	359,574
Auditors' Remuneration - Audit Services	7,260	7,260
- Other Services	1,640	-
Operating Lease Rentals - Land & Buildings	42,000	42,000
Operating Lease Rentals - Other	<u>5,794</u>	<u>4,136</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
<b>COST</b>				
As at 1st April 2014	58,795,230	6,279,393	3,799,823	68,874,446
Additions	617,645	2,269,802	-	2,887,447
Disposals	(265,378)	-	-	(265,378)
Transferred to Income & Expenditure Schemes Completed	-	(2,493,711)	-	(2,493,711)
	4,513,655	(4,513,655)	-	-
As at 31st March 2015	63,661,152	1,541,829	3,799,823	69,002,804
<b>DEPRECIATION</b>				
As at 1st April 2014	4,020,123	-	142,492	4,162,615
Charge for Year	460,390	-	8,337	468,727
Disposals	(52,166)	-	-	(52,166)
As at 31st March 2015	4,428,347	-	150,829	4,579,176
<b>SOCIAL HOUSING GRANT</b>				
As at 1st April 2014	40,026,538	2,704,302	3,211,871	45,942,711
Additions	45,588	837,230	-	882,818
Disposals	(212,736)	-	-	(212,736)
Schemes Completed	1,972,890	(1,972,890)	-	-
As at 31st March 2015	41,832,280	1,568,642	3,211,871	46,612,793
<b>OTHER CAPITAL GRANTS</b>				
As at 1st April 2014	1,485,187	2,873,660	15,484	4,374,331
Additions	(18,867)	86,000	-	67,133
Transferred to Income & Expenditure Schemes Completed	-	(2,493,711)	-	(2,493,711)
	492,762	(492,762)	-	-
As at 31st March 2015	1,959,082	(26,813)	15,484	1,947,753
<b>NET BOOK VALUE</b>				
As at 31st March 2015	15,441,443	-	421,639	15,863,082
As at 31st March 2014	13,263,382	701,431	429,976	14,394,789

Additions to housing properties includes capitalised development administration costs of £39,772 (2014 - £21,210) and capitalised major repair costs to existing properties of £491,568 (2014 - £38,102)

All land and housing properties are freehold.

Transfers to Income & Expenditure relate to aspects of the construction of properties which do not directly relate to the properties.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

	Changing Facilities £	Office Improvements £	Office Equipment £	Office Furniture & Equipment £	Total £
<b>COST</b>					
As at 1st April 2014	137,852	23,167	134,881	45,781	341,681
Additions	-	-	10,517	2,713	13,230
As at 31st March 2015	137,852	23,167	145,398	48,494	354,911
<b>GRANTS RECEIVED</b>					
As at 1st April 2014	137,821	-	-	-	137,821
As at 31st March 2015	137,821	-	-	-	137,821
<b>AGGREGATE DEPRECIATION</b>					
As at 1st April 2014	31	23,166	130,506	44,863	198,566
Charge for year	-	1	4,816	984	5,801
As at 31st March 2015	31	23,167	135,322	45,847	204,367
<b>NET BOOK VALUE</b>					
As at 31st March 2015	-	-	10,076	2,647	12,723
As at 31st March 2014	-	1	4,375	918	5,294

#### 12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	5,992,155	6,209,899

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

	2015 £	2014 £
At the year end, the annual commitments under operating leases were as follows:-		
<b>Land and Buildings</b>		
Expiring between two and five years	42,000	-
Expiring in over five years	-	42,000
<b>Other</b>		
Expiring between two and five years	5,794	4,136



# DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	167,204	165,512
Less: Provision for Doubtful Debts	(78,723)	(56,235)
	<u>88,481</u>	<u>109,277</u>
Social Housing Grant Receivable	646,823	410,555
Other Debtors	250,577	186,307
	<u>985,881</u>	<u>706,139</u>

## 15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Housing Loans	874,589	874,589
Trade Creditors	185,357	344,115
Rent in Advance	146,708	190,409
Other Taxation and Social Security	-	33,027
Amounts Due to Group Undertakings	2	2
Other Creditors	431,466	329,112
Accruals and Deferred Income	702,856	461,643
	<u>2,340,978</u>	<u>2,232,897</u>

At the balance sheet date there were pension contributions outstanding of £nil (2014 £nil)

## 16. CREDITORS: Amounts falling due after more than one year

	2015	2014
	£	£
Housing Loans	12,836,425	11,511,014
<p>Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-</p>		
Within one year	874,589	874,589
Between one and two years	874,589	874,589
Between two and five years	4,823,767	2,623,767
In five years or more	7,138,069	8,012,658
	<u>13,711,014</u>	<u>12,385,603</u>
Less: Amount shown in Current Liabilities	874,589	874,589
	<u>12,836,425</u>	<u>11,511,014</u>

# DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	576,730	846,820
Depreciation	475,003	359,574
Change in properties developed for resale	-	872,408
Change in Debtors	21,891	(101,624)
Change in Creditors	(316,010)	106,549
Share Capital Written Off	(11)	(30)
Net Cash Inflow from Operating Activities	<u>757,603</u>	<u>2,083,697</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Decrease in Cash	(320,190)		(1,380,227)	
Cash flow from management of liquid resources	249,726		250,274	
Cash flow from change in debt	(1,325,411)		874,588	
Movement in net debt during year		(1,395,875)		(255,365)
Net debt at 1st April 2014		(10,641,814)		(10,386,449)
Net debt at 31st March 2015		<u>(12,037,689)</u>		<u>(10,641,814)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	993,515	(320,190)		673,325
Liquid Resources	750,274	249,726		1,000,000
Debt: Due within one year	(874,589)	874,589	(874,589)	(874,589)
Due after more than one year	(11,511,014)	(2,200,000)	874,589	(12,836,425)
Net Debt	<u>(10,641,814)</u>	<u>(1,395,875)</u>	-	<u>(12,037,689)</u>

# DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	66
Issued in year	9
Cancelled in year	(11)
At 31st March 2015	<u>64</u>

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

## 19. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2014	<u>216,619</u>	<u>777,419</u>	<u>994,038</u>
At 31st March 2015	<u>216,619</u>	<u>777,419</u>	<u>994,038</u>

  

(b) Revenue Reserves	Total £
At 1st April 2014	2,111,998
Surplus for the year	251,510
At 31st March 2015	<u>2,363,508</u>

## 20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	522	476
- Rehabilitation	250	227
Shared Ownership	64	66
Supported Housing	16	34
	<u>852</u>	<u>803</u>

# DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Board of Management is summarised as follows:

- 3 members are tenants of the Association
- 2 members are relevant local councillors

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

During the year, £200 (2014 - £nil) was given to Helensburgh Lomond Highland Games of which a member of the Management Committee is the Chairman of.

Dunbritton Housing Association has an investment in its subsidiary Dunbritton Commercial Limited of £2 (2014 - £2).

## 22. FIXED ASSET INVESTMENT

	2015 £	2014 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	288,446	288,446
Less: Grants Receivable	288,446	288,446
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2015 & 31st March 2014	<u>2</u>	<u>2</u>

In the opinion of the Board of Management the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a 100% owned subsidiary Dunbritton Commercial Ltd. Dunbritton Commercial Limited is a dormant company.

The aggregate amount of capital and reserves and the results of Dunbritton Commercial Ltd for the year ended 31st March 2015 were as follows:

	2015 £	2014 £
Capital & Reserves	<u>2</u>	<u>2</u>
Loss for the year	<u>-</u>	<u>-</u>

# DUNBRITTON HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 23. CURRENT ASSET INVESTMENTS

	2015	2014
	£	£
Short Term Deposits	<u>1,000,000</u>	<u>750,274</u>

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution (DC) Scheme

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Dunbritton Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate for active members as at 13th May 2014 and the defined contribution for new entrants from 14th May 2014.

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

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

During the accounting period Dunbritton Housing Association Limited paid contributions at the rate of 12.3% of pensionable salaries. Member contributions were 12.3%.

As at the balance sheet date there were 5 active members of the defined benefit scheme employed by Dunbritton Housing Association Limited. The annual pensionable payroll in respect of these members was £180,412. Dunbritton Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

# DUNBRITTON HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

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

# DUNBRITTON HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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

The Trustees have recently supplied Dunbritton Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Dunbritton Housing Association Limited will be required to pay £64,940 per annum as a contribution to the past service deficit. This will represent an increase of 88% in Dunbritton Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.