



Alexander Sloan
Accountants and Business Advisers

Dunbritton Housing Association

Report and Financial Statements

For the year ended 31st March 2017

Registered Housing Association No.HAL260

FCA Reference No. 2421R(S)

Scottish Charity No. SCO36518

DUNBRITTON HOUSING ASSOCIATION LIMITED

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DUNBRITTON HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

BOARD OF MANAGEMENT

Septon MacQuire	Chair
Alistair Tuach	Vice Chair
Sonja Aitken	Secretary
John O'Connor	Treasurer
Councillor Gary Mulvaney	Co-optee
Craig Russell	
Anthony Davey	
Terence Smalls	
Michael Appleton	
Anna Hemphill	
Dean Walker	
William Clark	Appointed (14/09/16)
Jim Beattie	Appointed (26/06/16)

EXECUTIVE OFFICERS

Morven Short	Director (Retired 31/01/17)
Allan Murphy	Chief Executive Officer (Appointed 02/01/17)
Paul Sweeney	Interim Asset Manager (Appointed 16/01/17)
Tricia McShane	Customer Services Manager (Appointed 01/02/17)
Heather Maitz	Senior Finance Officer
Pat Bradley	Senior Corporate Services Officer

REGISTERED OFFICE

1st Floor
32 High Street
Dumbarton
G82 1LL

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL AUDITORS

Quinn Internal Audit & Business Support Services Ltd
55 Lady Place
Livingston
EH54 6TB

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
Dumchapel
G15 8LB

DUNBRITTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2017.

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 SCO36518.

Principal Activities

The principal activity of the Association is the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Our Vision and Purpose

DHA continues to demonstrate it is a viable and ambitious organisation, with a good reputation locally and across the housing movement in Scotland.

Our Vision and Purpose are core and fundamental to our activities and are integral to our strategic objectives. We have agreed that during 2017/18 we will review all of our policies and further develop robust procedures to ensure that we can deliver our key strategic objectives, whilst ensuring that we embrace a risk aware culture within the organisation.

Our Vision

'Dunbritton Housing Association's Vision is thriving, diverse, healthy and safe communities that enhance quality of life for our customers.'

Our Purpose

Dunbritton Housing Association's Purpose is to:

- Support our customers to sustain their homes 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

Similar to the previous financial year the Association has ended 2016/17 with a healthy balance sheet. The Association generated a surplus of £1.008m and net assets totalling £6.7m. We regularly assess the impact of both the external and internal environment to ensure that our financial projections in the short, medium and long term are realistic and achievable in the current working environment. The Association has fully implemented the accounting requirements of FRS (102).

Following last year's successful review and restructure of our Rents & Services Charges we also evaluated the methodology used to review our annual rent charges. We have moved away from the RPI (Retail Price Index) plus 1% and adopted a business model that considers the actual costs to provide the overall service to our customers.

This shift towards actual costs has enabled us to embrace "Value for Money" as a core principle to be considered in all aspects of our business. Following consultation with our customers the Board has approved our Value for Money policy statement.

We have made significant progress on our "Journey to Excellence", achieving the Committed to Excellence Assessment – 2 Star. We are currently working towards the "Recognised for Excellence" assessment, which will involve a comprehensive review of our policies, procedures and business practices.

DUNBRITTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

Review of Business and Future Developments (Contd.)

In line with good practice in Governance, we have a structured system of Internal Management Plans that have been approved and are regularly monitored by our Board of Management. The Board has a positive influence on the strategic direction of the Association, which is regularly monitored and reviewed. In addition, internal training sessions were held for all Board members that covered all aspects of operational and strategic Finance. Risk awareness has also figured high on our agenda and the key topic of the senior staff/ Board joint away day in October 2016 was – " How we develop the Association's Risk Appetite Statement ".

The impact of Welfare Reform is a major risk for all Associations. At Dunbritton, to ensure we are evaluating those risks, we have developed a Welfare Reform Strategy that is regularly updated and presented to our Customer Services Committee. Community Links Scotland, on behalf of Dunbritton and two other Housing Associations, has been successful in a joint funding bid to secure funding for a further 3 year period to employ an intervention worker to assist our tenants in Argyll & Bute. In addition, they have also secured funding for a further 12 months to continue with the provision of the Citizen Advice Bureau to assist our tenants in West Dunbartonshire. Early intervention is key if we are to be successful in mitigating the risks associated with the impact of Welfare Reform. Tenant profiling will form a key part of this process.

Community Links has also assisted in other community regeneration projects for the Association. We have had two Modern Apprentices working at the Association and their contracts will cease in June 2017. We envisage that we will have another Modern Apprentice for a one year contract from June 2017. Both Apprentices appear to be enjoying their time at Dunbritton and hopefully the experience, skills and knowledge they have gained will enable them to find suitable full time employment.

We are also working with Community Links to examine the levels of housing, crime, income, employment, education, health and access to services in our areas of operation. In this way the Association can identify issues which could be addressed through regeneration projects and the data will be very helpful when compiling funding applications.

Our Director of almost 25 years Morven Short retired in January 2017 and Allan Murphy was appointed as our Chief Executive Officer. Allan, who has extensive experience in the housing sector, will be responsible with the Board for guiding the Association in this new era.

We have ambitious but realistic and achievable plans going forward and the Board will be setting strategic targets and actions, which Allan along with other managers will work to achieve.

We continue to develop affordable homes and have recently received planning permission for our site at the Dumbarton Harbour for 150 homes. Financial support from the Scottish Government has been agreed and as at 31 March 2017 we have tendered for the element of private finance required to facilitate this development. This is an excellent opportunity for the Association which would not have been possible without support from Cullross Limited, West Dunbartonshire Council and the Scottish Government.

We are also pleased to report that the Association will commence our development in Succoth in Spring/Summer 2017.

Overall, it has been a positive year for the Association and we have continued to maintain our commitment to our customers with a further increase in tenant satisfaction levels. We are delighted to report that satisfaction levels with the overall service are at an all-time high of 96% , which in itself is a great achievement for the Dunbritton staff team who have who have worked hard to improve on the previous year's excellent satisfaction level of 92%.

DUNBRITTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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 and Community Benefit 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 2014 and the Determination of Accounting Requirements 2015. 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 members of 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.

DUNBRITTON HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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;
- 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 control procedures are in place and are being followed and that a general 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 2017. No weaknesses were found in the 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
23 August 2017



DUNBRITTON HOUSING ASSOCIATION LIMITED

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in 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 Auditing Practices Board. 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 5 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 Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls 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
Statutory Auditors
GLASGOW
23 August 2017



Alexander Sloan
Accountants and Business Advisers



We have audited the financial statements of Dunbritton Housing Association Limited for the year ended 31st March 2017 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 Financial Reporting Council's (FRC) 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 Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for 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 2017 and of its surplus 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 2014 and the Determination of Accounting Requirements 2015.

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 Board of Management's Report is inconsistent with the financial statements.
- 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.

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

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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
23 August 2017



Alexander Sloan
Accountants and Business Advisers

DUNBRITTON HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
REVENUE	2.	4,871,650	4,696,283
Operating Costs	2.	<u>(3,524,036)</u>	<u>(3,619,918)</u>
OPERATING SURPLUS		1,347,614	1,076,365
Gain / (Loss) On Sale Of Housing Stock	7.	8,448	(9,637)
Interest Receivable and Other Income		1,586	855
Interest Payable and Similar Charges	8.	<u>(334,155)</u>	<u>(370,789)</u>
Other Finance Charges	10.	<u>(15,395)</u>	<u>(8,338)</u>
		<u>(339,516)</u>	<u>(387,909)</u>
SURPLUS FOR YEAR	9.	1,008,098	688,456
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>1,008,098</u>	<u>688,456</u>

The notes on pages 13 to 28 form part of these financial statements.

DUNBRITTON HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	11.(a)		56,404,647		54,872,437
Other Non Current Assets	11.(b)		29,452		28,192
			<u>56,434,099</u>		<u>54,900,629</u>
INVESTMENTS					
Investment in subsidiaries	24.	2		2	
Investment properties	24.	62,500		62,500	
			<u>62,502</u>		<u>62,502</u>
CURRENT ASSETS					
Receivables	14.	842,876		467,220	
Investments	24.	300,000		-	
Cash at bank and in hand		1,231,501		2,053,454	
		<u>2,374,377</u>		<u>2,520,674</u>	
CREDITORS: Amounts falling due within one year	15.	(4,617,368)		(2,190,516)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(2,242,991)</u>		<u>330,158</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			54,253,610		55,293,289
CREDITORS: Amounts falling due after more than one year			(10,094,892)		(12,639,949)
DEFERRED INCOME					
Social Housing Grants	18.	(36,621,357)		(36,119,722)	
Other Grants	18.	(815,704)		(820,058)	
			<u>(37,437,061)</u>		<u>(36,939,780)</u>
NET ASSETS			<u>6,721,657</u>		<u>5,713,560</u>
EQUITY					
Share Capital	19.		61		62
Revenue Reserves			6,721,596		5,713,498
			<u>6,721,657</u>		<u>5,713,560</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 23 August 2017.


Chairperson


Treasurer


Secretary

The notes on pages 13 to 28 form part of these financial statements.

DUNBRITTON HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
Net Cash Inflow from Operating Activities	17.	2,525,553	855,650
Investing Activities			
Acquisition and Construction of Properties	(2,988,176)	(3,752,596)	
Purchase of Other Fixed Assets	(15,982)	(28,359)	
Social Housing Grant Received	762,795	3,838,663	
Social Housing Grant Repaid	(242,553)	(40,951)	
Other Grants Received	-	47,310	
Changes on short term deposits with banks	(300,000)	1,000,000	
Proceeds on Disposal of Properties	43,456	331,197	
Net Cash (Outflow) / Inflow from Investing Activities		(2,740,460)	1,395,264
Financing Activities			
Loan Advances Received	634,332	382,437	
Interest Received on Cash and Cash Equivalents	1,586	11,825	
Interest Paid on Loans	(339,437)	(370,483)	
Loan Principal Repayments	(903,532)	(894,569)	
Share Capital Issued	5	5	
Net Cash Outflow from Financing		(607,046)	(870,785)
(Decrease) / Increase in Cash		(821,953)	1,380,129
Opening Cash & Cash Equivalents		2,053,454	673,325
Closing Cash & Cash Equivalents		1,231,501	2,053,454
Cash and Cash equivalents as at 31 March 2017			
Cash		1,231,501	2,053,454
		1,231,501	2,053,454

The notes on pages 13 to 28 form part of these financial statements.

DUNBRITTON HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2015	64	5,025,042	5,025,106
Issue of Shares	5	-	5
Cancellation of Shares	(7)	-	(7)
Surplus for Year	-	688,456	688,456
Balance as at 31 March 2016	62	5,713,498	5,713,560
Balance as at 1st April 2016	62	5,713,498	5,713,560
Issue of Shares	5	-	5
Cancellation of Shares	(6)	-	(6)
Surplus for Year	-	1,008,098	1,008,098
Balance as at 31 March 2017	61	6,721,596	6,721,657

The reserves opening balance at 1st April 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

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 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of of the asset to which it relates.

Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. 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.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost 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.

Component	Useful Economic Life
Kitchens	16 years
Bathrooms	30 years
Boilers	18 years
Radiators	36 years
Windows	30 years
Internal Doors	35 years
Rewiring	40 years
Structure	50 years

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:-

Furniture and Fittings	-25% Straight Line
Office Improvements	-25% Straight Line
Office Equipment	-25% Straight Line

The carrying value of non-current assets is reviewed for impairment at the end of each reporting period.

Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposal and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

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

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

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

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Estimation Uncertainty (continued)

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

Development Interest

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

Key Judgements made in the application of Accounting Policies

a) *The Categorisation of Housing Properties*

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

b) *Identification of cash generating units*

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

c) *Financial instrument break clauses*

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) *Pension Liability*

In March 2017 the Association received details from the Pension Trust of the final valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Board of Management feel this is the best available estimate of the past service liability.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	Notes	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	4,719,181	3,374,862	1,344,319	4,534,827	3,456,335	1,078,492
Other Activities	4.	152,469	149,174	3,295	161,456	163,583	(2,127)
Total		4,871,650	3,524,036	1,347,614	4,696,283	3,619,918	1,076,365

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General			2017 Total £	2016 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
Revenue from Lettings					
Rent Receivable Net of Service Charges	3,161,366	232,514	138,606	3,532,486	3,326,692
Service Charges	-	58,109	9,884	67,993	121,054
Gross income from rent and service charges	3,161,366	290,623	148,490	3,600,479	3,447,746
Less: Rent losses from voids	7,193	-	-	7,193	6,079
Net Rents Receivable	3,154,173	290,623	148,490	3,593,286	3,441,667
Grants released from deferred income	954,282	75,531	60,960	1,090,773	1,059,856
Revenue grants from Scottish Ministers	33,000	-	-	33,000	33,304
Other revenue grants	2,122	-	-	2,122	-
Total turnover from affordable letting activities	4,143,577	366,154	209,450	4,719,181	4,534,827
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,124,205	84,229	50,210	1,258,644	1,244,814
Service Costs	-	56,417	-	56,417	123,113
Planned and cyclical maintenance, including major repairs	261,479	7,170	-	268,649	346,157
Reactive maintenance costs	353,708	24,980	-	378,688	346,777
Bad Debts - rents and service charges	-	-	-	-	28,557
Depreciation of affordable let properties	1,263,181	88,267	61,016	1,412,464	1,366,917
Operating costs of affordable letting activities	3,002,573	261,063	111,226	3,374,862	3,456,335
Operating surplus on affordable letting activities	1,141,004	105,091	98,224	1,344,319	1,078,492
2016	1,064,769	(13,332)	27,055		

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£
Wider Role Activities	103,905	-	103,905	-	128,681	(24,776)	(3,598)
Investment property activities	-	10,500	10,500	-	847	9,653	6,869
Factoring	-	32,064	32,064	(9,798)	18,457	23,405	1,023
Other Income and Costs	-	6,000	6,000	-	1,438	4,562	2,849
Other Activities - Tenant Participation	-	-	-	-	9,549	(9,549)	(7,027)
Chargeable Repairs	-	-	-	-	-	-	(2,243)
Total From Other Activities	103,905	48,564	152,469	(9,798)	158,972	3,295	(2,127)
2016	131,530	29,926	161,456	7,343	156,240	(2,127)	

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	-	63,349
Pension contributions made on behalf on Officers with emoluments greater than £60,000	-	7,831
Emoluments payable to Chief Executive (excluding pension contributions)	59,655	63,349
Total Emoluments paid to key management personnel	294,650	179,257

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

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	23	22
The average total number of Employees employed during the year was	23	22
Staff Costs were:	£	£
Wages and Salaries	741,942	685,697
Social Security Costs	69,528	63,738
Other Pension Costs	58,703	50,183
	870,173	799,618

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN / (LOSS) ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	43,456	331,197
Cost of Sales	35,008	340,834
Gain / (Loss) On Sale Of Housing Stock	8,448	(9,637)

8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	362,022	370,789
	362,022	370,789
Less: Effective Interest rate adjustment	(21,512)	
Less: Capitalised interest	(6,355)	-
	334,155	370,789

9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,413,151	1,379,807
Auditors' Remuneration - Audit Services	7,560	7,483
Operating Lease Rentals - Land & Buildings	42,000	42,000
Operating Lease Rentals - Other	4,709	5,971
Gain on sale of fixed assets	8,448	(9,637)

10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	15,395	8,338

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2016	62,494,885	4,622,950	3,494,056	70,611,891
Additions	32,412	2,931,737	-	2,964,149
Disposals	(66,787)	-	-	(66,787)
Schemes Completed	3,614,819	(3,614,819)	-	-
As at 31st March 2017	66,075,329	3,939,868	3,494,056	73,509,253
DEPRECIATION				
As at 1st April 2016	14,542,608	-	1,196,846	15,739,454
Charge for Year	1,337,413	-	61,016	1,398,429
Disposals	(33,277)	-	-	(33,277)
As at 31st March 2017	15,846,744	-	1,257,862	17,104,606
NET BOOK VALUE				
As at 31st March 2017	50,228,585	3,939,868	2,236,194	56,404,647
As at 31st March 2016	47,952,277	4,622,950	2,297,210	54,872,437

Additions to housing properties include capitalised development administration costs of £21,861 (2016 - £37,090) and capitalised major repair costs to existing properties of £32,412 (2016 - £121,722)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £679,749. The amount capitalised is £32,412, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £32,412 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £37,408,380 (2016 - £38,341,562).

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Office Improvements £	Changing Facilities £	Office Equipment £	Furniture & Fittings £	Total £
COST					
As at 1st April 2016	23,167	137,852	173,043	49,208	383,270
Additions	-	-	12,959	3,023	15,982
As at 31st March 2017	<u>23,167</u>	<u>137,852</u>	<u>186,002</u>	<u>52,231</u>	<u>399,252</u>
AGGREGATE DEPRECIATION					
As at 1st April 2016	23,167	137,852	147,049	47,010	355,078
Charge for year	-	-	12,780	1,942	14,722
As at 31st March 2017	<u>23,167</u>	<u>137,852</u>	<u>159,829</u>	<u>48,952</u>	<u>369,800</u>
NET BOOK VALUE					
As at 31st March 2017	<u>-</u>	<u>-</u>	<u>26,173</u>	<u>3,279</u>	<u>29,452</u>
As at 31st March 2016	<u>-</u>	<u>-</u>	<u>25,994</u>	<u>2,198</u>	<u>28,192</u>

12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>21,871,444</u>	<u>5,510,797</u>

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

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Land and Buildings		
Not later than one year	42,000	42,000
Later than one year and not later than five years	<u>3,500</u>	<u>45,500</u>
Other		
Not later than one year	2,894	5,037
Later than one year and not later than five years	<u>488</u>	<u>3,382</u>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	157,702	160,392
Less: Provision for Doubtful Debts	(77,310)	(86,467)
	<u>80,392</u>	<u>73,925</u>
Social Housing Grant Receivable	507,414	109,638
Other Receivables	255,070	283,657
	<u>842,876</u>	<u>467,220</u>

15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	3,108,980	889,886
Trade Payables	1,107,290	598,804
Rent in Advance	122,109	112,835
Other Payables	168,186	505,586
Liability for Past Service Contributions	72,159	64,666
Accruals and Deferred Income	38,644	18,739
	<u>4,617,368</u>	<u>2,190,516</u>

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017	2016
	£	£
Liability for Past Service Contributions	294,841	351,605
Housing Loans	9,800,051	12,288,344
	<u>10,094,892</u>	<u>12,639,949</u>
Housing Loans		
Amounts due within one year	3,108,980	889,886
Amounts due in one year or more but less than two years	908,980	3,089,886
Amounts due in two years or more but less than five years	2,726,940	2,669,659
Amounts due in more than five years	6,164,131	6,528,799
	<u>12,909,031</u>	<u>13,178,230</u>
Less: Amount shown in Current Liabilities	3,108,980	889,886
	<u>9,800,051</u>	<u>12,288,344</u>
Liability for Past Service Contributions		
Amounts due within one year	72,159	64,666
Amounts due in one year or more but less than two years	73,544	70,544
Amounts due in two years or more but less than five years	221,297	214,582
Amounts due in more than five years	-	66,479
	<u>367,000</u>	<u>416,271</u>
Less: Amount shown in Current Liabilities	72,159	64,666
	<u>294,841</u>	<u>351,605</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Variable / Fixed	Maturity	Effective Interest Rate	Value of Loan
Fixed	2027	circa 2.5% all in rate	4,249,511
Fixed	2027	circa 5% all in rate	2,100,000
Variable	2028	circa 0.6% all in rate	3,412,320
Variable	2018	circa 2.2% all in rate	2,200,000
Variable	2030	circa 2.5% all in rate	1,009,339
		Effective interest rate adjustment	(62,139)
			<u>12,909,031</u>

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.06% (2015 - 2.22%)

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance at 31 March 2017</i>	2017	2016
	£	£
Operating Surplus	1,347,614	1,076,365
Depreciation	1,427,186	1,379,803
Amortisation of Capital Grants	(1,096,135)	(1,059,856)
Change in debtors	454,965	(657,990)
Change in creditors	407,324	125,673
Unwinding of Discount on Pension Liability	(15,395)	(8,338)
Share Capital Written Off	(6)	(7)
Net cash inflow from operating activities	2,525,553	855,650

18. DEFERRED INCOME

	Housing Properties Held for Letting	Housing Properties In course of Construction	Shared Ownership Properties	Total
	£	£	£	£
Social Housing Grants				
Balance as at 1st April 2016	29,876,586	4,332,934	1,910,202	36,119,722
Additions in the year	-	1,593,416	-	1,593,416
Transferred	2,228,095	(2,228,095)	-	-
Amortisation in year	(1,046,490)	-	(60,650)	(1,107,140)
Released as the result of property disposal	15,359	-	-	15,359
Net book value				
Balance as at 31st March 2017	<u>31,073,550</u>	<u>3,698,255</u>	<u>1,849,552</u>	<u>36,621,357</u>
Other Grants				
Balance as at 1st April 2016	811,697	-	8,361	820,058
Amortisation in year	(4,044)	-	(310)	(4,354)
Net book value				
Balance as at 31st March 2017	<u>807,653</u>	<u>-</u>	<u>8,051</u>	<u>815,704</u>
Total net book value as at 31 March 2017	<u>31,881,203</u>	<u>3,698,255</u>	<u>1,857,603</u>	<u>37,437,061</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2017	2016
	£	£
Amounts due within one year	1,111,494	1,059,856
Amounts due after more than one year	36,325,567	35,879,924
	<u>37,437,061</u>	<u>36,939,780</u>

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2016	62
Issued in year	5
Cancelled in year	(6)
At 31st March 2017	<u>61</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.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017 No.	2016 No.
General Needs - New Build	558	528
General Needs - Rehabilitation	236	237
Shared Ownership	60	60
Supported Housing	23	23
	<u>877</u>	<u>848</u>

21. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position 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 is made at arm's length and under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

	£
Rent and factoring received from Tenants on the Board of Management and their close family members	<u>19,100</u>

At the year end total rent arrears and factoring owed by the tenant members of the Board of Management (and their close family) were £349

Members of the Board of Management who are tenants	5
Members of the Board of Management who are local councillors	<u>1</u>

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 1st Floor , 32 High Street, Dumbarton.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in West Dunbartonshire & Argyll & Bute.

23. GOVERNING BODY MEMBER EMOLUMENTS

Board of Management members received £6,201 in the year by way of reimbursement of expenses. (2016 - £6,524). No remuneration is paid to Board of Management members in respect of their duties in the Association.

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INVESTMENTS

<u>Investment properties</u>	Commercial Properties	Total
	£	£
Valuation		
As at 1 April 2016	62,500	62,500
As at 31 March 2017	62,500	62,500

Commercial properties were valued by an independent professional adviser, Graham Figes of Whitelaw Baikie Figes, Chartered Surveyors, on 31 May 2017 in accordance with the appraisal and valuation manual of the Royal Institute of Chartered Surveyors (RICS). Commercial properties are subject to valuation at least every five years. No further revision was considered appropriate in the year 2016/17.

	2017 £	2016 £
Investments in Subsidiaries		
As at 31st March 2017 & 1st April 2016	2	2

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 Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

Dunbritton Commercial Limited was dormant during the years ended 31 March 2017 and 31 March 2016.

The aggregate amount of capital and reserves and the results of Dunbritton Commercial Limited for the year ended 31st March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	2	2
Profit for the year	-	-
Other Investments		
Short term deposits	300,000	-

The Association participates in a shared equity arrangement. At 31 March 2017 the Association has expended £288,446 on shared equity properties.

DUNBRITTON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

Dunbritton Housing Association Limited participated 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 Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit scheme.

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 FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m equivalent to a past service funding level of 76%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £367,000 (2016 - £416,271). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06% (2016 - 2.64%).

The Association made payments totalling £123,369 (2016: £115,123) to the pension scheme and past service deficit during the year.