



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2017

Dunedin Canmore Housing Limited

(Co-operative and Community Benefit Society No. 1823R(S))
(Scottish Housing Regulator Registration No. 116)
(Scottish Charity No. SC034572)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

Principal Activities

The principal activities of Dunedin Canmore Housing are the provision and management of affordable rented accommodation. Dunedin Canmore has over 5,700 affordable homes to let in the East of Scotland.

OPERATING REVIEW

It has been a year of progress on all fronts at Dunedin Canmore Housing Limited (“DCH”, “Dunedin Canmore”, or “the Association”) as investment continued in homes and communities, and the Association supported tenants to access more life-changing opportunities.

Excellent progress has been made on ambitions to increase the supply of affordable housing. At the end of the financial year, work had started on 404 new homes for social rent and Dunedin Canmore had completed 21 homes for mid-market rent. A further 270 mid-market properties were also in development.

During the year, £5.8m was invested in existing homes with work including new kitchens and bathrooms, doors, roofs and windows. Customers also benefited from brand new central heating systems and new boilers.

Sadly, many tenants still struggle to pay their rent, put food on the table and keep their homes - and tackling these issues remains a major focus for Dunedin Canmore.

Specialist advisors helped our customers save thousands of pounds on their energy bills, and claim thousands more in welfare payments. The Tenancy Support Service, delivered by a fellow Wheatley Group subsidiary, Loretto Housing Association, gave tailored support to 130 of the Association’s most vulnerable tenants who were having particular difficulties keeping their tenancy.

This year Dunedin Canmore also gave more people from local communities the opportunity of an apprenticeship. This included, for the first time, two new horticultural apprenticeships, made possible by a new partnership with the Royal Botanic Garden Edinburgh.

All of this was achieved against the backdrop of a strong business performance. Most notably overall customer satisfaction rose to 93.55% from 89.56% previously and 18 out of 26 of the key measures which the Association reports to the Scottish Housing Regulator were on or above target.

The Property Services Team is now playing a key role in supporting other registered social landlords (“RSLs”) within the wider Wheatley Housing Group realise ambitions of delivering an outstanding repairs service to all customers. The Dunedin Canmore team became responsible during 2016/17 for repairs in Wheatley RSLs in the East - West Lothian Housing Partnership and Barony – as well as in their own communities.

Alongside this, Dunedin Canmore’s parent company, Wheatley Housing Group Limited, became joint owners, with Glasgow City Council, of City Building (Glasgow) LLP on 1 April, 2017, with the new jointly-owned company delivering repairs to all customers in Wheatley’s communities in the West.

This has provided a unique opportunity for all of Wheatley’s subsidiaries, including Dunedin Canmore, to work together on reviewing and redesigning the repairs service model with the aim of achieving outstanding customer service for customers every time, no matter where they live.

OPERATING REVIEW (continued)

Wheatley Housing Group also established the Wheatley Foundation Limited, a new charitable trust which supports programmes which can make a difference to disadvantaged communities.

It is chaired by Sir Harry Burns, former Chief Medical Officer of Scotland, with Mary Mulligan, a Board member from Dunedin Canmore also on the Board. It is supporting 15 different programmes across the Association's communities, all of them designed to offer new opportunities to customers, and their families. To date, 7,466 people have benefited from the Wheatley Foundation's projects which include apprenticeships, bursaries, cultural and sporting activities and a new money advice service for vulnerable people.

During the year, Chief Executive Ewan Fraser retired after 33 years in the housing sector and 11 years at the helm of Dunedin Canmore. Ewan's long and distinguished career saw him lead a range of award-winning new-build projects across Edinburgh and the regeneration of council estates in the south of the city.

More recently, he was instrumental in guiding Dunedin Canmore through significant change as it joined and then settled into becoming part of the Wheatley Group.

Hazel Young, who was previously Housing and Customer Service Director, was appointed as Managing Director.

Other highlights of the year included:

Our homes

Dunedin Canmore continued work to modernise and maintain homes, investing £5.8m in upgrades right across communities. The work included replacing kitchens and bathrooms, roofs, doors and windows as well as brand new central heating systems and boilers.

The Association also invested in neighbourhoods, upgrading communal areas such as stairwells and green spaces.

By the end of the year, Dunedin Canmore had 5,759 homes with 99.64% of them meeting the Scottish Housing Quality Standard.

Building affordable housing

Plans to build more affordable homes in our communities made progress with 404 new homes either on site or approved to go on site at 31 March 2017. In addition, 21 homes for mid-market rent were completed in Midlothian during 2016/17, three months ahead of schedule. The two-bedroom houses, at Corby Craig Road and Walk in Bilston, were built for Dunedin Canmore by Taylor Wimpey. Originally scheduled for January 2017, they became available to rent from November 2016. A further 270 homes for mid-market rent were also in development.

Key developments in the pipeline include:

- 111 homes, a mix of social and mid-market rent, in Craigmillar in Edinburgh;
- 80 affordable homes, 64 for social rent and 16 for mid-market rent, at Muirhouse in the north of Edinburgh; and
- 105 affordable homes at Mains Farm, North Berwick, as part of a project in partnership with Cruden Homes, East Lothian Council and the North Berwick Trust.

A new repairs service

Ambitions to create a modern, local and more efficient repairs and maintenance service took a major step forward over 2016/17. Dunedin Canmore's Property Services Team took over responsibility for delivering repairs to West Lothian Housing Partnership Limited and Barony Housing Association

OPERATING REVIEW (continued)

Limited. Meanwhile the Association's parent company, Wheatley Housing Group agreed a new joint venture with Glasgow City Council which saw it become 50/50 joint owner of City Building (Glasgow) LLP on 1 April 2017. This gave all the partners in Wheatley an opportunity to work together to reshape our repairs service, designing a service which will deliver consistent excellence for customers no matter where they live. Work on this is under way with Dunedin Canmore playing a major role.

Developing services for more customers

One of Dunedin Canmore's aims when joining the Wheatley Group was to use the new partnerships to improve services for factored homeowners, mid-market tenants and tenants of commercial properties.

This year after a review, the Board made the decision to merge Dunedin Canmore Enterprise Limited, which was responsible for factoring and private and commercial letting, with Dunedin Canmore Housing. This means we have a single organisation which is more streamlined and efficient.

On 31 March, 2017, we appointed our fellow subsidiary in the Wheatley Group, YourPlace Property Management Limited ("YourPlace"), to deliver factoring services to our 2,419 factored homeowners. YourPlace, which provides high-quality factoring services to its 29,500 customers, is already offering Dunedin Canmore customers improved and additional services including 24/7 customer service, low-cost home insurance and gas and boiler cover.

Another Wheatley Group subsidiary, Lowther Homes Limited ("Lowther"), was appointed to deliver services to our customers in our mid-market homes and commercial properties. Lowther has a growing portfolio of homes for mid-market and private rent.

Environmental services

As part of the Association's aim to create communities people are proud to live in, Dunedin Canmore worked with Keep Scotland Beautiful to explore a partnership approach to improving environments.

The wider Wheatley Group and Keep Scotland Beautiful have now launched a new partnership which is putting tenants at the centre of assessing, grading and transforming neighbourhoods.

The Association began developing plans to strengthen the environmental services delivered by Dunedin Canmore with improvements expected to be implemented in 2018.

Improving performance

Dunedin Canmore continued to improve performance with 18 out of 26 measures, which are reported on to the Scottish Housing Regulator, on or above target. This included achieving overall tenant satisfaction of 93.55%, up from 89.56% a best ever performance.

Other performance highlights for the year included:

- exceeding year-end target on rent arrears by nearly £60,000;
- repairs completed right first time rose to 95.07%, up from 88.94%;
- tenant satisfaction with the management of neighbourhoods up from 80.44% to 91.69%; and
- 93.55% of tenants satisfied with the quality of their home (up from 88.67%).

OPERATING REVIEW (continued)

Awards and accreditations

The Association was recognised with the award of Investors in People (IiP)Gold. It was the first time Dunedin Canmore put itself forward for assessment against the standard which measures how organisations support, recognise and develop staff. DCH scored above the industry average in seven of the nine indicators with the IiP assessor commenting: “You have transformed your organisation. Colleagues are establishing new levels of collaboration across teams, which has resulted in people highlighting how they consider the customer to be at the heart of everything they do.”

Over 2016/17, we also played a major part in our parent company Wheatley Housing Group:

- being ranked number 47 in the Sunday Times list of best not-for-profit organisations to work for; and
- making it into 24 Housing magazine’s top 10 social landlords in the UK.

Rent campaign

The “Rent Matters” annual rent campaign resulted in our best ever arrears performance over the festive period.

The campaign which urged customers to “Put Rent First” invited people who were facing difficulties to get in touch and access the wide range of help and support Dunedin Canmore has made available. The campaign materials, which included posters, bus stop advertising, newsletter articles and regular content on social media and the website, also made clear to customers what their rent pays for.

The campaign resulted in the year-end target on rent arrears being exceeded by nearly £60,000.

Jobs and training opportunities

The Wheatley Group new charitable trust, the Wheatley Foundation Limited, funds a range of employability initiatives targeted at tenants, owners and their families. These include apprenticeships as well as traineeships and the “Wheatley Pledge”, a scheme which incentivises suppliers to do even more for communities.

The scale of the wider new-build and investment programmes also means the Group can create or support opportunities for people from communities to access jobs and training each year.

This year, in total across all Wheatley Group communities, 619 new opportunities were created through schemes supported by the Foundation and from community benefit clauses in contracts. This year a total of 10 Modern Apprenticeships were secured by Dunedin Canmore’s customers, or their families.

Pioneering apprenticeship scheme

Thanks to the Wheatley Foundation, Dunedin Canmore were able this year, for the first time, to offer two people from local communities the chance of a traineeship which sees them being trained to be plant and landscaping experts at the Royal Botanic Gardens in Edinburgh (RGBE).

The trainees spend a year learning and working outside in the Botanic Gardens while studying for the Certificate in Practical Horticulture (CPH). They then join the Association’s environmental teams in the second year, using their skills to keep communities across Edinburgh looking smart.

Helping tenants save money

The Association continues to support our tenants in a wide range of ways.

OPERATING REVIEW (continued)

For example, the Fuel Advisor service helped tenants to save more than £247,000 on their fuel bills over the year.

Fuel advisors provide free expert advice to tenants on cutting their energy bills and keeping their homes warm.

Advisors can help tenants access the cheapest tariffs, arrange low-cost payment arrangements and, depending on their circumstances, help them write-off long-term debt. A total of **968** tenants used the fuel advice service in 2016/17.

The “My Great Start” service which helps new tenants get off to a good start with their tenancy supported 65 Dunedin Canmore customers to develop budgeting skills and manage their money.

Support for the most vulnerable

Bringing care and housing together in Wheatley Group is allowing DCH to identify and support vulnerable people in communities in ways the Association couldn't before. The Tenancy Support Service (TSS), delivered by Loretto Housing Association Limited, launched in 2015 with the aim of helping people maintain their tenancy and get more out of life.

In 2016/17, 130 Dunedin Canmore tenants who were struggling to cope received support for periods of up to eight weeks and 100% of tenants who returned a questionnaire said they were satisfied with the service they received.

Restoration of tenements

A project to bring a Victorian tenement in Edinburgh back to life, as part of our drive to make homes warm and comfortable, earned local and international recognition.

US housing expert Jim Stockard, who lectures on affordable housing at Harvard University, visited Dunedin Canmore to learn more about the work of housing associations in Scotland.

One of the highlights of his tour was Earl Grey Street in the city centre where an £850,000 project to restore the building is under way as part of a wider strategy to save pre-1919 tenements.

The Earl Grey Street project was also ‘highly commended’ at the CIH awards while children from nearby Tollcross primary school marked the restoration of the historic building by filling a time capsule with mementoes.

The primary 5 pupils hope their collection of items, which will be placed behind a cornerstone of the building at Earl Grey Street, will lie undiscovered for 100 years.

Homeless world cup

The work the Association does to support homeless people through our Dunedin Harbour Hostel also gained recognition during the Homeless World Cup which was held in Glasgow.

Stephanie Tweed, represented her country at the tournament in July and told the story of her recovery from drug addiction with the support of Dunedin Canmore.

Steph, 21, from Edinburgh, used heroin and valium from an early age and ended up losing her home. After finding herself on the streets, she was eventually placed in our hostel in Leith. As part of the support offered she was encouraged to take up football sessions run in a partnership between Dunedin Canmore and Street Soccer Scotland.

The support she received from teammates and coaches helped her confidence grow and she got her life back on track. Steph then moved into a Dunedin Canmore supported tenancy in Gorgie,

Edinburgh as part of the Resettlement Scheme. She said: "The hostel was great, helped me get back on my feet and I love living in my flat and having my freedom. I wouldn't be here without the help of the people at Dunedin Harbour."

OPERATING REVIEW (continued)

By order of the Board



Dr Thomas Mitchell, Chair

30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2016 totalled £27,843k (2016: £30,181k). Rental and service charge income (net of void losses) accounted for 87% or £24,199k (2016: 79 %, or £23,777k) of this with the remainder including:

- £921k of grant is accounted for as income, including grant in relation to capital investment and the new build programme (2016: £3,420k);
- £2,723k of other revenue to support the delivery of sheltered accommodation and the Association's wider role in its communities (2016: £2,984k).

Expenditure

Total revenue expenditure in the year was £20,046k (2016: £20,220k), comprising the following main items:

- Letting activity management costs of £4,978k (2016: £4,383k);
- Service costs of £1,594k (2016: £1,812k);
- Planned repair and reactive maintenance costs of £1,607k and £3,711k respectively (2016: £2,548k and £3,431k);
- Total depreciation costs of £7,250k (2016: £6,201k); and
- Costs associated with our wider role in supporting communities of £581k (2016: £1,173k).

The operating surplus generated by the Association in the year totalled £16,005k (2016: £6,622k) after taking account of a gain on the revaluation of investment properties of £4,426k (2016: a loss of £3,339k) and a £3,782k gain on the restructuring of Dunedin Canmore Enterprise Limited.

The Association had a net asset position at the year-end of £139.2m (2016: £132.1m).

Cashflows

The cash flow statement of the Association is shown on page 19. The Association generated £13.9m from operating activities, an increase of £2.4m from the prior year. Cash and cash equivalents in the year reduced by £6.2m (2016: decreased by £1.4m).

Liquidity

The Association's net current liabilities as at 31 March 2017 totalled £5,737k, a movement of £11,499k in the year (from a net current asset position of £5,762k). This is linked to the reduction in the cash balance, as noted above, and an increase in current liabilities with grant income held on the balance sheet until the completion of the associated new build development.

Capital structure and treasury

The Association's activities are funded on the basis of a Business Plan which is updated annually. The main element of our long-term funding is the syndicated funds in Wheatley Funding No. 1 Limited, as detailed in note 19. The Association has access to an intra-group facility which is secured on its housing stock. Interest rate risk is managed at a group level by Wheatley Funding No. 1 Limited.

Investment in tenants' homes

During the year we invested £5,726k in improving tenant's homes. At the year-end our completed housing stock was valued at £216.2m.

FINANCIAL REVIEW (continued)

New Build

During the financial year we completed 21 new build properties at Bilston. A further £17,845k has been invested in housing under construction at the balance sheet date. The Business Plan includes a further projected spend of £68m on the new build programme in Dunedin Canmore Housing over the next five years.

Reserves Policy

Under the Statement of Recommended (Accounting) Practice (“SORP”) 2014 and Financial Reporting Standard (“FRS”) 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserves include historic grant received in respect of the following:

- new build housing properties
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association’s Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association’s charitable purpose.

The revenue reserve may include revaluation gains on investment properties, such as any mid-market rent homes which are owned by the Association. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association’s interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association’s core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserves, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association’s business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association’s property (other than investment property). This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association’s core charitable purpose.

FINANCIAL REVIEW (continued)

By order of the Board



Dr Thomas Mitchell, Chair
30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2017 Dunedin Canmore's Rules allowed for the appointment of up to 15 Board members. They are elected at the annual general meeting from the general membership of the Association and retire by rotation every three years. Any general member of the Association is entitled to stand for membership of the Board.

At 31 March 2017 there were 11 members (2016: 9 members) of the Dunedin Canmore Housing Board:

The members of the Board during the year are listed below:

Name	First Joined Board	Re-elected/ re-appointed	Left Board	Committees/Group Directorships
Dr Thomas Mitchell (Chair)	18 December 2008	17 September 2015	-	- Wheatley Housing Group
Mary Mulligan (Vice Chair)	20 September 2012	22 September 2016	-	- Wheatley Foundatiuon Limited
Jill Anderson	28 August 2014	22 September 2016	27 February 2017	- Group Audit Committee
Surbhi Gosain	26 March 2016	17 September 2015	-	-
Jane Green	28 August 2014	23 September 2014	-	-
Terence Kirby	20 September 2012	22 September 2016	-	-
Susan Laing	29 January 2016	17 September 2015	-	-
Sheila Scobie	26 March 2015	17 September 2015	-	-
Dennis Trueland	28 August 2014	23 September 2014	-	-
George Cunningham	1 October 2016	-	-	-
Anne McGovern *	9 February 2017	-	-	-
Bryan Pitbladdo *	30 March 2017	-	-	-

* tenant of the Association

**DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS
(continued)**

Political and charitable donations

No political or charitable donations were made by Dunedin Canmore in the year.

Creditor payment policy

DCH agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditors

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Dr Thomas Mitchell, Chair
30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The directors acknowledge their responsibility for ensuring that the company has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

By order of the Board



Dr Thomas Mitchell, Chair
30 August 2017

8 New Mart Road
Edinburgh
EH14 1RL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNEDIN CANMORE HOUSING LIMITED

We have audited the financial statements of Dunedin Canmore Housing Limited for the year ended 31 March 2017 set out on pages 17 to 43. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 13, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2017 and of the income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNEDIN CANMORE ASSOCIATION LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 14:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

Andrew Shaw

Andrew Shaw
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
319 St Vincent Street
Glasgow
G2 5AS

7 September 2017

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

	Notes	Total 2017 £'000	Total 2016 Restated £'000
Turnover	3	27,843	30,181
Operating expenditure	3	(20,046)	(20,220)
Gain on investment properties	3	4,426	(3,339)
Gain on business combination	8	3,782	-
Operating surplus		16,005	6,622
Gain on disposal of fixed assets	9	59	155
Finance income	10	32	173
Finance charges	11	(8,329)	(7,440)
Movement in fair value of financial instruments		(8)	34
Reversal of previous decrease in valuation of housing properties	14	2,681	8,727
Reversal of previous decrease in valuation of office properties	15	(2,099)	-
Surplus for the financial year		8,341	8,271
Actuarial (loss)/gain in respect of pension schemes		(1,216)	1,052
Total comprehensive income for the year		7,125	9,323

**STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 £'000	2016 Restated* £'000
Balance at 1 April	132,061	122,738
Surplus from the Statement of Comprehensive Income	7,125	9,323
Balance at 31 March	139,186	132,061

*See note 26. Balance at 1 April 2015 previously £98,420k, before a prior year adjustment of £24,318k.
Balance at 31 March 2016 previously £114,610k, before a prior year adjustment of £17,451k.

All amounts relate to continuing operations.
The notes on pages 20 to 43 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017


		2017	2016
	<i>Notes</i>	£'000	Restated £'000
Fixed assets			
Social housing properties	14	250,588	233,394
Other tangible fixed assets	15	4,840	7,413
Investment properties	16	64,785	44,600
		<u>320,213</u>	<u>285,407</u>
Current assets			
Stock	17	239	105
Trade and other debtors	18	3,350	2,773
Cash and cash equivalents		2,933	9,149
		<u>6,522</u>	<u>12,027</u>
Creditors: amounts falling due within one year	19	(12,259)	(6,265)
		<u>(5,737)</u>	<u>5,762</u>
Net current (liabilities)/assets			
		314,476	291,169
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	20	(171,748)	(157,132)
		<u>142,728</u>	<u>134,037</u>
Provisions for liabilities			
Pension liability	23	(3,542)	(1,976)
Total net assets		<u>139,186</u>	<u>132,061</u>
Reserves			
Share capital	22	-	-
Revenue reserve		139,186	132,061
		<u>139,186</u>	<u>132,061</u>
Total reserves			

These financial statements were approved by the Board on 17 August 2017 and were signed on its behalf on 30 August 2017 by:

Thomas Mitchell
Chair

Mary Mulligan
Vice Chair



Anthony Allison
Secretary

The notes on pages 20 to 43 form part of these financial statements.

Charity registration number SC034572.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

		2017	2016
	<i>Notes</i>	£'000	£'000
Net cash generated from operating activities	25	13,925	11,521
Cash flow from investing activities			
Improvement of properties – housing stock	14	(5,772)	(3,753)
New build	14	(17,845)	(4,981)
Purchase of other fixed assets	15	(169)	(142)
Improvement of properties – investment	16	(104)	(99)
Proceeds from disposal of properties		1,438	946
Grants received	20	11,960	1,147
Finance income	10	32	173
		(10,460)	(6,709)
Cash flow from financing activities			
Finance charges		(8,231)	(5,792)
Cash obtained on business combination		550	-
Repayment of intercompany loan by Dunedin Canmore Enterprise Ltd		-	9,500
Repayment of bank loan		(2,000)	(9,900)
		(9,681)	(6,192)
Net change in cash and cash equivalents		(6,216)	(1,380)
Cash and cash equivalents at beginning of the year		9,149	10,529
Cash and cash equivalents at end of the year		2,933	9,149
Cash and cash equivalents at 31 March			
Cash		2,933	9,149
Bank overdraft		-	-
		2,933	9,149

The notes on pages 20 to 43 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. Legal status

Dunedin Canmore Housing Limited (“DCH” or “the Association”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG” or “the Group”). DCH is registered under the Co-operative and Community Benefit Societies Act 2014 No.1823R(S) and is a registered Scottish charity No.SC034572. DCH is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activity of the Association is the provision of social housing. Dunedin Canmore Housing is a Public Benefit Entity. The registered office is 8 New Mart Road, Edinburgh, EH14 1RL.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2014, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting, office premises and commercial properties. The financial statements have also been prepared, in accordance with the Statement of Recommended Practice for social housing providers 2014 (“Housing SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Group and the preparation of long terms financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Determining the value of the Association’s share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

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

2. Accounting policies (continued)

Related party disclosures

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 (“Housing SORP 2014”). Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing and shared ownership

Expenditure on housing accommodation, supported housing and shared ownership is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial Instruments

Loans provided by Wheatley Funding Number 1 Limited (“WFL1”) are classed as basic financial instruments, in the financial statements of DCH, under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Pensions

The Association previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”) Defined Benefit Pension Scheme. The scheme is now closed, with members

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

2. Accounting policies (continued)

Pensions (continued)

transferring to the SHAPS Defined Contribution Scheme on 1 April 2014. Retirement benefits to employees are funded by 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.

In accordance with FRS 102, the Association's share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

Since the closure of the SHAPs Defined Benefit Pension Scheme, new members are enrolled in a defined contribution scheme administered by Friends Life.

Fixed assets – housing properties

In accordance with the Housing SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

● **Valuation of Social Housing Stock**

Social housing properties are valued annually on an Existing Use Value for Social Housing (EUVS-H) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that results in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

● **Depreciation and Impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

	Economic Life
Land	n/a
Structure & roofs	75 yrs
Bathroom	24 yrs
Shower	12 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	15 yrs

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

2. Accounting policies (continued)

	Economic Life
Internal works & common areas	20 yrs
Kitchen	15 yrs
Mechanical, Electrical & Plumbing	30 yrs
Windows and doors	30 yrs

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

• **New Build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Non social housing properties

Housing for Mid Market Rent properties are valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Mid Market Rent properties owned by the Association are currently leased to and managed by Dunedin Canmore Enterprise Limited on arms' length commercial terms.

Commercial properties are held as investment properties and not subject to depreciation. They are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at least every five years.

Housing Association Grant and other capital grants

Housing Association Grant (HAG) is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

2. Accounting policies (continued)

HAG is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied; at that point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

Shared Ownership

Shared ownership properties are split between fixed assets and current assets. The allocation is determined by the percentage of the property to be sold under a first tranche disposal which is recorded as a current asset under Stock. The balance is recorded as social housing stock within fixed assets. Proceeds from a first tranche disposal are recorded as turnover, and costs through operating expenditure in the Statement of Comprehensive Income. Subsequent disposals are treated as a disposal of a fixed asset and are recorded through gain/loss on disposal of fixed assets.

Other tangible fixed assets

For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

	Economic Life
Furniture, fittings and office equipment (cost)	5 - 10yrs
Office improvements	10 yrs
Computer equipment (cost)	3 - 5 yrs
Solar panels (cost)	25 yrs

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at least every 5 years.

Provisions

The association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

2. Accounting policies (continued)

gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section

256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT.

3. Particulars of turnover, operating costs and operating surplus

	Turnover	2017 Operating Costs	Other Gains	Operating Surplus/ (deficit)	2016 Operating Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	25,120	(18,595)	-	6,525	9,011
Other activities (note 5)	2,723	(1,451)	-	1,272	950
Gain/(loss) on investment activities (note 8 & 16)	-	-	4,426	4,426	(3,339)
Gain on business combination (note 8)	-	-	3,782	3,782	-
Total	27,843	(20,046)	8,208	16,005	6,622
Total for previous reporting period	30,181	(20,220)	(3,339)	6,622	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

4. Particulars of turnover, operating costs and operating surplus from social letting activities

	General	Supported	2017		Total	2016 Total
			Needs	Housing		
	£'000	£'000	Ownership	£'000	£'000	£'000
Rent receivable net of service charges	21,931	-	-	773	22,704	22,088
Service charges	1,182	407	113	5	1,707	1,926
Gross income from rents and service charges	23,113	407	113	778	24,411	24,014
Less rent losses from voids	(178)	(3)	-	(31)	(212)	(237)
Net income from rents and service charges	22,935	404	113	747	24,199	23,777
Grants released from deferred income	458	-	-	12	470	2,270
Revenue grants from Scottish Ministers	-	-	-	370	370	1,150
Other revenue grants	81	-	-	-	81	-
Total turnover from affordable letting activities	23,474	404	113	1,129	25,120	27,197
Management and maintenance administration costs	3,895	3	113	967	4,978	4,383
Service costs	1,182	407	-	5	1,594	1,812
Planned and cyclical maintenance including major repairs costs	1,590	-	-	17	1,607	2,548
Reactive maintenance costs	3,683	-	-	28	3,711	3,431
Bad debts – rents and service charges	218	-	-	-	218	235
Depreciation of affordable let properties	6,487	-	-	-	6,487	5,777
Operating costs for affordable letting activities	17,055	410	113	1,017	18,595	18,186
Operating surplus for affordable letting activities	6,719	(6)	-	112	6,525	9,011
Operating surplus for affordable letting activities for the previous reporting period	8,939	2	-	70	9,011	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

5. Particulars of turnover, operating costs and operating surplus from other activities

			2017	2016		
	Grants From Scottish Ministers £'000	Other Revenue £'000	Total Turnover £'000	Total Operating Costs £'000	Operating Surplus /(Deficit) £'000	Operating Surplus /(Deficit) £'000
Wider role activities to support the community	272	216	488	(581)	(93)	(619)
Investment property activities	-	-	-	(39)	(39)	1
Factoring	-	34	34	(39)	(5)	(7)
Other agency/management services	-	2,139	2,139	-	2,139	2,145
Other income	-	62	62	(29)	33	192
Depreciation – Non Social Housing	-	-	-	(763)	(763)	(424)
Organisation Restructuring	-	-	-	-	-	(338)
Total from other activities	272	2,451	2,723	(1,451)	1,272	950
Total from other activities for the previous reporting period	295	2,689	2,984	(2,034)	950	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

6. Board members' emoluments

Board members received £85 (2016: £85) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

7. Officers' and employees' emoluments

Dunedin Canmore Housing does not employ any staff. Dunedin Canmore Enterprise provided staff and services to Dunedin Canmore Housing in respect of development, financial management, housing management and maintenance. This includes Officers of the Association. In the year DCE recharged £5,684k to DCH in respect of staff (2016: £5,363k).

8. Other income and gains

	2017 £000	2016 £000
Gain/(loss) on revaluation of investment property:	4,426	(3,339)
Dunedin Canmore Enterprise Limited		
Fair value of net assets acquired	3,782	-
Consideration	-	-
Gain on business combination	<u>3,782</u>	<u>-</u>
Total other income and gains/(losses)	<u>9,138</u>	<u>(3,339)</u>

On 30 March 2017, 100% of the business of Dunedin Canmore Enterprise Limited was transferred to Dunedin Canmore Housing for no consideration. No fundamental reorganisation or restructuring occurred as a result. In accordance with FRS 102, the gain arising on business combination is therefore recognised within operating surplus.

The following amounts were recognised at the acquisition date:

	£000
Fixed assets	120
Investment properties	14,417
Current assets	5,206
Current liabilities	(5,731)
Net current liabilities	<u>(525)</u>
Long term liabilities	(9,300)
Pension liability	(930)
	<u>3,782</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016 (continued)**

9. Gain on disposal of fixed assets

This represents net income from the disposal of fixed assets.

	2017 £'000	2016 £'000
Proceeds from disposal of properties	1,438	946
Value of properties disposed	(1,379)	(791)
Gain on sale of fixed assets	<u>59</u>	<u>155</u>

10. Finance income

	2017 £'000	2016 £'000
Interest on intra group loans	-	131
Interest on bank deposits	32	42
Total	<u>32</u>	<u>173</u>

11. Finance charges

	2017 £'000	2016 £'000
Interest on bank borrowings	-	1,252
Interest on intra group loans	8,011	5,908
Interest on defined benefit obligations (note 23)	98	107
Other financing costs	220	173
Total	<u>8,329</u>	<u>7,440</u>

Other financing costs include commitment and non-utilisation fees.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

12. Auditor's remuneration

	2017	2016
	£'000	£'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	14	23
Other services	-	3

13. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

	2017	2016
	£'000	£'000
Expenditure contracted for, but not provided in the financial statements	32,640	9,719
Expenditure authorised by the Board, but not contracted	-	2,788
	<u>32,640</u>	<u>12,507</u>

Capital commitments are funded through a combination of grant received in relation to our new build programme, operating surplus generated by the Association, and private funding.

Operating leases

At 31 March 2017 the Association had no commitments under non-cancellable operating leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

14. Tangible fixed assets

Social Housing Properties

	General Needs £'000	Shared Ownership £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2016	215,502	14,730	3,162	233,394
Additions	5,726	46	17,845	23,617
Disposals	(1,485)	(620)	(98)	(2,203)
Transfers	10	-	(10)	-
Transfers to investment properties (Note 16)	-	718	(2,358)	(1,640)
Revaluation	(3,573)	993	-	(2,580)
At 31 March 2017	216,180	15,867	18,541	250,588
Accumulated Depreciation				
At 1 April 2016	-	-	-	-
Charge for year	6,164	(3)	-	6,161
Disposals	(900)	-	-	(900)
Revaluation	(5,264)	3	-	(5,261)
At 31 March 2017	-	-	-	-
Net Book Value				
At 31 March 2017	216,180	15,867	18,541	250,588
At 1 April 2016	215,502	14,730	3,162	233,394
Net Book Value – Historic Cost Equivalent				
At 31 March 2017	300,602	22,194	18,580	341,376
At 1 April 2016	301,615	22,047	3,179	326,841

Total expenditure on repairs and capital improvements in the year on existing properties was £11.0m (2016: £9.7m). Of this, repair costs of £5.3m (2016: £6.0m) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £5.7m (2016: £3.8m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £5.7m (2016: £3.8m) in the year include:

- £1.9m in relation to the replacement of components (2016: £0.7m); and
- £3.8m on the improvement of components (2016: £3.1m).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

14. Tangible fixed assets (continued)

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (RICS) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RICS at 31 March 2017 on an Existing Use Valuation for Social Housing (EUV-SH). A discount rate of between 5.75% - 6.5% (2016: 5.75 - 6.5%) was used. The valuation assumes a rental income increase of inflation +0.50% on retained stock for the next 3 years, in line with the Association's 30 year Business Plan (2017-18). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

During 2016/17 the Association disposed of 6 properties to tenants under RTB entitlements. These properties were valued at £264k (2016: £314k).

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2017 is shown below:

	2017	2016
Social Housing		
General needs	4,658	4,661
Shared Ownership	353	354
Supported Housing	203	203
Total Units	5,214	5,218

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

15. Tangible fixed assets

Other tangible fixed assets

	Office Premises £'000	Office Improvements £'000	Other Fixed Assets £'000	Total £'000
Cost/Valuation				
At 1 April 2016	5,744	1,984	2,712	10,440
Acquired on business combination	-	-	201	201
Additions	-	169	-	169
Disposals	-	-	(366)	(366)
Revaluation adjustment	(2,924)	-	-	(2,924)
At 31 March 2017	2,820	2,153	2,547	7,520
Accumulated Depreciation				
At 1 April 2016	715	357	1,955	3,027
Acquired on business combination	-	-	81	81
Charge for year	110	363	290	763
Disposals	-	-	(366)	(366)
Revaluation adjustment	(825)	-	-	(825)
At 31 March 2017	-	720	1,960	2,680
Net Book Value				
At 31 March 2017	2,820	1,433	587	4,840
At 31 March 2016	5,029	1,627	757	7,413

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

16. Investments

Investment Properties

	Properties held for market rent £'000	Commercial Properties £'000	Total £'000
Valuation			
At 1 April 2016	44,250	350	44,600
Acquired in the year	13,652	765	14,417
Additions on business combination	104	-	104
Disposals	(402)	-	(402)
Transfers from Social Housing Properties (Note 14)	2,358	-	2,358
Transfers to Shared Ownership (Note 14)	(718)	-	(718)
Revaluation taken to operating surplus	3,836	590	4,426
At 31 March 2017	63,080	1,705	64,785
Net Book Value			
At 31 March 2017	63,080	1,705	64,785
At 31 March 2016	44,250	350	44,600

Properties totalling £2,358k were transferred from housing under construction during the year, with a further £718k of housing transferred from market rent to shared ownership. Market rent properties were valued at market value subject to tenancy (MV-T) by an independent professional adviser, Jones Lang LaSalle, on 31 March 2017.

The number of properties held for market rent by the Association at 31 March 2017 was:

	2017	2016
Mid Market Rent Properties		
Total Units	545	422

Commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2017 in accordance with the appraisal and valuation manual of the RICS. Commercial properties are subject to valuation at least every five years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

17. Stock

	2017	2016
	£'000	£'000
Stock at maintenance depot	142	-
Shared ownership properties to be sold	97	105
Total	<u>239</u>	<u>105</u>

18. Debtors

	2017	2016
	£'000	£'000
Due within one year:		
Arrears of rent and service charges	755	851
Adjustment to discount arrears balances with payment plans to NPV	(3)	4
Factoring debtors	647	-
Less: provision for bad and doubtful debts	<u>(468)</u>	<u>(270)</u>
	931	585
Prepayments and accrued income	1,227	656
Other debtors	666	240
Due from other group companies	526	1,292
Total	<u>3,350</u>	<u>2,773</u>

19. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	2,747	1,136
Accruals	1,510	2,181
Deferred income	4,766	942
Rent and service charges received in advance	654	453
Other creditors	529	307
Due to other group companies	2,053	1,246
Total	<u>12,259</u>	<u>6,265</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

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

	2017	2016
	£'000	Restated £'000
Housing loans	16,500	155,000
Due to other group companies	145,722	-
Deferred income	9,526	2,132
Total	171,748	157,132

Bank lending facility

On 1 April 2016, Dunedin Canmore joined the Wheatley RSL borrower's funding arrangements and the housing loans were transferred to Wheatley Funding No. 1 Limited ("WFL1"), the Wheatley Group subsidiary that administers the funding arrangements between the Group's RSLs, the commercial banking syndicate, EIB and corporate bondholders.

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £679.0m from a syndicate of commercial banks, a committed facility of £132.5m from the European Investment Bank and £300m raised through the issue of a public bond. This provided total facilities of £1,111.5m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing group Limited. Interest in the year has been charged at 5.56% (2016: 5.38%).

Dunedin Canmore Housing also have an external loan with The Housing Finance Corporation Limited ("THFC") which is repayable in October 2031. This loan has not been novated to Wheatley Funding No. 1 Limited.

Borrowings are repayable as follows	2017	2016
	£'000	Restated £'000
In less than one year	200	-
In more than one year but less than five years	800	-
In more than five years	161,422	155,000
	162,422	155,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

20. Creditors: amounts falling due after more than one year (continued)

The deferred income balance is made up as follows:

	Housing Association Grant £'000	Other £'000	Total Deferred Income £'000
Deferred income as at 31 March 2016	2,590	501	3,091
Additional income received	11,789	154	11,943
Released to the Statement of Comprehensive Income	(458)	(284)	(742)
Deferred income as at 31 March 2017	13,921	371	14,292

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

	2017 £'000	2016 £'000
Deferred income to be released to the Statement of Comprehensive Income:		
In less than one year	4,766	942
In more than one year but less than five years	9,526	2,149
	14,292	3,091

21. Financial Instruments

	2017 £'000	2016 £'000
Financial assets:		
Measured at amortised cost:		
Trade debtors and accrued income	2,083	1,279
Total	2,083	1,279

	2017 £'000	2016 Restated £'000
Financial liabilities:		
Measured at amortised cost:		
Trade creditors and accruals	4,257	3,317
Bank loans	162,422	155,000
Total	166,679	158,317

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

22. Share capital

	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April	80	79
Issued during year	11	12
Surrendered during year	-	(11)
	<hr/>	<hr/>
At 31 March	91	80

Each member of the Association holds one share of £1 in the Association. Share capital is non-equity and does not carry any rights to dividend payments. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

23. Pensions

Pensions Trust Scottish Housing Association Pension Scheme

Following the transfer of engagements on 30 March 2017, Dunedin Canmore Housing ("DCH") is the employer of all its staff and participates in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") Defined Contribution scheme. Previously, Dunedin Canmore operated the SHAPS Defined Benefit scheme. All employees were transferred to the Defined Contribution scheme on 1 April 2014. SHAPS is a multi-employer scheme and is funded and contracted out of the State Pension Scheme.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2015.

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. FRS 102 requires the disclosure of the Association's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2017.

Following consideration of the results of the last valuation at 30 September 2015, the shortfall in the scheme reduced from £304m to £198m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 27 years and following the most recent valuation, the period over which the past service deficit contributions are payable has been shortened by 5 years to 22 years. Past service deficit contributions continue to increase each 1st April at a rate of 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

23. Pensions (continued)

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.

Pensions Trust Scottish Housing Association Pension Scheme - Defined Benefit

The assumptions that have the most significant effect on the results of the valuation of the defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	31 March 2017	31 March 2016
Discount rate	2.8%	3.8%
Future salary increases	*2.0%	*2.5%
Inflation	2.3%	2.1%

*Salary increases are assumed to be 2% p.a. until 31 March 2019, 2.5% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.1 years (male) (2016: 22.1 years), 23.6 years (female) (2016: 23.6years)
- Future retiree upon reaching 65: 24.8 years (male) (2016: 24.8 years), 26.2 years (female) (2016: 26.2 years)

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

23. Pensions (continued)

Movements in present value of defined benefit obligation

	2017	2016
	£'000	£'000
Opening defined benefit obligation	12,919	13,837
Acquired on business combination	6,082	-
Interest cost	710	464
Actuarial losses/(gains)	5,474	(994)
Estimated benefits paid	(650)	(388)
Closing defined benefit obligation	24,535	12,919

Movements in fair value of plan assets

	2017	2016
	£'000	£'000
Opening fair value of plan assets	10,943	10,469
Acquired on business combination	5,152	-
Actuarial gain	4,258	58
Expected return on plan assets (excluding net interest on the defined benefit liability)	612	357
Contributions by the employer	701	463
Estimated benefits paid	(650)	(388)
Administration costs	(23)	(16)
Closing fair value of plan assets	20,993	10,943
Net liability	(3,542)	(1,976)

Expense recognised in Statement of Comprehensive Income

	2017	2016
	£'000	£'000
Administration costs	23	16
Interest on defined benefit pension plan obligation	98	107
Actuarial losses/(gains)	1,216	(1,052)
	1,337	(929)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

23. Pensions (continued)

The expense is recognised in the following line items in the Statement of Comprehensive Income

	2017	2016
	£'000	£'000
Operating expenses	(20,046)	(20,220)
Finance costs	(8,329)	(7,440)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £1,216k loss (2016: £1,052k gain).

The fair value of the Scheme assets and the return on those assets were as follows:

	2017	2016
	£'000	£'000
Equities	7,348	4,049
Corporate bonds	7,348	3,502
Property	840	547
Alternatives	5,037	2,626
Cash and other	420	219
	<u>20,993</u>	<u>10,943</u>
Actual return on plan assets	4,870	415

Defined Contribution pension arrangements

Expense recognised in Statement of Comprehensive Income

	SHAPS	Friends Life
	2017	2017
	£'000	£'000
Current service cost	209	130
	<u>209</u>	<u>130</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

24. Related party transactions

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. No Board members have interests or hold offices in any organisations where the Association has entered into transactions during the year, with the exception of the re-imburement of expenses incurred in relation to the performance of their responsibilities as a Board member (note 6). The following members are tenants or factored homeowners of the association and have tenancies or factoring arrangements that are on the association's normal terms and they cannot use their positions to their advantage.

Ann McGovern

Bryan Pitladdo

Transactions entered into with members, and rent arrears balances outstanding at 31 March, are as follows:

	2017
	£'000
Rent charged during the year	9
Arrears balances outstanding at 31 March 2017	-

25. Cash Flow Analysis

	2017	2016
	£'000	£'000
Cash flow from operating activities		
Surplus for the year	8,341	8,271
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	7,250	6,205
Decrease/(increase) in stock	8	(65)
Decrease in trade and other debtors	3,931	340
Decrease in trade and other creditors	(3,641)	(1,825)
Pension costs less contribution payments	(678)	(446)
Gain on business combination	(3,782)	-
<u>Adjustments for investing or financing activities:</u>		
Gain on disposal of tangible fixed assets	(59)	(155)
Government grants utilised in the year	(742)	(2,649)
Interest payable	8,329	7,440
Interest received	(32)	(173)
Movement in fair value of financial instruments	8	(34)
(Gain)/loss on investment activities	(4,426)	3,339
Reversal of previous decrease in the valuation of housing properties	(2,681)	(8,727)
Reversal of previous decrease in the valuation of housing properties	2,099	-
Net cash inflow from operating activities	13,925	11,521

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

26. Prior year adjustments

Reclassification of cancellable fixed rate loan arrangements

Loans under cancellable fixed rate agreements totalling £53.6m (2016: £53.6m) were transferred to WFL1 on 1 April 2016. These were previously accounted for as complex financial instruments and carried at fair value. These arrangements have been restated as basic arrangements to reflect the nature of the underlying agreements, and have been restated on an amortised cost basis.

	Reported in 2016 financial statements £'000	Impact of restatement £'000	Restated 2016 figures £'000
<i>Statement of Financial Position</i>			
Creditors: amounts falling due after more than one year	(174,583)	17,451	(157,132)
Total net assets	(174,583)	17,451	(157,132)
Revenue reserve	114,610	17,451	132,061
Total reserves	114,610	17,451	132,061
<i>Statement of Comprehensive Income</i>			
Movement in fair value of financial instruments	6,901	(6,867)	34
(Deficit)/surplus for the year	6,901	(6,867)	34

27. Ultimate parent organisation

The Association is a subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

Secretary and Registered Office

Anthony Allison
Dunedin Canmore Housing Limited
8 New Mart road
Edinburgh
EH14 1RL

Independent auditor

KPMG LLP (UK)
319 St Vincent Street
Glasgow G2 5AS

Bankers

Royal Bank of Scotland
Glasgow Corporate Office
Kirkstane House
139 St Vincent Street
Glasgow G2 5JF