DUNEDIN CANMORE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2018

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 2018.

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 major growth and continued success at Dunedin Canmore.

Our programme to build more affordable homes across our communities gained real momentum with 254 new homes completed and 10 new projects approved by our Board.

We also expanded and improved our repairs and maintenance service, providing repairs and investment services for customers of two of our sister organisations. We recruited 20 additional tradespeople and rolled out a new way of delivering repairs that has put far greater focus on providing a seamless customer experience.

Our progress as a successful, customer-focused business was recognised externally through a number of accreditation schemes including by Customer Service Excellence ("CSE"), the standard for excellence in the public sector overseen by the UK Cabinet, and Quality Scotland.

These are important milestones on our journey to excellence but the real barometer of our success is how satisfied our customers are with our services. I am delighted to report that 94% of tenants who were surveyed said they were satisfied overall with Dunedin Canmore as a landlord. This is our highest ever result and is without a doubt down to the hard work and dedication of our staff who, throughout a year of considerable growth, have continued to strive for excellence in everything they do.

On behalf of the Dunedin Canmore Board I would like to thank all our staff for their contribution and commitment in 2017/18 and I look forward to what I know will be another year of success.

Our year of success
We maintained high levels in all our satisfaction results with many areas of performance improving.

Our record tenant satisfaction – at 94% – was up from 93.6% the previous year and from 89.6% in 2015. Other performance highlights included:

- 98% of tenants reported being satisfied with the standard of their home when moving in, a significant improvement from 85% in 2016/17;
- 94% of existing tenants said they were satisfied with the quality of their home, which is an improving trend for Dunedin Canmore;
- Satisfaction with car parking services at our developments increased by 13% on the previous year.

OPERATING REVIEW (continued)

We were awarded a number of awards and accreditations including:

- Customer Service Excellence ("CSE"), the standard for excellence in the public sector overseen by the UK Cabinet, with seven Compliance Plus grades, the highest available;
- Two-star Committed to Excellence, awarded by Quality Scotland, on which we are now building with an assessment for three-star Recognised for Excellence in 2018;
- Investors in People ("IiP") Gold, awarded in April 2017.

Our repairs service
More tenants were happy with our newly reshaped repairs and maintenance service in 2017/18.

A total of 93% of tenants reported being satisfied with the service, up from 88.59% in 2016/17.

This came after we rolled out our new repairs and maintenance service. We recruited 20 additional tradespeople and are developing our teams to become more multi-skilled to provide more efficient services for customers.

Other improvements to the service include:

- tradespeople working in local areas, getting to know their communities and customers better;
- closer working between repairs and housing staff;
- greater focus on the customer with tradespeople taking more control of each step of even the most complex job.

Dunedin Canmore's Property Team now provides repairs, maintenance and investment services for two of our sister organisations in Wheatley - West Lothian Housing Partnership and Barony – meaning an extra 749 customers.

Building and improving homes
Dunedin Canmore built 254 new homes over the year, 165 of them for social rent and 89 for mid-market rent. Mid-market homes provide a good alternative for people looking for affordable housing but who perhaps do not have priority for a social home.

Among the completed homes were:

- 37 for mid-market and 18 for social rent at Craigmillar in Edinburgh, part of a bigger regeneration project;
- 16 for social rent at Wallyford in East Lothian;
- 16 for social rent at Gorton Loan in Midlothian.

At the end of the financial year Dunedin Canmore's Board had approved 10 new developments, homes were under way on seven different sites and we were on track to complete a total of 716 homes by 2021/22.

We also invested £6.7million in Dunedin Canmore homes, this included 305 kitchens, 220 bathrooms, 77 new heating systems, 146 windows and 187 doors. We also completed one of our largest tenement refurbishment projects at Earl Grey Street in Fountainbridge, Edinburgh.

OPERATING REVIEW (continued)

Investing in neighbourhoods

Fire safety remained a top priority for us throughout the year with a review of all our buildings carried out and additional measures put in place such as upgraded fire doors. Our parent company Wheatley Group recruited two new fire safety officers to work across all Wheatley communities. We also introduced a "Stay Safe" campaign to encourage all tenants to get a home fire safety visit and make sure they keep as safe as possible in their home.

Among tenants surveyed, satisfaction with neighbourhoods was 88%, down four percentage points. We worked on plans to bring more of our neighbourhood environmental services in house, creating teams who will work closely with housing staff to keep our neighbourhoods cleaner and tidier. This new environmental service is being rolled out in 2018.

Rents and value for money

A total of 87% of Dunedin Canmore tenants surveyed in 2017/18 thought they got good value for their rent.

Gross rent arrears performance increased slightly in 2017/18 from 4.44% to 4.83% however plans are in place to bring this back in target in 2018/19.

Engaging with customers

We continued to engage with customers across a range of channels, listening to their feedback and using it to improve services. A total of 95% of tenants reported they were satisfied with how we kept them informed about their services and decisions while 84% of tenants were satisfied with the opportunities they had to participate in the decision-making process at Dunedin Canmore.

We consulted customers formally on a new allocations policy, due to be introduced as part of "MyHousing", our new housing advice, information and letting service later in 2018 with their feedback influencing the final service. We also consulted tenants on three options for rent charges for 2018/19.

We held a range of community events across all our areas and continued to involve tenants in local decisions through our scrutiny panel and forums.

We also reached out to more tenants through online channels with over 1,300 people following us on our social media channels and our website audience growing steadily with around 4,400 visitors a month. Almost 500 tenants were registered for online self-service at the end of the financial year with people finding it quick and convenient to pay rent, check their account, book a repair or request a service. Since then we have simplified the sign-up process, encouraging dozens more people to register and use online self-service.

Supporting our customers

We supported our tenants and their families to get the most out of their lives through a range of services and projects, many of which are funded through the Wheatley Foundation, our charitable trust. This included providing jobs and training opportunities, support to get ready for work for those facing the biggest challenges, help with money, budgeting and benefits, access to bursaries to go to university and access to arts and sports projects.

Over 2017/18 we:

- supported 10 people who live in a Dunedin Canmore home into jobs or training;

OPERATING REVIEW (continued)

- helped three people from our homes go to college or university through Wheatley Foundation's bursary scheme which provides people with up to £1,500 funding a year;
- provided vital support to 304 newer tenants to help them manage their finances and settle into their community through Wheatley's "My Great Start" service;
- gave 18 veterans living in our homes help with well-being, employability and money through our Veterans' Support Service which is funded by a UK Treasury LIBOR grant.

By order of the Board

[redacted]

Mary Mulligan, Chair

29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2018 totalled £42,565k (2017: £27,843k). Rental and service charge income (net of void losses) accounted for 58% or £24,742k (2017: 87%, or £24,199k) of this with the remainder including:

- £11,742k of grant is accounted for as income, including grant in relation to capital investment and the new build programme (2017: £921k);
- £3,187k of investment property lease income for the provision of mid-market properties (2017: £2,100k); and
- £2,499k income at our workshop, providing repairs and investment services to other Wheatley Group subsidiaries (2017: £62k).

Expenditure

Total revenue expenditure in the year was £22,169k (2017: £20,046k), comprising the following main items:

- Letting activity management costs of £4,510k (2017: £4,978k);
- Service costs of £1,589k (2017: £1,594k);
- Planned repair and reactive maintenance costs of £1,834k and £3,555k respectively (2017: £1,607k and £3,711k);
- Total depreciation costs of £7,031k (2017: £7,250k); and
- Costs associated with our wider role in supporting communities of £419k (2017: £581k).
- Finance charges of £8,571k (2017: £8,329k) on borrowings of £184.7m (2017: £171.7m) which support the new build programme.

The operating surplus generated by the Association in the year totalled £23,528k (2017: £16,005k) after taking account of a gain on the revaluation of investment properties of £3,132k (2017: a gain of £4,426k). In the prior year operating surplus included a gain on the transfer of the business of Dunedin Canmore Enterprise of £3,782k.

The Association had a net asset position at the year-end of £165.0m (2017: £139.2m).

Cashflows

The cash flow statement of the Association is shown on page 17. The Association generated £14.7m from operating activities, an increase of £0.8m from the prior year. Cash and cash equivalents in the year decreased by £2.1m (2017: decreased by £6.2m).

Liquidity

The Association's net current liabilities as at 31 March 2018 totalled £14,678k, a movement of £8,941k in the year (from a net current liability position of £5,737k). 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 ("WFL1"), as detailed in note 20. The Association has access to an intra-group facility of £192.2m which is secured on its housing stock. Interest rate risk is managed at a group level by WFL1.

FINANCIAL REVIEW (continued)

Investment in tenants' homes
During the year we invested £6,655k in improving tenant's homes. At the year-end our completed housing stock was valued at £247.5m (2017: £216.2m).

New Build
During the financial year we completed 254 new build properties, across eight different developments. A further £19,468k has been invested in housing under construction for properties not yet completed at the balance sheet date. The Business Plan includes a further projected net spend of £70m 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 reserve includes 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 reserve, 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.

FINANCIAL REVIEW (continued)

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.

By order of the Board

[redacted]

Mary Mulligan, Chair
29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2018 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 2018 there were 9 members (2017: 11 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
Thomas Mitchell (Chair – until 21 September 2017)	18 December 2008	17 September 2015	21 September 2017	- Wheatley Housing Group
Mary Mulligan (Chair – appointed 21 September 2017)	20 September 2012	22 September 2016	-	- Wheatley Housing Group - Wheatley Foundation Limited
Surbhi Gosain	26 March 2015	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	21 September 2017	-
Sheila Scobie	26 March 2015	17 September 2015	-	-
Dennis Trueland	28 August 2014	23 September 2014	21 September 2017	-
George Cunningham	1 October 2016	-	-	-
Anne McGovern *	9 February 2017	-	-	-
Bryan Pitbladdo *	30 March 2017	-	-	-
Ruth Kynoch	19 December 2017	-	-	- Barony Housing Association
Arron Peters	24 May 2018			
Roslyn White	24 May 2018			

* tenant of the Association

Political and charitable donations

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

Creditor payment policy

Dunedin Canmore Housing 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 auditor

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 auditor is 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 auditor is aware of that information.

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

[redacted]

Mary Mulligan, Chair
29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

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 Board's 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 Standard 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
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

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). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 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.

[redacted]

Mary Mulligan, Chair
29 August 2018

8 New Mart Road
Edinburgh
EH14 1RL

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

Opinion

We have audited the financial statements of Dunedin Canmore Housing Limited ("the association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the association as at 31 March 2018 and of its 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).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Board's Annual Report, the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 10 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

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

Matters on which we are required to report by exception

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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 11, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

[redacted]

Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street
Glasgow G2 5AS

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

[redacted]

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Total 2018 £'000	Total 2017 £'000
Turnover	3	42,565	27,843
Operating expenditure	3	(22,169)	(20,046)
Gain on investment properties	3	3,132	4,426
Gain on business combination	9	-	3,782
Operating surplus		23,528	16,005
(Loss)/Gain on disposal of fixed assets	10	(28)	59
Finance income	11	1	32
Finance charges	12	(8,571)	(8,329)
Movement in fair value of financial instruments		-	(8)
Reversal of previous decrease in valuation of housing properties	15	11,096	2,681
Reversal of previous decrease in valuation of office properties	15	-	(2,099)
Surplus for the financial year		26,026	8,341
Actuarial loss in respect of pension schemes	23	(263)	(1,216)
Total comprehensive income for the year		25,763	7,125

All amounts relate to continuing operations.

The notes on pages 18 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	Revenue Reserve £'000
Balance at 1 April 2016	132,061
Total comprehensive income	7,125
Balance at 1 April 2017	139,186
Total comprehensive income	25,763
Balance at 31 March 2018	164,949

All amounts relate to continuing operations.

The notes on pages 18 to 39 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	Notes	**2018** **£'000**	**2017** **£'000**
Fixed assets			
Social housing properties	15	282,677	250,588
Other tangible fixed assets	15	5,131	4,840
Investment properties	16	79,663	64,785
		367,471	320,213
Current assets			
Stock	17	178	239
Trade and other debtors	18	2,769	3,350
Cash and cash equivalents		801	2,933
		3,748	6,522
Creditors: amounts falling due within one year	19	(18,426)	(12,259)
Net current liabilities		(14,678)	(5,737)
Total assets less current liabilities		352,793	314,476
Creditors: amounts falling due after more than one year	20	(184,667)	(171,748)
		168,126	142,728
Provisions for liabilities			
Pension liability	23	(3,177)	(3,542)
Total net assets		164,949	139,186
Reserves			
Share capital	22	-	-
Revenue reserve		164,949	139,186
Total reserves		164,949	139,186

These financial statements were approved by the Board on 16 Au[redacted]on 29 August 2018 by:

[redacted]
Chair

T[redacted]
Board Member

Anthony Allison
Secretary

The notes on pages 18 to 39 form part of these financial statements.

Charity registration number SC034572.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	**2018 £'000**	**2017 £'000**
Net cash generated from operating activities	25	14,683	13,925
Cash flow from investing activities			
Improvement of properties – housing stock	15	(6,655)	(5,772)
New build	15	(33,494)	(17,845)
Purchase of other fixed assets	15	(982)	(169)
Improvement of properties – investment	16	-	(104)
Proceeds from disposal of properties	10	945	1,438
Grants received	20	9,591	11,960
Finance income	11	1	32
		(30,594)	(10,460)
Cash flow from financing activities			
Finance charges		(8,221)	(8,231)
Cash obtained on business combination		-	550
Repayment of bank loan		-	(2,000)
Financing draw down		22,000	-
		13,779	(9,681)
Net change in cash and cash equivalents		(2,132)	(6,216)
Cash and cash equivalents at beginning of the year		2,933	9,149
Cash and cash equivalents at end of the year		801	2,933
Cash and cash equivalents at 31 March			
Cash		801	2,933
Bank overdraft		-	-
		801	2,933

The notes on pages 18 to 39 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 Association and the preparation of long term 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. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

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 2018 (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 Practise 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 2018 (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 ("EUV-SH") 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	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2. Accounting policies (continued)

	Economic Life
Internal works & common areas	20 yrs
Kitchen	20 yrs
Mechanical, Electrical & Plumbing	25 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 2018 (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 (cost)	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 2018 (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

	2018 Turnover	2018 Operating Costs	2018 Other Gains	2018 Operating Surplus	2017 Operating Surplus
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	36,484	(18,082)	-	18,402	6,525
Other activities (note 5)	6,081	(4,087)	-	1,994	1,272
Gain/(loss) on investment activities (note 16)	-	-	3,132	3,132	4,426
Gain on business combination (note 9)	-	-	-	-	3,782
Total	42,565	(22,169)	3,132	23,528	16,005
Total for previous reporting period	27,843	(20,046)	8,208	16,005	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	General Needs £'000	Supported Housing £'000	2018 Shared Ownership £'000	Total £'000	2017 Total £'000
Rent receivable net of service charges	20,652	1,725	917	23,294	22,704
Service charges	1,145	397	70	1,612	1,707
Gross income from rents and service charges	21,797	2,122	987	24,906	24,411
Less rent losses from voids	(140)	(24)	-	(164)	(212)
Net income from rents and service charges	21,657	2,098	987	24,742	24,199
Grants released from deferred income	11,381	-	-	11,381	470
Revenue grants from Scottish Ministers	-	361	-	361	370
Other revenue grants	-	-	-	-	81
Total turnover from affordable letting activities	33,038	2,459	987	36,484	25,120
Management and maintenance administration costs	3,147	1,071	292	4,510	4,978
Service costs	1,026	460	103	1,589	1,594
Planned and cyclical maintenance including major repairs costs	1,765	69	-	1,834	1,607
Reactive maintenance costs	3,420	135	-	3,555	3,711
Bad debts – rents and service charges	245	9	-	254	218
Depreciation of affordable let properties	5,804	240	296	6,340	6,487
Operating costs for affordable letting activities	15,407	1,984	691	18,082	18,595
Operating surplus for affordable letting activities	17,631	475	296	18,402	6,525
Operating surplus for affordable letting activities for the previous reporting period (Restated)	5,910	353	263	6,525	

The prior year disclosure of affordable letting activities has been amended to better reflect the allocation of income and expenditure across general needs, supported housing, and shared ownership properties in note 4. This is in line with the definition of affordable letting activities within the SORP and guidance issues by the Scottish Housing Regulator.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	Grants From Scottish Ministers £'000	Other Revenue £'000	Total Turnover £'000	Total Operating Costs £'000	2018 Operating Surplus /(Deficit) £'000	2017 Operating Surplus /(Deficit) £'000
Wider role activities to support the community	-	375	375	(419)	(44)	(93)
Investment property activities	-	3,187	3,187	-	3,187	2,100
Factoring	-	20	20	(24)	(4)	(5)
Other income	-	2,499	2,499	(2,435)	64	33
Depreciation – Non Social Housing	-	-	-	(691)	(691)	(763)
Organisation Restructuring	-	-	-	(518)	(518)	-
Total from other activities	-	6,081	6,081	(4,087)	1,994	1,272
Total from other activities for the previous reporting period	272	2,451	2,723	(1,451)	1,272	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

6. Board members' emoluments

Board members received £0 (2017: £85) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

7. Key management emoluments

	2018 £000	2017 £000
Aggregate emoluments payable to key management (including employers pension contributions and benefits in kind)	314	-
Emoluments payable to highest paid key management	96	-
Employer pension contributions	19	-
Total emoluments payable to the highest paid key management	108	-

During the period the key management's emoluments (excluding pension contributions) fell within the following band distributions:

More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	2	-
More than £80,000 but not more than £90,000	-	-
More than £90,000 but not more than £100,000	1	-

The senior officers are defined for this purpose as the Managing Director and any person reporting directly to the Managing Director earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There were three senior officers in post at 31 March 2018. Key management personnel in the year were as follows:

Hazel Young	Managing Director
Alan Glasgow	Director of Housing Services
Anthony Holsgrove	Director of Property Services

8. Employees

	2018 No.	2017 No.
The average monthly number of full time equivalent persons employed during the year was	201	-
The average total number of employees employed during the year was	279	-
	£'000	£'000
Staff costs (for the above persons)		
Wages and salaries	6,314	-
Social security costs	663	-
Employer's pension costs	1,035	-
FRS 102 pension adjustment	(739)	-
	7,273	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

8. Employees (continued)

In addition to the above staff costs the Association incurred agency staff costs of £545k during the year (2017: £77k).

In the prior year Dunedin Canmore Housing ("DCH") did not employ any staff. An amount of £5,684k was recharged in the prior year by Dunedin Canmore Enterprise to DCH in respect of development, financial management, housing management and maintenance . This included Officers of the Association.

9. Other income and gains

	2018	2017
	£000	£000
Gain on revaluation of investment property:	3,132	4,426
Dunedin Canmore Enterprise Limited		
Fair value of net assets acquired	-	3,782
Consideration	-	-
Gain on business combination	-	3,782
Total other income and gains	3,132	9,138

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.

10. (Loss)/Gain on disposal of fixed assets

This represents net income from the disposal of fixed assets.

	2018	2017
	£'000	£'000
Proceeds from disposal of properties	945	1,438
Value of properties disposed	(973)	(1,379)
(Loss)/Gain on sale of fixed assets	(28)	59

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

11. Finance income

	2018 £'000	2017 £'000
Interest on bank deposits	1	32
	1	32

12. Finance charges

	2018 £'000	2017 £'000
Interest on bank borrowings	496	496
Interest on intra group loans	7,966	7,515
Net interest charge on pension liability (note 23)	89	98
Other financing costs	20	220
	8,571	8,329

Other financing costs include commitment and non-utilisation fees.

13. Auditor's remuneration

	2018 £'000	2017 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	14	14
Other services	-	-

14. Financial commitments

Capital commitments
All capital commitments of the Association were as follows:

	2018 £'000	2017 £'000
Expenditure contracted for, but not provided in the financial statements	10,993	32,640
Expenditure authorised by the Board, but not contracted	28,483	-
	39,476	32,640

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 2018 the Association had no commitments under non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

15. Tangible fixed assets

Social Housing Properties

	General Needs £'000	Shared Ownership £'000	Housing Under Construction £'000	Total £'000
Valuation				
At 1 April 2017	216,180	15,867	18,541	250,588
Additions	6,655	-	33,494	40,149
Disposals	(146)	(707)	-	(853)
Transfers	20,515	-	(20,515)	-
Transfers to investment properties (Note 16)	-	-	(12,052)	(12,052)
Revaluation	4,309	536	-	4,845
At 31 March 2018	247,513	15,696	19,468	282,677
Accumulated Depreciation				
At 1 April 2017	-	-	-	-
Charge for year	6,044	296	-	6,340
Disposals	(49)	(40)	-	(89)
Revaluation	(5,995)	(256)	-	(6,251)
At 31 March 2018	-	-	-	-
Net Book Value - Valuation				
At 31 March 2018	247,513	15,696	19,468	282,677
At 1 April 2017	216,180	15,867	18,541	250,588
Net Book Value – Cost				
At 31 March 2018	328,455	21,231	19,468	369,154
At 1 April 2017	300,602	22,194	18,580	341,376

Total expenditure on repairs and capital improvements in the year on existing properties was £12.0m (2017 £11.0m). Of this, repair costs of £5.3m (2017: £5.3m) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £6.7m (2017: £5.7m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £6.7m (2017: £5.7m) in the year include:

- £4.5m in relation to the replacement of components (2017: £1.9m); and
- £2.2m on the improvement of components (2017: £3.8m).

Additions to housing under construction include capitalised interest costs of £1.1m (2017: £0.5m). Interest has been capitalised at the weighted average interest cost for the association of 5.50% (2017: 5.56%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

15. 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% (2017: 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 2017/18 there were no properties disposed of under RTB entitlements. In the prior year, the Association disposed of 6 properties which were valued at £264k.

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2018 is shown below:

	2018	2017
Social Housing		
General needs	4,814	4,688
Shared Ownership	347	353
Supported Housing	203	203
Total Units	5,364	5,214

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

15. Tangible fixed assets (continued)

Other tangible fixed assets

	Office Premises £'000	Office Improvements £'000	Other Fixed Assets £'000	Total £'000
Cost or Valuation				
At 1 April 2017	2,820	2,153	2,547	7,520
Additions	-	982	-	982
Disposals	-	-	(1,308)	(1,308)
At 31 March 2018	2,820	3,135	1,239	7,194
Accumulated Depreciation				
At 1 April 2017	-	720	1,960	2,680
Charge for year	94	266	331	691
Disposals	-	-	(1,308)	(1,308)
At 31 March 2018	94	986	983	2,063
Net Book Value				
At 31 March 2018	2,726	2,149	256	5,131
At 31 March 2017	2,820	1,433	587	4,840

Office premises 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. Office premises are subject to valuation at least every five years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

16. Investments

Investment Properties

	Properties held for market rent £'000	Commercial Properties £'000	Total £'000
Valuation			
At 1 April 2017	63,080	1,705	64,785
Disposals	(306)	-	(306)
Transfers from Social Housing Properties (Note 14)	12,052	-	12,052
Revaluation taken to operating surplus	3,132	-	3,132
At 31 March 2018	77,958	1,705	79,663
Net Book Value			
At 31 March 2018	77,958	1,705	79,663
At 31 March 2017	63,080	1,705	64,785

Properties totalling £12,052k were transferred from housing under construction during the year. Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2018.

The number of properties held for market rent by the Association at 31 March 2018 was:

	2018	2017
Mid Market Rent Properties		
Total Units	629	545

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.

17. Stock

	2018 £'000	2017 £'000
Stock at maintenance depot	178	142
Shared ownership properties to be sold	-	97
	178	239

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

18. Debtors

	2018 £'000	2017 £'000
Due within one year:		
Arrears of rent and service charges	1,111	755
Adjustment to discount arrears balances with payment plans to NPV	(4)	(3)
Factoring debtors	495	647
Less: provision for bad and doubtful debts	(374)	(468)
	1,228	931
Prepayments and accrued income	-	1,227
Other debtors	501	666
Due from other group companies	1,040	526
	2,769	3,350

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

19. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	337	2,747
Accruals	3,394	1,510
Deferred income (note 20)	12,322	4,766
Rent and service charges received in advance	709	654
Other creditors	998	529
Due to other group companies	666	2,053
	18,426	12,259

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

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

	2018 £'000	2017 £'000
Housing loans	16,500	16,500
Due to other group companies	168,167	145,722
Deferred income	-	9,526
	184,667	171,748

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

Bank lending facility

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 £658.14m from a syndicate of commercial banks, a committed facility of £106.25m from the European Investment Bank, £300.0m raised through the issue of a public bond, £100.0m private placement loan notes with Blackrock Real Assets and £100.0m funding with HSBC. This provided total facilities of £1,264.4m 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 5.50% (2017: 5.56%).

Dunedin Canmore Housing also have an external loan with The Housing Finance Corporation Limited ("THFC") which is repayable in October 2031.

Borrowings are repayable as follows:	2018 £'000	2017 £'000
In less than one year	277	200
In more than one year but less than two years	261	200
In more than two year but less than five years	714	600
In more than five years	183,492	161,422
	184,744	162,422

Deferred Income

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 2017	13,921	371	14,292
Additional income received	9,095	496	9,591
Released to the Statement of Comprehensive Income	(11,381)	(180)	(11,435)
Deferred income as at 31 March 2018	11,635	687	12,322

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

Deferred income to be released to the Statement of Comprehensive Income:	2018 £'000	2017 £'000
In less than one year (note 19)	12,322	4,766
In more than one year but less than five years	-	9,526
	14,292	14,292

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (continued)

21. Financial Instruments

Financial assets:	**2018 £'000**	**2017 £'000**
Measured at amortised cost:		
Trade debtors and accrued income	1,228	2,083
	1,228	2,083

Financial liabilities:	**2018 £'000**	**2017 £'000**
Measured at amortised cost:		
Trade creditors and accruals	3,731	4,257
Bank loans	184,450	162,422
	188,181	166,679

22. Share capital

	2018 £	**2017 £**
Shares of £1 each issued and fully paid		
At 1 April	91	80
Issued during year	1	11
Surrendered during year	(8)	-
At 31 March	84	91

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

23. Pensions (continued)

financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2018.

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.

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 2018	31 March 2017
Discount rate	2.7%	2.8%
Future salary increases	*2.1%	*2.0%
Inflation	2.2%	2.3%

*Salary increases are assumed to be 2.1% until 31 March 2019, 2.0% p.a. thereafter.

In valuing the liabilities of the pension fund at 31 March 2018, 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: 23.5 years (male), 25.4 years (female)
- Future retiree upon reaching 65: 25.7 years (male) (2017: 25.7 years), 27.4 years (female) (2017: 27.4 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 2018 (continued)

23. Pensions (continued)

Movements in present value of defined benefit obligation

	2018 £'000	2017 £'000
Opening defined benefit obligation	**24,535**	**12,919**
Acquired on business combination	-	6,082
Interest cost	677	710
Actuarial losses	1,087	5,474
Estimated benefits paid	(733)	(650)
Closing defined benefit obligation	**25,566**	**24,535**

Movements in fair value of plan assets

	2018 £'000	2017 £'000
Opening fair value of plan assets	**20,993**	**10,943**
Acquired on business combination	-	5,152
Actuarial gain	824	4,258
Expected return on plan assets (excluding net interest on the defined benefit liability)	588	612
Contributions by the employer	739	701
Estimated benefits paid	(733)	(650)
Administration costs	(22)	(23)
Closing fair value of plan assets	**22,389**	**20,993**
Net liability	**(3,177)**	**(3,542)**

Expense recognised in Statement of Comprehensive Income

	2018 £'000	2017 £'000
Administration costs	22	23
Interest on defined benefit pension plan obligation	89	98
Actuarial losses	263	1,216
	374	1,337

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

	2018 £'000	2017 £'000
Operating expenses	(22,169)	(20,046)
Finance costs	(8,571)	(8,329)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £263k loss (2017: £1,216k loss).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

23. Pensions (continued)

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

	2018 £'000	2017 £'000
Equities	4,030	7,348
Corporate bonds	10,075	7,348
Property	896	840
Alternatives	7,164	5,037
Cash and other	224	420
	22,389	20,993
Actual return on plan assets	1,412	4,870

Defined Contribution pension arrangements

Expense recognised in Statement of Comprehensive Income

	SHAPS 2018 £'000	Friends Life 2018 £'000
Current service cost	190	141
	190	141

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. The following interests in related parties are required to be declared:

Tenant Board Members

Anne McGovern
Bryan Pitladdo

Transactions and arrear balances outstanding at 31 March 2018, are as follows:

	2018 £'000
Rent charged during the year	9
Arrears balances outstanding at 31 March 2018	-

Other related parties

There were no other related party transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

25. Cash Flow Analysis

Cash flow from operating activities	**2018 £'000**	**2017 £'000**
Surplus for the year	26,026	8,341
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	7,031	7,250
Decrease/(increase) in stock	61	8
Decrease in trade and other debtors	484	3,931
Decrease in trade and other creditors	(854)	(3,641)
Pension costs less contribution payments	(739)	(678)
Gain on business combination	-	(3,782)
Adjustments for investing or financing activities:		
Loss/(gain) on disposal of tangible fixed assets	28	(59)
Government grants utilised in the year	(11,435)	(742)
Interest payable	8,310	8,329
Interest received	(1)	(32)
Movement in fair value of financial instruments	-	8
Gain on investment activities	(3,132)	(4,426)
Reversal of previous decrease in the valuation of housing properties	(11,096)	(2,681)
Reversal of previous decrease in the valuation of office properties	-	2,099
Net cash inflow from operating activities	**14,683**	**13,925**

26. 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