DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2021

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 2021.

Principal Activities

The principal activities of Dunedin Canmore Housing Limited ("Dunedin Canmore", "DCH" or "the Association") are the provision and management of affordable rented accommodation. Dunedin Canmore has over 6,000 affordable homes to let in the east of Scotland.

OPERATING REVIEW

The year will be remembered as an extraordinary and exceptionally difficult one, with unprecedented circumstances affecting the business, our staff, and most importantly, our customers.

The pandemic left many Dunedin Canmore customers facing severe financial hardship, and while the safety of our staff and customers remained our absolute top priority throughout the year, our focus was on providing rapid support to customers when they needed us most.

We opened the year with a new service model already in place, with housing staff and customer service advisors working from home. Repairs and maintenance services were limited to emergency and essential repairs, along with gas safety checks and servicing.

Capital investment critical in terms of health and safety, including the installation of smoke and heat detectors, continued throughout the year, as did external capital work. Non-essential internal investment work was suspended. Our Neighbourhood Environmental Teams continued to work in Dunedin Canmore communities.

As an agile, flexible organisation, Dunedin Canmore responded quickly and decisively to changes in government guidance over the year.

When lockdown restrictions were temporarily eased, we increased the range of services we could carry out, such as stair-cleaning and a wider range of repairs, but reverted back to emergency and essential services as restrictions tightened again. Our new-build programme, suspended at the start of the year, resumed in June.

At all times we did everything possible to protect both customers and staff through strict adherence to health-and-safety practices and the use of the appropriate Personal Protective Equipment ("PPE").

Wheatley Foundation's emergency food service *EatWell* and *Emergency Response Fund* were at the forefront of the Group's customer support package, particularly during the first six months of the year. *Eat Well* supported 1,965 Dunedin Canmore households with food packs or vouchers in 2020/21.

The *Emergency Response Fund*, set up to alleviate hardship and isolation during the pandemic, helped 238 Dunedin Canmore customers with one-off essential purchases, ranging from fridges and mobile phone-top ups to family activity packs.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

Throughout the year, housing officers working from home made thousands of welfare calls to ensure those in crisis got immediate help. Welfare benefits advice was particularly significant during this period.

Despite the unparalleled circumstances and restrictions on our activities this year, we built 93 new homes over the year, invested £4.0m in planned improvements and supported seven people from our homes into work and training.

The effects of the pandemic will be with us for years to come, but our strong position as part of Wheatley Group, our *Think Yes* culture and our track record in rapidly developing new and enhanced services to support our customers means we can be confident in facing future challenges.

Here are some of the highlights of the year:

Building new homes
Dunedin Canmore built 93 new affordable homes over the year, a mix of social rent and mid-market rent.

Our completed new homes included:
- 41 homes for social rent at Beaverbank, north Edinburgh;
- 10 homes for social rent at South Gilmerton in Edinburgh;
- seven new social rent homes at Lang Loan, in Liberton/Gilmerton;
- 19 mid-market homes at Fountainbridge, in Edinburgh city centre; and
- 16 mid-market rent homes as part of the third phase of Greendykes.

We also progressed work on 27 new homes at Newmills Road, phase 2, Balerno; 38 at Roslin, Midlothian; 52 at South Gilmerton, Edinburgh; and 35 at The Wisp, in Edinburgh.

Investing in our homes
Despite the restrictions caused by the pandemic this year, we delivered £4.0m of planned improvements in our homes and communities.

This included:
- £464k on repairing structures and roofs and stonework on our pre-1919 tenements;
- £635k on mechanical electrical and plumbing including new smoke and heat detectors for almost 1,500 homes;

Improving our neighbourhoods
Despite the restrictions, we continued our work to create clean and safe neighbourhoods people are proud to live in.

As local authorities suspended bulk uplifts, our environmental teams provided that service in Dunedin Canmore communities.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – continued to work with Dunedin Canmore communities to tackle anti-social behaviour, crime and fire safety.

While Covid restrictions meant home fire safety visits were suspended over the year, we continued to support customers over the phone and online, and delivered pioneering products such as fire-retardant bedding and air fryers to a number of customers.

Letting homes

While our allocations were suspended in the early part of the year, we resumed letting in August and allocated homes to those in priority need, mainly homeless households.

Over the year, Dunedin Canmore allocated 296 homes to homeless people. We recognised the challenge all local authorities faced in fulfilling their statutory duty to the homeless, as well as the greater risk the Coronavirus posed to homeless people.

Our repairs service

At the start of financial year 2020/21, our repairs and maintenance service was restricted to emergency and essential services only. Throughout the year, our overriding priority was the safety of our staff and customers.

As lockdown restrictions were temporarily eased, we were able to increase the range of essential repairs we could carry out, but reverted back to emergency and essential services as restrictions tightened again.

Despite the challenges of strict health and safety guidelines, new processes to keep people safe, as well as restrictions on travel, we still managed to deliver 18,788 reactive repairs over the year.

Supporting our customers

A total of 17% of Dunedin Canmore customers are now on Universal Credit ("UC"), an increase of 3% from last year.

We continued to support our customers through the challenges they faced during the pandemic, including attending online tribunals with the Department of Work and Pensions to represent vulnerable customers.

Our Welfare Benefits Advisors and Fuel Advisors supported almost 994 customers over the year, and helped them claim more than £1.9m in benefits and tax credits they were entitled to. We also helped customers access external funding to alleviate fuel poverty.

We will continue to support our customers over the next year with the difficulties posed by UC and the impact of the pandemic.

We continued to support our customers to get online and to encourage them to engage with us through our digital channels and online self-service accounts.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

By the end of the financial year, more than 46% of Dunedin Canmore customers had registered for an online account with us. More than 3,900 people used the Dunedin Canmore website every month.

Working with Wheatley Foundation and Wheatley 360, we:

- created seven opportunities for our customers to get into work or training;
- supported 268 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- put food on the table in 1,965 homes through our *EatWell* service;
- delivered Christmas vouchers to 385 households;
- provided essential household items to 238 customers through our *Emergency Response Fund*;
- gave three tenants up-cycled furniture through our *Home Comforts* service;
- awarded four young people from our homes a bursary to go to university or college; and
- provided free books every month to 45 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent auditor

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2021 totalled £41.8m (2020: £42.9m). Rental and service charge income (net of void losses) accounted for 70% or £29.4m (2020: 65%, or £27.8m) of this with the remainder including:

- £8.1m of grant is accounted for as income (2020: £9.6m), including grant in relation to capital investment and the new build programme and claims under the UK Government Job Retention Scheme. The reduction from the prior year largely linked to the timing of the completion of new build developments;
- £2.1m of investment property income for the provision of mid-market properties (2020: £1.6m) which has increased due to the development of new mid-market rent properties with an additional 63 properties in the year; and
- £2.1m income at our workshop, providing repairs and investment services to other Wheatley Group subsidiaries (2020: £2.5m).

Expenditure

Total operating expenditure in the year was £27.4m (2020: £26.8m), comprising the following main items:

- Letting activity management costs of £5.8m (2020: £5.4m);
- Service costs of £2.0m (2020: £1.7m);
- Planned repair and reactive maintenance costs of £3.0m and £3.6m respectively (2020: £2.3m and £3.0m);
- Bad debt costs of £0.2m (2020: £0.2m);
- Total depreciation costs of £10.1m (2020: £9.7m);

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW (continued)

- Costs associated with our wider role in supporting communities of £0.5m (2020: £0.6m); and
- Costs attributable to the provision of repairs and investment services to other Group subsidiaries of £2.1m (2020:£2.5m).

The operating surplus generated by the Association in the year totalled £21.8m (2020: £13.4m). This surplus includes a gain from the transfer of engagements on 23 September 2020 from Barony Housing Association of £7.2m.

In addition a gain on the revaluation of investment properties of £0.2m (2020: loss of £2.7m) is reported. On completion of new build properties, which are held on the Statement of Financial Position at valuation, FRS 102 requires the grant income to be recognised through profit or loss under the performance model. This approach creates an initial valuation loss on new properties in the year of completion when compared to the gross development cost.

Finance charges of £10.8m (2020:£7.5m) include £3.4m for Dunedin Canmore's share of a one off fee for the restructuring of fixed rate loan arrangements completed on 30 March 2021 which will reduce future interest costs and improve the strength of the business plan going forward.

The Association had a net asset position at the year-end of £210.5m (2020: £190.5m).

Cashflows
The cash flow statement of the Association is shown on page 19. The Association generated £15.9m from operating activities, an increase of £2.8m from the prior year primarily due to the timing of grant receipts and settlement of intragroup balances. Cash and cash equivalents in the year decreased by £1.3m (2020: increased by £0.9m).

Liquidity
The Association's net current liabilities as at 31 March 2021 totalled £7.2m, an increase of £2.3m in the year largely due to an increase in accruals linked to the new build programme and accrued finance charges for the loan restructuring fees. A total of £13.2m was invested in the new build development programme and a further £4.0m in existing housing stock during the year. Borrowings due after more than one year have decreased to £160.5m (2020: £168.0m) following the repayment of intragroup balances as part of the management of cash balances through the Group funding subsidiary Wheatley Funding No. 1 Limited ("WFL1") to match the needs of the business and the cost of borrowing.

The Association has access to a borrowing facility administered through WFL1 and is able to meet its liabilities as they fall due.

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 WFL1, as detailed in note 21. The Association has access to an intra-group facility of £219.9m which is secured on its housing stock (2020: £254.7m). Interest rate risk is managed at a group level by WFL1.

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW (continued)

Investment in tenants' homes
During the year we invested £4.0m in improving tenant's homes (2020: £6.4m). At the year-end our social housing stock including housing under construction was valued at £352.5m (2020: £332.5m).

New Build
During the financial year we completed 93 new build properties. A further £14.8m has been invested in housing under construction for properties not yet completed at the balance sheet date (2020: £12.9m).

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.

DIRECTORS' REPORT (continued)

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.

Principal risks facing the Association

The Board is responsible for assessing the risks facing Dunedin Canmore Houing Limited. As a subsidiary of Wheatley Housing Group, the principal risks are broadly similar to those facing the Group and can be seen in the consolidated financial statements of the Group.

By order of the Board

Mary Mulligan, Chair
26 August 2021

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' REPORT (continued)

DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2021 Dunedin Canmore's Rules allowed for the appointment of up to 12 Board members. With the exception of the Parent Appointee (if appointed), Board members are elected at the annual general meeting from the membership of the Association and retire by rotation every three years. Any member of the Association is entitled to stand for membership of the Board.

At 31 March 2021 there were 10 members (2020: 8 members) of the Dunedin Canmore 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 during the year
Mary Mulligan (Chair)	20 September 2012	22 September 2016	-	Wheatley Housing Group Limited
George Cunningham	1 October 2016	-	17 September 2020	Barony Housing Association Limited (until 23 September 2020)
Anne McGovern *	9 February 2017	17 September 2020-	-	-
Bryan Pitbladdo *	30 March 2017	17 September 2020-	-	-
Ruth Kynoch	19 December 2017	-	-	
Jill Cronin	29 November 2018	12 September 2019	-	Wheatley Solutions Limited (resigned 23 June 2021)
Jack Cadell	29 November 2018	12 September 2019	-	Wheatley Group Development Committee
Mark Keane*	28 November 2019			
Alastair Murray	17 September 2020			Barony Housing Association Limited (until 23 September 2020)
Helen Howden	17 September 2020			Barony Housing Association Limited (until 23 September 2020) The Wheatley Foundation Limited
Jane Menzies*	23 December 2020			

* tenant of the Association

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

DIRECTORS' REPORT (continued)

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 Association 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.

DIRECTORS' REPORT (continued)

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 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;
- 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 or 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 2019, 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.

By order of the Board

Mary Mulligan, Chair
26 August 2021

8 New Mart Road
Edinburgh
EH14 1RL

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

Opinion

We have audited the financial statements of Dunedin Canmore Housing Association Limited ("the association") for the year ended 31 March 2021 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 2021 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 prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2019, 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

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of board members and management as to the association's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual suspected or alleged fraud; and

- Reading Board minutes.

As required by auditing standards, taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that entity management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to income recognition because of the limited opportunity and incentive for fraudulent revenue recognition and the limited judgement in respect of revenue recognition.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the association wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These include those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to nom-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discuss with the board and other management (as required by auditing standards), and discussed with the board and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the association is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, charities legislation and registered social landlord legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statements items.

Secondly, the association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures n the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: certain aspects of charities, health and safety, employment law, and social housing legislation recognising the association's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence of any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatements. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The association's Board is responsible for the other information, which comprises the directors' 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. Based solely on that work, we have not identified material misstatements in the other information.

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.

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 its 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 explained more fully 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. 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.

Michael Wilkie
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

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

KPMG

319 St Vincent Street

Glasgow, G2 5AS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Total 2021 £'000	Total 2020 £'000
Turnover	3	41,799	42,934
Operating expenditure	3	(27,361)	(26,786)
Other gains/(losses)	3	7,321	(2,705)
Operating surplus		21,759	13,443
Gain on disposal of fixed assets	10	1,768	403
Finance income	11	1	6
Finance charges	12	(10,804)	(7,529)
Reversal of previous decrease in valuation of housing Properties		10,131	9,192
Reversal of previous decrease in valuation of office properties		409	109
Surplus for the financial year		23,264	15,624
Actuarial (loss)/gain in respect of pension schemes		(3,272)	1,253
Total comprehensive income for the year		19,992	16,877

All amounts relate to continuing operations.

The notes on pages 20 to 44 form part of these financial statements.

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2021

	Revenue Reserve £'000
Balance at 1 April 2019	173,584
Total comprehensive income	16,877
Balance at 1 April 2020	190,461
Total comprehensive income	19,992
Balance at 31 March 2021	210,453

All amounts relate to continuing operations.

The notes on pages 20 to 44 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2021

	Notes	**2021 £'000**	**2020 £'000**
Fixed assets			
Social housing properties	15	352,523	332,501
Other tangible fixed assets	16	6,059	5,534
Investment properties	17	31,855	28,561
		390,437	366,596
Current assets			
Stock	18	505	334
Trade and other debtors	19	10,500	5,123
Cash and cash equivalents		2,984	4,273
		13,989	9,730
Creditors: amounts falling due within one year	20	(21,149)	(14,564)
Net current liabilities		(7,160)	(4,834)
Total assets less current liabilities		383,277	361,762
Creditors: amounts falling due after more than one year	21	(169,640)	(170,550)
		213,637	191,212
Provisions for liabilities			
Pension liability	24	(3,184)	(751)
Total net assets		210,453	190,461
Reserves			
Share capital	23	-	-
Revenue reserve		210,453	190,461
Total reserves		210,453	190,461

These financial statements were approved by the Board on 19 August 2021 and were signed on its behalf on 26 August 2021 by:

Mary Mulligan	xxxxxx	Anthony Allison
Chair	Board Member	Secretary

The notes on pages 20 to 44 form part of these financial statements.

Charity registration number SC034572.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	26	15,860	13,063
Cash flow from investing activities			
Improvement of properties – housing stock	15	(3,956)	(6,434)
New build		(12,895)	(18,545)
Purchase of other fixed assets	16	(68)	(224)
Proceeds from disposal of properties		3,378	3,329
Grants received	21	11,335	5,083
Finance income	11	1	6
		(2,205)	(16,785)
Cash flow from financing activities			
Finance charges		(7,660)	(7,903)
Cash acquired on business combination		1,421	-
Repayment of bank loan		(8,705)	-
Financing draw down		-	12,522
		(14,944)	4,619
Net change in cash and cash equivalents		(1,289)	897
Cash and cash equivalents at beginning of the year		4,273	3,376
Cash and cash equivalents at end of the year		2,984	4,273
Cash and cash equivalents at 31 March			
Cash		2,984	4,273
		2,984	4,273

The notes on pages 20 to 44 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. Legal status

Dunedin Canmore Housing Limited (“DCH” , “Dunedin Canmore” 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 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 2019, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice for social housing providers 2014 (“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 which the Board considers to be appropriate for the following reasons.

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2021 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan which included updated scenarios in recognition of the ongoing Covid-19 pandemic including severe but plausible downsides. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Association budgets for 2021/22 and the Association’s financial position as forecast in the 30-year business plan and being satisfied that the Group Board has undertaken a similar review, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future changes in rent increases;

- The property market – budget and business plan scenarios have taken account of delays, remobilisation planning and reprofiled new build handovers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

- Maintenance costs – budget and business plan scenarios have been modelled to take account of a revised profile of repairs and maintenance expenditure, with major works being rephased into future years;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £3.0m and access to undrawn loan facilities arranged through WFL1 of £279.1m, which are available to Dunedin Canmore and certain other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group and Association's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and are satisfied the Group and Association will be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Discount rates have been used in the valuation of housing properties and in the assessment of the fair value of financial instruments. The rates used are subject to change and are influenced by wider economic factors over time.

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 2021 (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, grants and other income.

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met.

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 ("SORP 2014"). Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position. The Association has received grant income under the UK Government's Coronavirus Job Retention Scheme and this is accounted for as revenue grant in line with the performance model and disclosed in note 4 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

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 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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

	Economic Life
Land	n/a
Structure & roofs	50 yrs
Bathroom	25 yrs
External environment	20 yrs
External wall finishes	35 yrs
Heating system boiler	12 yrs
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**

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 Lowther Homes Limited on arms’ length commercial terms.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

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 each reporting date.

New Build Grant and other capital grants
New Build Grant is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

New Build Grant 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. New Build Grant 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 – 10 yrs
Office improvements (cost)	10 yrs
Computer equipment (cost)	3 - 5 yrs
Solar panels (cost)	25 yrs
Office premises (valuation)	40 yrs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

2. Accounting policies (continued)

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 each reporting date.

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 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

		2021			2020
	Turnover	**Operating costs**	**Other gains/ (losses)**	**Operating Surplus/ (deficit)**	**Operating Surplus/ (deficit)**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Affordable letting activities (note 4)	37,539	(24,248)	-	13,291	15,567
Other activities (note 5)	4,260	(3,113)	-	1,147	581
Gain on business combination (note 9)	-	-	7,171	7,171	-
Gain/(loss) on investment properties (note 17)	-	-	150	150	(2,705)
Total	41,799	(27,361)	7,321	21,759	13,443
Total for previous reporting period	42,934	(26,786)	(2,705)	13,443	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

	General Needs £’000	**Supported Housing £’000**	**Shared Ownership £’000**	**2021 Total £’000**	**2020 Total £’000**
Rent receivable net of service charges	24,621	2,082	995	27,698	26,025
Service charges	1,686	498	54	2,238	2,008
Gross income from rents and service charges	26,307	2,580	1,049	29,936	28,033
Less rent losses from voids	(471)	(71)	-	(542)	(203)
Net income from rents and service charges	25,836	2,509	1,049	29,394	27,830
Grants released from deferred income	6,170	-	-	6,170	9,205
Revenue grants from Scottish Ministers	-	361	-	361	365
Other revenue grants	1,614	-	-	1,614	-
Total turnover from affordable letting activities	33,620	2,870	1,049	37,539	37,400
Management and maintenance administration costs	3,852	1,111	314	5,277	5,383
Service costs	1,855	102	124	2,081	1,722
Planned and cyclical maintenance including major repairs costs	2,892	168	194	3,254	2,302
Reactive maintenance costs	3,425	183	228	3,836	3,033
Bad debts – rents and service charges	153	8	10	171	227
Depreciation of affordable let properties	8,601	455	573	9,629	9,166
Operating costs for affordable letting activities	20,778	2,027	1,443	24,248	21,833
Operating surplus/(deficit) for affordable letting activities	12,842	843	(394)	13,291	15,567
Operating surplus/(deficit) for affordable letting activities for the previous reporting period	14,363	1,528	(324)	15,567	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (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	2021 Operating Surplus /(Deficit) £'000	2020 Operating Surplus /(Deficit) £'000
Wider role activities to support the community	-	-	-	(474)	(474)	(565)
Investment property activities	-	2,131	2,131	-	2,131	1,619
Other income	-	2,129	2,129	(2,144)	(15)	13
Depreciation – Non Social Housing	-	-	-	(495)	(495)	(486)
Total from other activities	-	4,260	4,260	(3,113)	1,147	581
Total from other activities for the previous reporting period	-	5,534	5,534	(4,953)	581	

6. Board members' emoluments

Board members received £nil (2020: £67) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

7. Key management emoluments

Key management personnel are employed by another Wheatley Group subsidiary and perform an executive management role across all subsidiaries in the Wheatley Group. The total emoluments payable to Dunedin Canmore key management personnel are disclosed in the Wheatley Housing Group consolidated financial statements. The Association pays a share of the costs of these personnel which includes employer pension contributions and benefits in kind.

	2021	2020
	£ 000	£ 000
Aggregate emoluments payable to key management (including pension contributions and benefits in kind)	175	135

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

More than £10,000 but not more than £20,000	1	5
More than £20,000 but not more than £30,000	4	1
More than £40,000 but not more than £50,000	1	-

Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Tom Barclay	Group Director of Property and Development
Olga Clayton	Group Director of Housing and Care
Steven Henderson	Group Director of Finance
Graham Isdale	Group Director of Corporate Affairs
Elaine Melrose – to 30 September 2020	Group Director of Resources

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

8. Employees

	2021 **No.**	**2020** **No.**
The average monthly number of full time equivalent persons employed during the year was	197	198
The average total number of employees employed during the year was	248	257
	£'000	**£'000**
Staff costs (for the above persons)		
Wages and salaries	6,976	6,671
Social security costs	773	771
Employer's pension costs	1,236	1,946
FRS 102 pension adjustment	(852)	(1,558)
	8,133	7,830

In addition to the above staff costs the Association incurred agency staff costs of £78k during the year (2020: £79k).

9. Gain on business combination

Following the successful tenant ballot in 2019/20, the housing assets of Barony located in West Lothian and Bo'ness and the borrowings secured on those properties transferred to West Lothian Housing Partnership Limited on 17 May 2020. The remaining assets and liabilities of Barony were subject to a transfer of engagements to Dunedin Canmore Housing Limited on 23 September 2020, resulting in a gain on business combination of £7,171k.

	2021 **£'000**	**2020** **£'000**
Gain on business combination	7,171	-
	7,171	-

The following amounts were transferred from Barony Housing Association

	£000
Fixed assets	7,135
Other fixed assets	544
Current assets	1,614
Current liabilities	(1,431)
Net current assets	183
Creditors: amounts due falling due in over one year	(691)
	7,171

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

10. Gain on disposal of fixed assets

This represents net income from the disposal of fixed assets.

	2021 £'000	2020 £'000
Proceeds from disposal of properties	3,379	1,542
Value of properties disposed	(1,611)	(1,139)
Gain on sale of fixed assets	1,768	403

11. Finance income

	2021 £'000	2020 £'000
Interest on bank deposits	1	6
	1	6

12. Finance charges

	2021 £'000	2020 £'000
Interest on bank borrowings	966	997
Interest on intra group loans	6,377	6,396
Loan restructuring fees	3,425	-
Net interest charge on pension liability (note 24)	8	71
Other financing costs	28	65
	10,804	7,529

Other financing costs include commitment and non-utilisation fees.

13. Auditor's remuneration

	2021 £'000	2020 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	16	16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

14. Financial commitments

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

	2021 £'000	2020 £'000
Expenditure contracted for, but not provided in the financial statements	13,491	13,801
Expenditure authorised by the Board, but not contracted	16,037	15,911
	29,528	29,712

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 2021 the Association had no commitments under non-cancellable operating leases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Tangible fixed assets

Social Housing Properties

	General needs £'000	Shared ownership £'000	Housing under construction £'000	Total £'000
Valuation				
At 1 April 2020	302,270	17,370	12,861	332,501
Additions	3,956	-	13,185	17,141
Acquired in the year	7,268	-	-	7,268
Disposals	(1,398)	(131)	-	(1,529)
Transfers	7,783	-	(11,294)	(3,511)
Revaluation	278	375	-	653
At 31 March 2021	320,157	17,614	14,752	352,523
Accumulated Depreciation				
At 1 April 2020	-	-	-	-
Acquired in the year	133	-	-	133
Charge for year	9,064	566	-	9,630
Disposals	(275)	(10)	-	(285)
Revaluation	(8,922)	(556)	-	(9,478)
At 31 March 2021	-	-	-	-
Net Book Value – Valuation				
At 31 March 2021	320,157	17,614	14,752	352,523
At 1 April 2020	302,270	17,370	12,861	332,501
Net Book Value – Cost				
At 31 March 2021	372,451	21,004	14,752	408,207
At 1 April 2020	364,369	21,691	12,861	398,921

Total expenditure on repairs and capital improvements in the year on existing properties was £9,078k (2020: £11,769k). Of this, repair costs of £5,122k (2020: £5,335k) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £3,956k (2020: £6,434k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £3,956k (2020: £6,434k) in the year include:

- £1,084k for component additions including:
    - £8k on heating system boilers;
    - £20k on internal works and common areas;
    - £635k on mechanical, electrical and plumbing;
    - £404k on structure and roofs; and
    - £17k on windows and doors.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

15. Tangible fixed assets (continued)

- The remaining balance of £2,872k of additions to existing properties not associated with a specific component includes £787k on void improvements and £70k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £0.3m (2020: £0.4m). Interest has been capitalised at the weighted average interest cost for the association of 4.60% (2020: 4.89%).

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 RCIS at 31 March 2021 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-6.5% have been used depending on the property archetype (2020: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation +0.5% for retained stock, in line with the Association's 30 year Business Plan (2020/21). 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.

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2021 is shown below:

	2021	2020
Social Housing		
General needs	5,101	5,015
Shared ownership	340	342
Supported housing	270	219
Total Units	5,711	5,576

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

16. Other tangible fixed assets

	Office premises £'000	Office improvements £'000	Other fixed assets £'000	Total £'000
Cost or Valuation				
At 1 April 2020	3,625	3,470	1,437	8,532
Transferred from Barony HA	748	123	324	1,195
Additions	-	55	13	68
Revaluation	67	-	-	67
At 31 March 2021	4,440	3,648	1,774	9,862
Accumulated Depreciation				
At 1 April 2020	-	1,603	1,395	2,998
Transferred from Barony HA	237	97	317	651
Charge for year	105	351	40	496
Revaluation	(342)	-	-	(342)
At 31 March 2021	-	2,051	1,752	3,803
Net Book Value				
At 31 March 2021	4,440	1,597	22	6,059
At 31 March 2020	3,625	1,867	42	5,534

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2021 in accordance with the appraisal and valuation manual of the RICS.

17. Investments

Investment Properties

	Properties held for market rent £'000	Commercial properties £'000	Total £'000
Valuation			
At 1 April 2020	27,066	1,495	28,561
Disposals	(367)	-	(367)
Transfers	3,511	-	3,511
Revaluation taken to operating surplus	150	-	150
At 31 March 2021	30,360	1,495	31,855
Net Book Value			
At 31 March 2021	30,360	1,495	31,855
At 31 March 2020	27,066	1,495	28,561

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

17. Investments (continued)

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2020.

The number of properties held for market rent by the Association at 31 March 2021 was:

	2021	2020
Mid market rent properties		
Total Units	353	290

Commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

18. Stock

	2021 £'000	2020 £'000
Stock at maintenance depot	505	334
	505	334

19. Debtors

	2021 £'000	2020 £'000
Due within one year:		
Arrears of rent and service charges	913	962
Adjustment to discount arrears balances with payment plans to NPV	(4)	(4)
Factoring debtors	514	539
Less: provision for bad and doubtful debts	(680)	(599)
	743	898
Prepayments and accrued income	7,089	705
Other debtors	2,344	1,870
Due from other group companies	324	1,650
	10,500	5,123

Amounts owed by 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 2021 (continued)

20. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	804	344
Accruals	6,405	2,580
Deferred income (note 21)	4,909	6,313
Rent and service charges received in advance	1,341	1,007
Other creditors	590	108
Due to other group companies	7,100	4,212
	21,149	14,564

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

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

	2021 £'000	2020 £'000
Housing loans	33,632	33,163
Due to other group companies	126,831	134,845
Deferred income	9,177	2,542
	169,640	170,550

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 £652.6m from a syndicate of commercial banks, two committed facilities totalling £278.0m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,480.6m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited with DunedinCanmore having access to an intra-group facility of £219.9m, secured on its housing stock. Interest in the year has been charged at 4.60% (2020: 4.89%).

Dunedin Canmore has a £16.5m external loan with The Housing Finance Corporation Limited ("THFC") which is repayable in October 2031. In addition, a £16.0m unsecured loan was agreed with Allia Social Impact Investments Limited in 2018/19; this is repayable in November 2028.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021 (continued)

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

Borrowings are repayable as follows:	2021 £'000	2020 £'000
In less than one year	-	-
In more than one year but less than five years	-	-
In more than five years	160,463	168,008
	160,463	168,008

Deferred income
The deferred income balance is made up as follows:

	New Build Grant £'000	Other £'000	Total deferred income £'000
Deferred income as at 31 March 2020	7,924	931	8,855
Additional income received	11,305	30	11,335
Released to the Statement of Comprehensive Income	(6,104)	-	(6,104)
Deferred income as at 31 March 2021	13,125	961	14,086

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:	2021 £000	2020 £'000
In less than one year (note 20)	4,909	6,313
In more than one year but less than five years	9,177	2,542
	14,086	8,855

22. Financial instruments

	2021 £'000	2020 £'000
Financial assets:		
Measured at amortised cost:		
Trade debtors and accrued income	10,500	5,123
	10,500	5,123
Financial liabilities:		
Measured at amortised cost:		
Trade creditors and accruals	30,326	17,106
Bank loans	160,463	168,008
	190,789	185,114

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

23. Share capital

	2020	2019
	£	£
Shares of £1 each issued and fully paid		
At 1 April	81	82
Transferred from Barony Housing Association	50	-
Issued during year	-	2
Surrendered during year	(2)	(3)
At 31 March	129	81

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.

24. Pensions

Pensions Trust Scottish Housing Association Pension Scheme

Dunedin Canmore participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS"), a multi-employer defined benefit scheme. It is funded and contracted out of the State Pension Scheme. Dunedin Canmore transferred to the SHAPS Defined Contribution scheme with effect from 1 April 2014.

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 2018.

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 Group'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 2021.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. 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 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. 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 2021 (continued)

24. Pensions (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out 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.

A recent review of changes made to the scheme’s benefit structure has been undertaken by the Trustees in line with their duty to administer the scheme in accordance with the rules. The review involves clarification of the treatment of historic changes made to scheme benefits and from initial findings it has been determined that in some cases it is unclear whether changes made to the scheme benefits have been in accordance with the governing documentation. Direction has been sought from the High Court and the matter is currently under consideration. Any potential requirement to review member benefits is not expected to have a material impact on the liabilities of the scheme based on current calculations and no provision has been made when valuing the scheme liabilities pending the outcome of the process.

Defined Benefit assets and obligations

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 2021	**31 March 2020**
Discount rate	2.05%	2.45%
Future salary increases	1.85%*	2.20%
Inflation (CPI)	2.80%	1.90%

* future salary increases assumed to be 1.50% p.a. for the first three years, 2.00% p.a. thereafter.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

24. Pensions (continued)

In valuing the liabilities of the pension fund at 31 March 2021, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2021 and 2020 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 21.5 years, female 23.4 years (2020: 20.7 and 22.9 years, respectively)
- Future retiree upon reaching 65: male 22.8 years , female 25.0 years (2020: 22.2 and 24.6 years, respectively)

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.

The information disclosed below is in respect of the whole of the plans for which Dunedin Canmore has been allocated a share of cost under an agreed policy throughout the periods shown.

Movements in present value of defined benefit obligation	**2021** **£'000**	**2020** **£'000**
Opening defined benefit obligation	**25,859**	**26,539**
Expenses	25	22
Interest cost	626	683
Actuarial losses/ (gains)	4,834	(675)
Benefits paid	(640)	(710)
Closing defined benefit obligation	**30,704**	**25,859**

Movements in fair value of plan assets

	2021 **£'000**	**2020** **£'000**
Opening fair value of plan assets	**25,108**	**23,070**
Actuarial gain	618	578
Expected return on plan assets (excluding net interest on the defined benefit liability)	1,562	612
Contributions by the employer	872	1,558
Estimated benefits paid	(640)	(710)
Closing fair value of plan assets	**27,520**	**25,108**
Net liability	**(3,184)**	**(751)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

24. Pensions (continued)

Expense recognised in Statement of Comprehensive Income

	2021 £'000	2020 £'000
Administration costs	25	22
Interest on defined benefit pension plan obligation	8	71
Actuarial losses/ (gains)	3,272	(1,253)
	3,305	(1,160)

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £3,272k gain/loss (2020: £1,253k gain).

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

	2021 £'000	2020 £'000
Equities	7,447	4,995
Corporate bonds	9,354	9,377
Property	1,131	468
Alternatives	8,441	8,806
Cash and other	1,147	1,462
	27,520	25,108
Actual return on plan assets	2,180	1,190

25. 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:

<u>Tenant Board Members:</u>

Anne McGovern	Mark Keane
Bryan Pitbladdo	Jane Menzies

Transactions and arrear balances outstanding at 31 March 2021, are as follows:

	2021 £'000
Rent charged during the year	19
Arrears balances outstanding at 31 March 2021	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

25. Related party transactions (continued)

Other related parties

Related party interests and transactions during the year are as follows:

	Paid in the year £'000	Year end Balance £'000
2021		
Pensions Trust Scottish Housing Association Pension Scheme	1,027	5

All transactions were on commercial terms and at arm's length.

There were no other related party transactions during the year.

26. Cash Flow Analysis

Cash flow from operating activities	**2021 £'000**	**2020 £'000**
Surplus for the year	23,264	15,624
Less gain on business contribution	(7,171)	-
	16,093	15,624
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	10,126	9,652
Increase in stock	(171)	(108)
Increase in trade and other debtors	(8,608)	(1,895)
Increase in trade and other creditors	7,026	871
Pension costs less contribution payments	(847)	(1,536)
Adjustments for investing or financing activities:		
(Gain) on disposal of tangible fixed assets	(1,768)	(403)
Government grants utilised in the year	(6,104)	(10,069)
Interest payable	10,804	7,529
Interest received	(1)	(6)
(Gain)/Loss on investment activities	(150)	2,705
Reversal of previous decrease in the valuation of housing properties	(10,131)	(9,192)
Reversal of previous decrease in the valuation of office properties	(409)	(109)
Net cash inflow from operating activities	**15,860**	**13,063**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 (continued)

27. Ultimate parent organisation

The Association is a wholly owned 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

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