



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2011

ARMSTRONGS
Chartered Accountants
Glasgow

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2011

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Registration Particulars:

Financial Services Authority:	Industrial and Provident Societies Act 1965 Registration Number 2110R(S)
Scottish Housing Regulator:	Housing (Scotland) Act 2001 Registered Number HAL 153
Scottish Charity No:	SC029917
Registered Office:	139 Irish Street Dumfries DG1 2QE

Principal Professional Advisers:

Auditors:	Armstrongs Chartered Accountants Victoria Chambers 142 West Nile Street Glasgow G1 2RQ	Bankers:	Bank of Scotland Corporate Pentland House 2nd Floor 8 Lochside Avenue Edinburgh Park South Gyle Edinburgh EH12 9DJ
Internal Auditors:	TIAA Ltd 87-91 Newman Street London W1T 3EY	Solicitors:	T C Young 7 West George Street Glasgow G2 1BA

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2011

The Committee of Management have pleasure in submitting their report and the Financial Statements for the year ended 31 March 2011.

Principal Activities

The principal activity of the Association is the provision of rented accommodation for those in housing need. In addition, the Association develops housing for sale in schemes of shared ownership. The Association is a not for profit organisation.

Business Review

The Committee of Management are satisfied with the Association's performance during the year in all of the above activities, and are pleased to report that, over the last twelve months, the Association's Development Programme has achieved the completion of 57 units of rented accommodation at Ae, Dumfries, Lockerbie and Wigtown. The Association's Development Programme will continue during the next twelve months and it is hoped to achieve the completion of a further 43 units of rented accommodation at Closeburn and Lochmaben.

Surplus for the Year

The results for the year are shown in the Income & Expenditure Account on Page 10.

Changes in Fixed Assets

Details of movements in fixed assets are shown in Note 11.

Executive Officer

Ahsan Khan is the Chief Executive Officer and has been in post since 1998.

Committee of Management

The Committee of Management during the year to 31 March 2011 were as follows:

John R Agnew	Convener	John R McNaught	
James C Hogg	Vice-Convener	Noel A Hastings	
James L Charters	Secretary	Andrew S Wood	Appointed 6/9/10
Maureen Farrell		Niall Cowan	Appointed 6/9/10
Ronald J Jardine		Robert S J Wishart	Resigned 14/10/10
Heather L Henderson		William Lochrie	Resigned 6/9/10
June Carroll		Robert J Higgins	Resigned 6/9/10
Angela Booth		Ralph Coleman	Appointed 6/9/10
Lynda Cameron			Resigned 28/9/10
Sharon Bruce			

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Chief Executive Officer holds no interest in the Association's share capital and, although not having the legal status of director, acts as executive within the authority delegated by the Committee.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2011

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Maintenance Policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income & Expenditure Account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income & Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the SORP.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Management Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives. The Association has gained Investors in People accreditation and has successfully completed the Work Life Balance Assessment.

Best Companies Award

During this year Loreburn achieved the Investors in People Gold standard and retained its outstanding 2 star rating in the Best Companies Accreditation Scheme. Loreburn was also listed at #15 in the prestigious Sunday Times Top 100 Companies to Work For list (Third & Public Sector), ranking #1 in the UK for Wellbeing.

Future Developments

The Association intends to continue with its policy of building and improving the quality of housing within its area of operation.

Statement as to Disclosure of Information to Auditors

So far as the Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order to make himself or herself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2011

Auditors

A resolution to appoint the auditors, Messrs Armstrongs, will be proposed at the Annual General Meeting.

By order of the Committee of Management


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Secretary

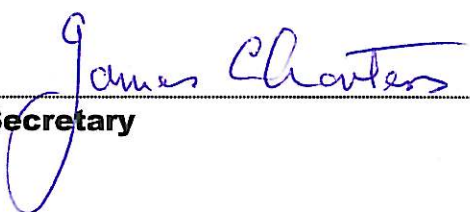
Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2011

Housing Association legislation requires the Committee to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ending on that date. In preparing those Financial Statements the Committee is required to:

- ▶ Select suitable accounting policies and then apply them consistently;
- ▶ Make judgements and estimates that are reasonable and prudent;
- ▶ State whether applicable accounting standards have been followed subject to any material departures disclosed in the financial statements;
- ▶ Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- ▶ Prepare a statement on internal financial control.

The Committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the Financial Statements comply with the requirements of the Industrial and Provident Societies Acts 1965 – 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

By order of the Committee of Management



Secretary

**Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2011**

The Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

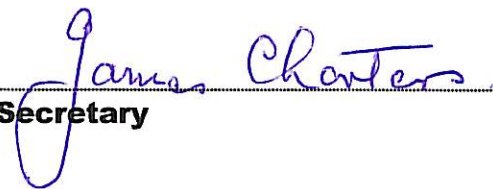
It is the Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- ▶ Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- ▶ Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- ▶ Forecasts and budgets are prepared regularly which allow the Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- ▶ Regular Management Accounts are prepared promptly, providing relevant, reliable and up to date financial and other information and significant variances from budgets are investigated as appropriate;
- ▶ All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee members and others;
- ▶ The Committee review reports from management, from directors, staff and from the External and Internal Auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association;
- ▶ Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

**Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2011**

The Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2011 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the Auditor's Report on the Financial Statements.

By order of the Committee


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Secretary

Loreburn Housing Association Limited
Report of the Independent Auditors on the Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2011

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed the Committee's statement concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the Guidance Notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on Internal Financial Control has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Committee members, directors and officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".



Adam Armstrong, LLB, CA, (Senior Statutory Auditor)
For and on behalf of Armstrongs
Statutory Auditor
Chartered Accountants
Victoria Chambers
142 West Nile Street
GLASGOW
G1 2RQ

Date: 12th September 2011

Loreburn Housing Association Limited
Report of the Independent Auditors to the
Members of Loreburn Housing Association Limited

We have audited the Financial Statements of Loreburn Housing Association Limited for the year ended 31 March 2011 which comprise the Income & Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

This report is made solely to the Association's members, as a body, in accordance with Industrial and Provident Societies Acts 1965 to 2002. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Committee and Auditors

As explained more fully in the Statement of Committee's Responsibilities, the Committee are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit on the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Committee, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at the 31 March 2011 and of its surplus for the year then ended;

and

- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

Opinion on Committee Report

In our opinion the information given in the Report of the Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

Loreburn Housing Association Limited
Report of the Independent Auditors to the
Members of Loreburn Housing Association Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the current legislation requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Committee's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Adam Armstrong, LLB, CA, (Senior Statutory Auditor)
for and on behalf of Armstrongs
Statutory Auditors
Chartered Accountants
Victoria Chambers
142 West Nile Street
GLASGOW
G1 2RQ

Dated: 12th September 2011

Loreburn Housing Association Limited
Income & Expenditure Account
For The Year Ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	1	9,597,451	8,973,945
Operating Costs	1	7,739,338	6,414,271
		<hr/>	<hr/>
Operating Surplus	1	1,858,113	2,559,674
Gain/(Loss) on Sale of Fixed Assets	4	39,350	(199,802)
Interest Receivable & Other Income	6	71,967	80,871
Gift Aid from Subsidiary Company		130,000	99,000
Interest Payable and Similar Charges	7	1,257,640	1,316,312
		<hr/>	<hr/>
Surplus for the Year	22	841,790	1,223,431

The results for the year relate wholly to continuing activities.


The Association has no recognised gains and losses other than those included in the surpluses above, and therefore no separate statement of total recognised gains and losses has been prepared.

There is no difference between the surplus on ordinary activities for the year and retained surplus for each year stated above, and their historical cost equivalents.

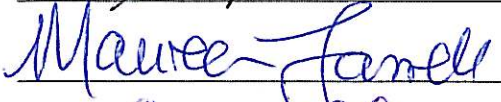
Loreburn Housing Association Limited
Balance Sheet
As at 31 March 2011

		2011	2010
		£	£
Tangible Fixed Assets	Notes		
Housing Properties (Net of Depreciation)	11a	140,528,450	134,863,508
Less : HAG & Other Grants	11a	<u>102,825,365</u>	<u>98,856,217</u>
		37,703,085	36,007,291
Other	11b	<u>451,339</u>	<u>476,559</u>
		<u>38,154,424</u>	<u>36,483,850</u>
Current Assets			
Stock		803	-
Shares in Subsidiary	12	3	3
Debtors	13	1,821,458	2,575,517
Cash at Bank & In Hand		<u>4,696,114</u>	<u>5,398,460</u>
		6,518,378	7,973,980
Creditors: Amounts Falling Due Within One Year	14	5,374,006	5,202,695
Net Current Assets/(Liabilities)		<u>1,144,372</u>	<u>2,771,285</u>
Total Assets less Current Liabilities		39,298,796	39,255,135
Creditors: Amounts Falling Due After More Than One Year	15	25,894,973	26,693,131
Net Assets		<u>13,403,823</u>	<u>12,562,004</u>
Capital & Reserves			
Share Capital	16	604	597
Designated Reserves	17	12,478,451	11,694,681
Accumulated Surplus	22	<u>924,768</u>	<u>866,726</u>
		<u>13,403,823</u>	<u>12,562,004</u>

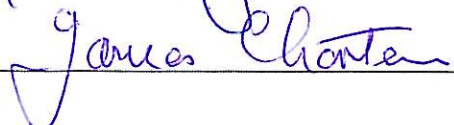
These financial statements were approved by the Committee on the 30/3/11 and signed on their behalf by:



Convener



Committee Member



Secretary

Loreburn Housing Association Limited
Cashflow Statement
For The Year Ended 31 March 2011

	2011	2010
	£	£
Net Cash Inflow from Operating Activities	<u>3,436,931</u>	<u>5,370,426</u>
Returns on Investments & Servicing of Finance		
Interest Received	90,433	61,351
Interest Paid	<u>(1,256,046)</u>	<u>(1,317,301)</u>
	<u>(1,165,613)</u>	<u>(1,255,950)</u>
Capital Expenditure & Financial Investment		
Payments to Acquire & Develop Housing Properties	(6,241,704)	(7,045,643)
Payments to Acquire Other Fixed Assets	(4,744)	(28,511)
Grants Received	3,969,148	3,236,210
Grants Repaid	(446,805)	(13,882)
Receipts from Sales of Housing Properties	516,167	47,046
Receipts from Sales of Other Fixed Assets		-
Investment in Subsidiary		
Net Cash Inflow/(Outflow) from Investing Activities	<u>(2,207,938)</u>	<u>(3,804,780)</u>
Net Cash Inflow/(Outflow) Before Financing	<u>63,380</u>	<u>309,696</u>
Financing		
Share Capital Issued	29	24
Housing Loans - Received	-	2,904,313
Repaid	<u>(765,755)</u>	<u>(750,251)</u>
	<u>(765,726)</u>	<u>2,154,086</u>
Increase/(Decrease) in Cash	<u>(702,346)</u>	<u>2,463,782</u>
Reconciliation of Net Cashflow to Movement in Net Debt		
Increase/(Decrease) in Cash in the Year	(702,348)	2,463,782
Loans Repaid	765,755	750,251
Loans Received		(2,904,312)
Change in Net Debt	<u>63,409</u>	<u>309,721</u>
Net debt at 1 April 2010	(22,102,549)	(22,412,270)
Net debt at 31 March 2011	<u>(22,039,140)</u>	<u>(22,102,549)</u>

Loreburn Housing Association Limited
Notes To The Cashflow Statement
For The Year Ended 31 March 2011

1. Reconciliation of Surplus for the Year to Net Cashflow from Operating Surpluses

	2011 £	2010 £
Operating Surplus	1,858,114	2,559,674
Received from Subsidiary Company	130,000	99,000
Depreciation	898,078	772,432
(Increase)/Decrease in Stock	(805)	-
(Increase)/Decrease in Debtors	735,593	1,460,044
Increase/(Decrease) in Creditors	(184,049)	479,276
	<u>3,436,931</u>	<u>5,370,426</u>

2. Analysis of the Net Debt

	2010 £	Cashflows £	Non-Cash Changes £	2011 £
Cash in Hand & At Bank	5,398,460	(702,346)	-	4,696,114
Overdrafts	-	-	-	-
Debt Due Within 1 Year	(807,879)	807,879	(840,280)	(840,280)
Due After 1 Year	(26,693,130)	(42,124)	840,280	(25,894,974)
	<u>(22,102,549)</u>	<u>63,409</u>	<u>-</u>	<u>(22,039,140)</u>

	2009 £	Cashflows £	Non-Cash Changes £	2010 £
Cash in Hand & At Bank	2,934,678	2,463,782	-	5,398,460
Overdrafts	-	-	-	-
Debt Due Within 1 Year	(658,025)	658,025	(807,879)	(807,879)
Due After 1 Year	(24,688,923)	(2,812,086)	807,879	(26,693,130)
	<u>(22,412,270)</u>	<u>309,721</u>	<u>-</u>	<u>(22,102,549)</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

Principal Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. The Financial Statements have been prepared under the historical cost convention, and in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) 2008, Accounting by Registered Social Landlords and applicable Accounting Standards. A summary of the more important accounting policies is set out below.

Turnover

Turnover relates to the income from the letting of properties at affordable rents, and the supply of feuing services, together with revenue grants from the Scottish Executive, local authorities and other organisations.

Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2% (50 years). No depreciation is charged on the cost of land.

Capital costs incurred after scheme completion in respect of housing properties are included in the historic cost of the scheme in the year they are incurred and subsequently depreciated on a straight line basis over the expected economic useful life of these assets, at annual rates of 6.7% (15 years).

The Statement of Recommended Practice 2008 states that the disposal of shared-ownership properties first tranche sales be included in turnover at completion with the balance being classified as fixed assets. Due to Loreburn's last shared-ownership scheme being off-site in 2000 and records only being required to be held for six years, this exercise has not been carried out.

Other Fixed Assets

The Association's assets are written off evenly over the expected economic useful lives using the following rates and methods:

- ▶ Premises - 2% straight line per annum
- ▶ Office Equipment - 20% straight line per annum
- ▶ Fixtures & Fittings - 20% straight line per annum
- ▶ Tenant Improvements - 10% straight line per annum
- ▶ Motor Vehicles - 25% straight line per annum

Housing Association Grants

Housing Association Grants (HAG) are made by the Scottish Executive and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the Scottish Executive. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

Acquisition & Development Allowances are determined by the Scottish Executive and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme. These allowances are credited against development costs in the Association's Income & Expenditure Account when they are receivable.

Finance

The Financial Statements have been prepared on the basis that the capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

Mortgages

Mortgage loans and development overdrafts are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme, or on a portfolio basis. Advances are only sought for those developments which have been given approval for HAG by the Scottish Executive.

Housing Land & Buildings

Properties included in housing properties are stated at cost. The cost of such properties includes:

- i. cost of acquiring land and buildings
- ii. development expenditure including applicable overheads
- iii. interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by the Scottish Executive for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities, or they are met out of the Association's reserves. All invoices and architect's certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

Development Administration Costs

Development costs incremental to the other costs of the Association have been capitalised.

Capitalisation of Interest

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

Sale of Housing Properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

Stock

The Association holds a stock of maintenance parts. Stock is valued at the lower of cost or net realisable value.

Designated Reserves

The Association has designated part of its long term obligations.

- ▶ Major Repairs Reserve and Service Equipment Reserve. Accrued major revenue expenditure, being the Association's commitment to undertake future repairs to its properties or to purchase service equipment, is set aside in designated reserves to the extent that it is not expected to be met from HAG.
- ▶ Support Service Contingency Reserve. Monies have been set aside in Designated Reserves to provide for various activities and contingencies in relation to the Housing Support Service following the introduction of Supporting People Legislation.

Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the Income & Expenditure Account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

Value Added Tax

The Association is VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

Pension Costs

The Association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association 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. The expected cost to the Association of pensions is charged to the Income & Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

Impairment of Fixed Assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the Income & Expenditure Account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cashflows from these units. Impairment of assets would be recognised in the Income & Expenditure Account.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties, which fail to meet the above criteria, are charged to the Income & Expenditure account.

Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The Accounts therefore represent the results of the Association and not of the group.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

1. Particulars of Turnover, Operating Costs & Operating Surpluses

	Notes	Turnover £	2011 Operating Costs £	Operating Surplus £
Social Lettings	2	7,948,160	6,060,804	1,887,356
Other Activities	3	1,649,291	1,678,534	(29,243)
Total		<u>9,597,451</u>	<u>7,739,338</u>	<u>1,858,113</u>

	Notes	Turnover £	2010 Operating Costs £	Operating Surplus £
Social Lettings	2	7,465,632	4,979,462	2,486,170
Other Activities	3	1,508,313	1,434,809	73,504
Total		<u>8,973,945</u>	<u>6,414,271</u>	<u>2,559,674</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

2. Particulars of Turnover, Operating Costs & Operating Surplus from Social Letting Activities

	General Needs Housing £	Supported Housing £	Shared Ownership £	2011 Total £	2010 Total £
Rent Receivable Net of Service Charges	5,823,752	1,482,356	311,095	7,617,203	7,162,518
Service Charges	71,666	281,663	-	353,329	324,084
Gross Income from Rent & Service Charges	5,895,418	1,764,019	311,095	7,970,532	7,486,602
Less Voids	12,471	9,901	-	22,372	20,970
Net Income from Rents & Service Charges	5,882,947	1,754,118	311,095	7,948,160	7,465,632
Grants from Scottish Ministers					-
Other Revenue Grants					-
Total Turnover from Social Letting Activities	5,882,947	1,754,118	311,095	7,948,160	7,465,632
Management & Maintenance Administration Costs	1,267,844	276,853	122,809	1,667,506	1,432,692
Service Costs	71,666	281,663	-	353,329	324,084
Planned & Cyclical Maintenance including Major Repairs Costs	1,562,276	784,747	-	2,347,023	1,722,106
Reactive Maintenance Costs	674,465	138,501	-	812,966	749,160
Bad Debts – Rents & Service Charges	11,259	608	-	11,867	12,310
Depreciation of Social Housing	660,047	144,131	63,935	868,113	739,110
Operating Costs for Social Letting Activities	4,247,557	1,626,503	186,744	6,060,804	4,979,462
Operating Surplus for Social Lettings 2011	1,635,390	127,615	124,351	1,887,356	
Operating Surplus for Social Lettings 2010	1,985,381	359,206	141,584	-	2,486,170

Service charges were receivable on housing accommodation not eligible for Housing Benefit £21,174 (2010 - £25,359).

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2011

3. Particulars of Turnover, Operating Costs & Surpluses or Deficits From Other Activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs: Bad Debts £	Other Operating Costs £	Operating Surplus or Deficit 2011 £	Operating Surplus or Deficit 2010 £
Wider Action Role		1,700			1,700		2,325	(625)	-
Care & Repair		402,233			402,233		402,233	-	-
Factoring									-
Development Activities	33,728				33,728		68,663	(34,935)	20,320
Support Activities		729,832	158,013		887,845		887,845	-	-
Care Activities									-
Other Management Services				22,748	22,748		22,748	-	-
Aids & Adaptations	225,562				225,562		225,562	-	-
Other Activities	22,550			52,925	75,475		69,158	6,317	53,184
Total from Other Activities 2011	281,840	1,133,765	158,013	75,673	1,649,291	-	1,678,534	(29,243)	
Total from Other Activities 2010	408,826	856,746	158,013	84,728	1,508,313	-	1,434,809		73,504

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

4. Gain/(Loss) on Sale of Fixed Assets

	2011	2010
	£	£
Proceeds from the Sale of Fixed Assets	520,000	47,501
Less: Cost of Sales		
Historic Cost	520,753	252,144
Grant Received	(486,262)	(18,331)
Accumulated Depreciation	(4,479)	(847)
Grant Repayable	446,805	13,882
Legal & Valuation Costs	3,833	455
	<u>480,650</u>	<u>247,303</u>
	<u>39,350</u>	<u>(199,802)</u>

5. Operating Surplus

	2011	2010
	£	£
Operating Surplus is stated after charging:		
Depreciation	897,283	772,432
External Auditors' Remuneration (inc. VAT)	7,037	6,739
Internal Auditors' Remuneration (inc. VAT)	4,205	5,289

In addition, the External Auditors were paid £Nil (2010 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2010 - £Nil) in respect of consultancy work.

6. Interest Receivable & Other Income

	2011	2010
	£	£
Bank Interest Received	55,946	68,773
Interest from Loans to Subsidiary	16,021	12,098
	<u>71,967</u>	<u>80,871</u>

7. Interest Payable & Similar Charges

	2011	2010
	£	£
Loan Interest	1,268,169	1,321,525
Interest Capitalised in Housing Properties	(10,529)	(5,213)
Bank Interest & Charges	-	-
Other Interest Payable	-	-
	<u>1,257,640</u>	<u>1,316,312</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

8. Officers Emoluments

The Officers are defined as the members of the Management Committee, the Chief Executive Officer and any other person reporting directly to the directors or the Management Committee whose total emoluments exceed £60,000 per year excluding employer's pension contributions:

The only Officer with total emoluments in excess of £60,000 excluding pension contributions was the Chief Executive Officer as noted below.

None of the Committee Members received any remuneration during the year.

	2011	2010
	£	£
Total Emoluments received by the Chief Executive Officer excluding employer's pension contributions	<u>63,748</u>	<u>62,993</u>

9. Employee Information

	2011	2010
The monthly average number of employees during the year was	88	87
The full time equivalent number of staff	<u>81</u>	<u>81</u>
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	1,858,932	1,805,042
Social Security Costs	121,113	121,906
Pension Contributions	213,342	202,462
Temporary, Seconded or Agency Staff Costs	-	-
	<u>2,193,387</u>	<u>2,129,410</u>

10. Taxation

The Association was granted charitable status on 9 March 2001 and as such is no longer subject to taxation.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

11. Tangible Fixed Assets

a. Housing Properties

	Housing Property Held for Letting £	Housing Property in Course of Construction £	Shared Ownership Held for Letting £	Total £
Cost				
At 01/04/10	128,148,079	6,990,308	5,189,211	140,327,598
Additions	84,182	6,965,148	-	7,049,330
Transfers	8,540,385	(8,498,405)	(41,980)	-
Disposals		(425,188)	(95,565)	(520,753)
At 31/03/11	<u>136,772,646</u>	<u>5,031,863</u>	<u>5,051,666</u>	<u>146,856,175</u>
Depreciation				
At 01/04/10	5,194,873	-	269,217	5,464,090
Charge for Year	844,176	-	23,938	868,114
Transfers	2,394	-	(2,394)	-
Disposals	-	-	(4,479)	(4,479)
At 31/03/11	<u>6,041,443</u>	<u>-</u>	<u>286,282</u>	<u>6,327,725</u>
Housing Properties (Net of Depreciation)	<u>130,731,203</u>	<u>5,031,863</u>	<u>4,765,384</u>	<u>140,528,450</u>
Housing Association & Capital Grants				
At 01/04/10	89,014,713	6,088,989	3,752,515	98,856,217
Received	18,175	4,437,235		4,455,410
Transfers	5,221,941	(5,193,752)	(28,189)	-
Repaid/Disposals	-	(414,457)	(71,805)	(486,262)
At 31/03/11	<u>94,254,829</u>	<u>4,918,015</u>	<u>3,652,521</u>	<u>102,825,365</u>
Net Book Value at 31/03/11	<u>36,476,374</u>	<u>113,848</u>	<u>1,112,863</u>	<u>37,703,085</u>
Net Book Value at 31/03/10	<u>33,938,493</u>	<u>901,319</u>	<u>1,167,479</u>	<u>36,007,291</u>

Development administration costs amounted to £190,554 (2010 - £304,924) for which HAG amounting to £33,728 (2010 - £165,850) was received during the year resulting in a deficit. From the deficit £121,892 (2010 - £159,394) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £10,529 (2010 - £5,213).

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2011

b. Other Fixed Assets

	Office Premises £	Office Equipment £	Furnishings & Fittings £	Tenant Improvements £	Wider Action £	Let Property Furnishings £	Motor Vehicles £	Total £
Cost								
At 01/04/10	490,424	472,436	159,365	50,798	6,544	188,402	4,500	1,372,469
Additions		4,744						4,744
Disposals								
At 31/03/11	490,424	477,180	159,365	50,798	6,544	188,402	4,500	1,377,213
HAG & Other Grants								
At 01/04/10	-	-	-	-	6,544	188,402	-	194,946
Received in Year								
Disposals								
At 31/03/11	-	-	-	-	6,544	188,402	-	194,946
Depreciation								
At 01/04/10	62,293	439,281	145,217	50,798	-	-	3,375	700,964
Disposals								
Charge for Year	9,808	14,873	4,158	-	-	-	1,125	29,964
At 31/03/11	72,101	454,154	149,375	50,798	-	-	4,500	730,928
Net Book Value								
At 31/03/11	418,323	23,026	9,990	-	-	-	-	451,339
At 31/03/10	428,131	33,155	14,148	-	-	-	1,125	476,559

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

12. Share in Subsidiary

The Association holds 100% of the share capital issued by its subsidiary, Dumfries & Galloway Homes Limited, a company registered in Scotland whose main activities are the provision of homes for rent and to carry out activities outside the scope of Loreburn Housing Association Limited.

13. Debtors

	2011 £	2010 £
Rental Arrears	79,553	83,528
Bad Debt Provision	<u>(17,954)</u>	<u>(17,392)</u>
Net Rent Arrears	61,599	66,136
Other Debtors & Prepayments	367,999	357,293
HAG Receivable	-	1,187,957
Prepayments & Accrued Income	164,913	83,193
Loans to Group Undertaking	<u>1,226,947</u>	<u>880,938</u>
	<u>1,821,458</u>	<u>2,575,517</u>

14. Creditors: Amounts Falling Due Within One Year

	2011 £	2010 £
Bank Overdraft	-	-
Current Instalments of Loans	840,280	807,879
Trade Creditors	1,324,882	1,471,627
Other Taxes & Social Security	99,854	43,706
Accruals & Deferred Income	863,588	835,208
Services Equalisation	777,965	717,839
Other Creditors	1,189,971	1,107,660
Amounts Due to Group Undertakings	83,121	30,325
Rent in Advance	<u>194,345</u>	<u>188,451</u>
	<u>5,374,006</u>	<u>5,202,695</u>

15. Creditors: Amounts Falling Due After More Than One Year

	2011 £	2010 £
Loans	<u>25,894,973</u>	<u>26,693,131</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest ranging from 0.985% to 6.9% and will mature over a period of 11 to 28 years, in instalments due as follows:

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

	2011 £	2010 £
Between 1 – 2 Years	878,247	843,411
Between 2 – 5 Years	2,885,648	2,765,082
5 Years or More	22,131,078	23,084,638
	25,894,973	26,693,131

Further loan facilities have been arranged totalling £9.193m to finance future acquisitions and developments.

16. Share Capital

	2011 £	2010 £
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2010	597	604
Shares Issued	29	24
	626	628
Shares Forfeited	(22)	(31)
As at 31 March 2011	604	597

Each shareholder of the Association holds only one share and is entitled to vote at general meetings of the Association. Shares carry no right to interest, dividend or bonus. When a shareholder ceases to be a member, their share is cancelled and the amount paid thereon becomes the property of the Association.

17. Designated Reserves

	Support Service Contingency Reserve £	Major Repairs Reserve £	Total £
As at 01/04/10	27,612	11,667,069	11,694,681
Transfers to Revenue Reserve	-	(1,816,494)	(1,816,494)
Transfer from Revenue Reserve	-	2,600,264	2,600,264
As at 31/03/11	27,612	12,450,839	12,478,451

18. Housing Stock

	2011	2010
The number of units of accommodation in management at the year end was:		
General Needs Housing	1,786	1,735
Supported Housing Accommodation	390	384
Shared Ownership	173	178
Accommodation Managed on Behalf of Another Body	65	51
	2,414	2,348

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

19. Capital Commitments

	2011 £	2010 £
Expenditure Contracted Less Certified	<u>5,349,372</u>	<u>3,869,623</u>

Private Finance will be arranged in the form of a portfolio of development funding as and when required.

20. Contingent Liabilities

The Association has no known contingent liabilities at 31 March 2011 (2010 - £Nil).

21. Pensions

Disclosure to Meet the Requirements of FRS17

Loreburn participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

Employer Debt Regulations

The Employer Debt Regulations were introduced in September 2005 following a change in legislation. This legislation was revised in the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) ('the Regulations') which came into force on 6 April 2008.

An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:

The commencement of winding up of the Scheme.
An employer becomes insolvent.
An Employer Cessation Event.

An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.

The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.

The Scheme Actuary has calculated the employer debt that would have been payable if your organisation had withdrawn from the Scottish Housing Associations' Pension Scheme as at 30 September 2010.

The suggested Pensions Disclosure Note includes conditional paragraphs. The appropriate choice of paragraph for each employer will depend on the accounting treatment adopted by the employer, in particular whether or not a provision is made for the employer debt.

Under FRS17 an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

Disclosure in Respect of Employer Debt

Following a change in legislation in September 2005 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 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.

Loreburn Housing Association Limited
Notes To The Financial Statements
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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 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.

The estimated liability of Loreburn's potential debt on withdrawal from the Scheme has been calculated at 30 September 2010; the amount of employer debt on withdrawal for Loreburn Housing Association has been calculated at £6,779,713.

Further Disclosures

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

The Scheme offers five benefit structures to employers, namely:

Final salary with a 1/60th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

Career average revalued earnings with a 1/70th accrual rate.

Career average revalued earnings with a 1/80th accrual rate

Career average revalued earnings with a 1/120th accrual rate, contracted in,

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

Loreburn has elected to operate the for active members and prospective members

* final salary with a 1/60th accrual rate

* career average revalued earnings with a 1/80th accrual rate (from 1 April 2011)

During the accounting period Loreburn paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 60 active members of the Scheme. The annual pensionable payroll in respect of these members was £1,419,198.

Loreburn Housing Association Limited
Notes To The Financial Statements
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The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

22. Reconciliation of Movement in Accumulated Surplus

	2011 £	2010 £
Revenue Reserve Brought Forward	866,726	786,154
Shares Cancelled	22	31
Surplus for the Year	841,790	1,223,431
Transfer to Designated & Restricted Reserves	<u>(783,770)</u>	<u>(1,142,890)</u>
	<u>924,768</u>	<u>866,726</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011

23. Scottish Secure Tenancy Rents

	2011 £	2010 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	3,341	3,273
Percentage Increase from Previous Year	1.5%	5.70%

24. Related Party Transactions

Some members of the Management Committee are tenants or sharing owners of the Association. Their transactions with the Association are all done on standard terms, as applicable to all tenants and they cannot use their position to their advantage.

One former Management Committee member is a Councillor with Dumfries & Galloway Council. Any transactions with the Council are made at arms length, on normal commercial terms and the said board member cannot use their position to their advantage.

The Chief Executive Officer is a member of the SFHA Committee and the SFHA Pensions Committee. Transactions with both organisations are on standard terms. The value of services provided by the SFHA in the year was £24,023 (2010 - £4,725) and payments to the Pensions Trust totalled £319,693 (2010 - £302,232).

Dumfries & Galloway Homes Limited, a subsidiary of the Association, made a Gift Aid payment of £130,000 (2010 - £99,000) to Loreburn Housing Association Limited. This payment was made in accordance with the Association's policies and procedures and is recorded in the appropriate register.

During the year the Association was in receipt of Management Charges from Dumfries & Galloway Homes Limited in the sum of £22,748. (2010 - £22,748).

The value of works and services provided by Dumfries & Galloway Homes during the year was £525,149. (2010 - £277,056).

At the end of the financial year the Association was owed £42,362 (2010 - £40,655) by Dumfries & Galloway Homes Limited and owed £83,122 (2010 - £30,425) to Dumfries & Galloway Homes Limited.

Dumfries & Galloway Homes Limited also owed the Association £1,226,947 (2010 - £880,938) the balance of loans outstanding at that date. The loans were made at arms length and at commercial rates. The Association received £16,021 (2010 - £12,098) in interest on the loans during the year.

During the year Dumfries & Galloway Homes Limited purchased at market value (£425,000) the empty site at Whitesands Dumfries. A loan was provided from the Association and is included in the loan balances above. The Scottish Housing Regulator granted consent for this disposal.

**Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2011**

25. Group Structure

Loreburn is a housing association, registered in Scotland, and forms part of a group. The other members are Dumfries & Galloway Homes Limited, a company registered in Scotland, whose main activities are the provision of homes for rent and to carry out activities outside the scope of Loreburn Housing Association Limited and Loreburn Un Limited which has come into use in May 2011 and will mainly provide maintenance services to Loreburn Housing.

Loreburn Housing Association Limited is considered to be the ultimate parent undertaking of the group. Separate group accounts are not prepared, as the Financial Services Authority has exempted the group from this requirement.