



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2012

ARMSTRONGS
Chartered Accountants
Glasgow

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2012

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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:	Huntingdon 27 Moffat Road Dumfries DG1 1NN

Principal Professional Advisers:

Auditors:	Armstrongs Chartered Accountants Victoria Chambers 142 West Nile Street Glasgow G1 2RQ	Bankers:	Royal Bank of Scotland UK Corporate Banking Kirkstane House 139 St Vincent Street Glasgow G2 5JF
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 2012

The Committee of Management have pleasure in submitting their report and the Financial Statements for the year ended 31 March 2012.

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 43 units of rented accommodation at Closeburn and Lochmaben. The Association's Development Programme will continue during the next twelve months and it is hoped to achieve the completion of a further 25 units of rented accommodation at St Mary's Street, Dumfries.

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 2012 were as follows:

John R Agnew	Convener		
	Resigned as Convener	Noel A Hastings	Appointed 12/09/11
	2/8/2012 but remains as		Resigned 12/07/12
	a Committee member		
John R McNaught	Vice-Convener	Patrick McGrath	Co-opted 27/09/11
James L Charters	Secretary	William M Gillespie	Appointed 12/09/11
	Resigned 28/06/2012		Resigned 27/03/12
Maureen Farrell		Sharon Bruce	Stood Down 12/09/11
Ronald J Jardine		Angela Booth	Resigned 27/09/11
James C Hogg		Andrew S Wood	Resigned 20/12/11
Heather L Graham		June Carroll	Resigned 31/01/12
Lynda Cameron		Niall Cowan	Left 02/08/11
Derek Rodgers	Appointed 12/09/11		
Norman Fitzpatrick	Co-opted 12/09/11		

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 2012

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

Last 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 2012

Auditors

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

By order of the Committee of Management



.....
Secretary

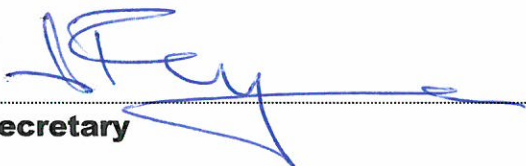
Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2012

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 2012

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 2012

The Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2012 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


.....
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 2012

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: 11th September 2012

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 2012 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 2012 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: 11th September 2012

Loreburn Housing Association Limited
Income & Expenditure Account
For The Year Ended 31 March 2012

	Notes	2012 £	2011 £
Turnover	1	10,214,127	9,597,451
Operating Costs (2011 Restated)	1	7,541,935	6,614,525
		2,672,192	2,982,926
Operating Surplus (2011 Restated)	1		
Gain/(Loss) on Sale of Fixed Assets	4	390,416	39,350
Interest Receivable & Other Income	6	67,644	71,966
Gift Aid from Subsidiary Company		170,000	130,000
Interest Payable and Similar Charges	7	1,257,082	1,257,640
		2,043,170	1,966,602
Surplus for the Year (2011 Restated)	22	2,043,170	1,966,602

The results for the year relate wholly to continuing activities.


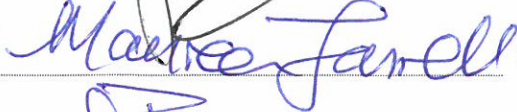

The Association has no recognised gains and losses other than those included in the surpluses above, and therefore no separate statement of total recognised gains and losses has been prepared.

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 2012

		2012 £	2011 Restated £
Tangible Fixed Assets			
Housing Properties (Net of Depreciation)	11a	137,112,013	133,505,123
Less : HAG & Other Grants	11a	<u>100,627,927</u>	<u>99,172,844</u>
		36,484,086	34,332,279
Other	11b	<u>1,970,930</u>	<u>1,564,201</u>
		<u>38,455,016</u>	<u>35,896,480</u>
Current Assets			
Stock		-	803
Shares in Subsidiary	12	3	3
Debtors	13	1,987,577	1,821,458
Cash at Bank & In Hand		<u>4,811,802</u>	<u>4,696,114</u>
		6,799,382	6,518,378
Creditors: Amounts Falling Due Within One Year	14	4,733,012	5,374,006
Net Current Assets/(Liabilities)		<u>2,066,370</u>	<u>1,144,372</u>
Total Assets less Current Liabilities		40,521,386	37,040,852
Creditors: Amounts Falling Due After More Than One Year	15	27,484,717	25,894,973
Net Assets		<u>13,036,669</u>	<u>11,145,879</u>
Capital & Reserves			
Share Capital	16	587	604
Designated Reserves	17	27,612	27,612
Accumulated Surplus	22	<u>13,008,470</u>	<u>11,117,663</u>
		<u>13,036,669</u>	<u>11,145,879</u>

These Financial Statements were approved by the Committee on the 16/3/12 and signed on their behalf by:


 _____ Convener

 _____ Committee Member

 _____ Secretary

Loreburn Housing Association Limited
Cashflow Statement
For The Year Ended 31 March 2012

	2012	2011
	£	Restated
		£
Net Cash Inflow from Operating Activities	<u>3,311,528</u>	<u>4,871,467</u>
Returns on Investments & Servicing of Finance		
Interest Received	59,360	90,433
Interest Paid	<u>(1,260,907)</u>	<u>(1,256,046)</u>
	<u>(1,201,547)</u>	<u>(1,165,613)</u>
Capital Expenditure & Financial Investment		
Payments to Acquire & Develop Housing Properties	(4,854,618)	(7,676,240)
Payments to Acquire Other Fixed Assets	(577,137)	(4,744)
Grants Received	1,455,083	3,969,148
Grants Repaid	(39,829)	(446,805)
Receipts from Sales of Housing Properties	104,220	375,000
Receipts from Sales of Other Fixed Assets	209,578	141,167
Investment in Subsidiary		
Net Cash Inflow/(Outflow) from Investing Activities	<u>(3,702,703)</u>	<u>(3,642,474)</u>
Net Cash Inflow/(Outflow) Before Financing	<u>(1,592,722)</u>	<u>63,380</u>
Financing		
Share Capital Issued	5	29
Housing Loans - Received	2,500,000	-
Repaid	<u>(791,595)</u>	<u>(765,755)</u>
	<u>1,708,410</u>	<u>(765,726)</u>
Increase/(Decrease) in Cash	<u>115,688</u>	<u>(702,346)</u>
Reconciliation of Net Cashflow to Movement in Net Debt		
Increase/(Decrease) in Cash in the Year	115,688	(702,346)
Loans Repaid	791,595	765,755
Loans Received	<u>(2,500,000)</u>	
Change in Net Debt	<u>(1,592,717)</u>	<u>63,409</u>
Net debt at 1 April 2011	(22,039,140)	(22,102,549)
Net debt at 31 March 2012	<u>(23,631,857)</u>	<u>(22,039,140)</u>

Loreburn Housing Association Limited
Notes To The Cashflow Statement
For The Year Ended 31 March 2012

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

	2012 £	2011 Restated £
Operating Surplus	2,672,192	2,982,926
Received from Subsidiary Company	170,000	130,000
Depreciation	1,650,597	1,207,802
(Increase)/Decrease in Stock	803	(805)
(Increase)/Decrease in Debtors	(157,837)	735,593
Increase/(Decrease) in Creditors	(1,024,227)	(184,049)
	<u>3,311,528</u>	<u>4,871,467</u>

2. Analysis of the Net Debt

	2011 £	Cashflows £	Non-Cash Changes £	2012 £
Cash in Hand & At Bank	4,696,114	115,688	-	4,811,802
Overdrafts	-	-	-	-
Debt Due Within 1 Year	(840,280)	840,280	(958,941)	(958,941)
Due After 1 Year	(25,894,974)	(2,548,685)	958,941	(27,484,718)
	<u>(22,039,140)</u>	<u>(1,592,717)</u>	<u>-</u>	<u>(23,631,857)</u>

	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>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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) 2010, 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.

Improvements are capitalised where these results in an enhancement of the economic benefits of the property.

Such enhancements 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 and Expenditure Account.

Depreciation – Housing Properties

The Association adopted Component Accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated.

The components identified and their estimated useful life of each is shown below:

Structure	100 Years	Communal Entry	20 Years
Roof	60 Years	Kitchens	15 Years
Electrics	40 Years	Bathrooms	15 Years
Windows & External Doors	25 Years	Heating ex Boilers	15 Years

The year to 31 March 2012 was the first full year of the implementation of Component Accounting. Prior to this, only three components were recognised - land, building and grants.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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 |
| ▶ Shared Ownership Properties | - | 2% straight line per annum |

Due to the incorporation of FRS15, shared ownership properties are now classed as Other Fixed Assets. Prior to this they were included within Housing property. Shared ownership properties are shown at historical cost, less land cost and grants received based on the tranche in ownership.

Statement of Recommended Practice 2010 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.

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.

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.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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 their historic component 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.

Stock

The Association at different times may hold 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 to a Support Service Contingency Reserve.

Monies have been set aside in this Designated Reserves to provide for various activities and contingencies in relation to the Housing Support Service following the introduction of Supporting People Legislation.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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.

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 2012

1. Particulars of Turnover, Operating Costs & Operating Surpluses

	Notes	Turnover £	2012 Operating Costs £	Operating Surplus £
Social Lettings	2	8,637,939	5,914,327	2,723,612
Other Activities	3	1,576,188	1,627,608	(51,420)
Total		<u>10,214,127</u>	<u>7,541,935</u>	<u>2,672,192</u>

	Notes	Turnover £	2011 Restated Operating Costs £	Operating Surplus £
Social Lettings	2	7,948,160	4,935,991	3,012,169
Other Activities	3	1,649,291	1,678,534	(29,243)
Total		<u>9,597,451</u>	<u>6,614,525</u>	<u>2,982,926</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2012 Total £	2011 Restated Total £
Rent Receivable Net of Service Charges	6,373,305	1,585,363	320,180	8,278,848	7,617,203
Service Charges	85,132	301,051	-	386,183	353,329
Gross Income from Rent & Service Charges	6,458,437	1,886,414	320,180	8,665,031	7,970,532
Less Voids	20,169	6,923	-	27,092	22,372
Net Income from Rents & Service Charges	6,438,268	1,879,491	320,180	8,637,939	7,948,160
Grants from Scottish Ministers	-	-	-	-	-
Other Revenue Grants	-	-	-	-	-
Total Turnover from Social Letting Activities	6,438,268	1,879,491	320,180	8,637,939	7,948,160
Management & Maintenance Administration Costs	1,613,994	312,386	148,383	2,074,763	1,667,506
Service Costs	85,132	301,051	-	386,183	353,329
Planned & Cyclical Maintenance including Major Repairs Costs	834,710	77,804	-	912,514	912,486
Reactive Maintenance Costs	768,429	139,534	-	907,963	812,966
Bad Debts – Rents & Service Charges	20,129	772	1,755	22,656	11,867
Depreciation of Social Housing	1,329,212	257,267	23,769	1,610,248	1,177,837
Operating Costs for Social Letting Activities	4,651,606	1,088,814	173,907	5,914,327	4,935,991
Operating Surplus for Social Lettings 2012	1,786,662	790,677	146,273	2,723,612	
Operating Surplus for Social Lettings 2011	1,635,390	127,615	124,351	-	3,012,169

Service charges were receivable on housing accommodation not eligible for Housing Benefit £23,082 (2011 - £21,174).

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2012

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 2012 £	Operating Surplus or Deficit 2011 £
Wider Action Role							(231)		
Care & Repair	402,232				402,232		402,232	-	-
Factoring							-	-	-
Development Activities							85,912	(85,912)	(34,935)
Support Activities		733,713	157,867		891,580		891,580	-	-
Care Activities					-		-	-	-
Other Management Services				23,796	23,796		23,796	-	-
Aids & Adaptations	189,997				189,997		189,997	-	-
Other Activities	22,041			46,773	68,814		34,322	34,492	6,317
Total from Other Activities 2012	614,270	733,482	157,867	70,569	1,576,188		1,627,608	(51,420)	
Total from Other Activities 2011	281,840	1,133,765	158,013	75,673	1,649,291		1,678,534		(29,243)

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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

	2012	2011
	£	£
Proceeds from the Sale of Fixed Assets	640,500	520,000
Less: Cost of Sales		
Historic Cost	313,798	520,753
Grant Received	(39,829)	(486,262)
Accumulated Depreciation	(71,513)	(4,479)
Grant Repayable	39,829	446,805
Legal & Valuation Costs	<u>7,799</u>	<u>3,833</u>
	<u>250,084</u>	<u>480,650</u>
	<u>390,416</u>	<u>39,350</u>

5. Operating Surplus

	2012	2011
	£	Restated
		£
Operating Surplus is stated after charging:		
Depreciation	1,650,597	1,207,802
External Auditors' Remuneration (inc. VAT)	7,225	7,037
Internal Auditors' Remuneration (inc. VAT)	5,829	4,205

In addition, the External Auditors were paid £Nil (2011 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2011 - £Nil) in respect of consultancy work.

6. Interest Receivable & Other Income

	2012	2011
	£	£
Bank Interest Received	41,922	55,945
Interest from Loans to Subsidiary	<u>25,722</u>	<u>16,021</u>
	<u>67,644</u>	<u>71,966</u>

7. Interest Payable & Similar Charges

	2012	2011
	£	£
Loan Interest	1,262,965	1,268,169
Interest Capitalised in Housing Properties	(5,883)	(10,529)
Bank Interest & Charges	-	-
Other Interest Payable	-	-
	<u>1,257,082</u>	<u>1,257,640</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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.

	2012 £	2011 £
Total Emoluments received by the Chief Executive Officer excluding employer's pension contributions	<u>69,524</u>	<u>63,748</u>

9. Employee Information

	2012	2011
The monthly average number of employees during the year was	87	88
The full time equivalent number of staff	<u>79</u>	<u>81</u>
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	1,891,152	1,858,932
Social Security Costs	118,901	121,113
Pension Contributions	297,821	213,342
Temporary, Seconded or Agency Staff Costs	<u>2,307,874</u>	<u>2,193,387</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 2012

11. Tangible Fixed Assets

a. Housing Properties

	Housing Property Held for Letting £	Housing Property in Course of Construction £	Total £
Cost			
At 01/04/11 Restated	139,518,546	5,031,863	144,550,409
Additions	1,205,452	4,206,470	5,411,922
Transfers	5,458,956	(5,458,956)	-
Disposals	(348,850)	-	(348,850)
At 31/03/12	<u>145,834,104</u>	<u>3,779,377</u>	<u>149,613,481</u>
Depreciation			
At 01/04/11 restated	11,045,286	-	11,045,286
Charge for Year	1,621,044	-	1,621,044
Transfers	-	-	-
Disposals	(164,862)	-	(164,862)
At 31/03/12	<u>12,501,468</u>	<u>-</u>	<u>12,501,468</u>
Housing Properties (Net of Depreciation)	<u>133,332,636</u>	<u>3,779,377</u>	<u>137,112,013</u>
Housing Association & Capital Grants			
At 01/04/11 restated	94,254,829	4,918,015	99,172,844
Received	-	1,455,083	1,455,083
Transfers	3,114,629	(3,114,629)	-
Repaid/Disposals	-	-	-
At 31/03/12	<u>97,369,458</u>	<u>3,258,469</u>	<u>100,627,927</u>
Net Book Value at 31/03/12	<u>35,963,178</u>	<u>520,908</u>	<u>36,484,086</u>
Net Book Value at 31/03/11 Restated	<u>34,218,431</u>	<u>113,848</u>	<u>34,332,279</u>

Development administration costs amounted to £177,281 (2011 - £190,544) for which HAG amounting to £Nil (2011 - £33,728) was received during the year resulting in a deficit. From the deficit £93,369 (2011 - £121,892) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £5,883 (2011 - £10,529).

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2012

b. Other Fixed Assets

	Office Premises £	Office Equipment £	Furnishings & Fittings £	Tenant Improvements £	Wider Action £	Let Property Furnishings £	Motor Vehicles £	Other Property Shared Ownership £	Total £
Cost									
At 01/04/11	490,424	477,180	159,365	50,798	6,544	188,402	4,500	5,051,666	6,428,879
Additions	562,306	31,014				7,587			600,907
Disposals	(171,962)							(37,616)	(209,578)
At 31/03/12	880,768	508,194	159,365	50,798	6,544	195,989	4,500	5,014,050	6,820,208
HAG & Other Grants									
At 01/04/11	-	-	-	-	6,544	188,402	-	3,652,522	3,847,468
Received in Year									
Disposals								(27,765)	(27,765)
At 31/03/12	-	-	-	-	6,544	188,402	-	3,624,757	3,819,703
Depreciation									
At 01/04/11	72,101	454,154	149,375	50,798	-	-	4,500	286,282	1,017,210
Disposals	(49,721)							(2,033)	(51,754)
Charge for Year	17,616	17,059	4,158	-	-	1,517		23,769	64,119
At 31/03/12	39,996	471,213	153,533	50,798	-	1,517	4,500	308,018	1,029,575
Net Book Value									
At 31/03/12	840,772	36,981	5,832	-	-	6,070	-	1,081,275	1,970,930
At 31/03/11	418,323	23,026	9,990	-	-	-	-	1,112,862	1,564,201

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

12. Share in Subsidiary Companies

The Association holds 100% of the share capital issued by its two subsidiaries. Dumfries & Galloway Homes Limited is 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. Loreburn Un Limited is a company registered in Scotland whose main activity is to operate a Direct Labour Organisation providing a maintenance service to Loreburn Housing Association Limited.

13. Debtors

	2012 £	2011 £
Rental Arrears	91,095	79,553
Bad Debt Provision	(24,024)	(17,954)
Net Rent Arrears	67,071	61,599
Other Debtors & Prepayments	375,031	367,999
HAG Receivable	52,456	-
Prepayments & Accrued Income	146,743	164,913
Loans to Group Undertaking	1,346,276	1,226,947
	<u>1,987,577</u>	<u>1,821,458</u>

14. Creditors: Amounts Falling Due Within One Year

	2012 £	2011 £
Bank Overdraft	-	-
Current Instalments of Loans	958,941	840,280
Trade Creditors	679,419	1,324,882
Other Taxes & Social Security	41,428	99,854
Accruals & Deferred Income	840,541	863,588
Services Equalisation	761,826	777,965
Other Creditors	1,185,984	1,189,971
Amounts Due to Group Undertakings	65,306	83,121
Rent in Advance	199,567	194,345
	<u>4,733,012</u>	<u>5,374,006</u>

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

	2012 £	2011 £
Loans	<u>27,484,717</u>	<u>25,894,973</u>

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest ranging from 1.0% to 6.9% and will mature over a period of 10 to 27 years, in instalments due as follows:

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

	2012 £	2011 £
Between 1 – 2 Years	1,000,817	878,247
Between 2 – 5 Years	3,278,572	2,885,648
5 Years or More	23,205,328	22,131,078
	27,484,717	25,894,973

Further loan facilities have been arranged totalling £6.979m to finance future acquisitions and developments.

16. Share Capital

	2012 £	2011 £
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2011	604	597
Shares Issued	5	29
	609	626
Shares Forfeited	(22)	(22)
As at 31 March 2012	587	604

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 £	Total £
As at 01/04/11 Restated	27,612	27,612
Transfers to Revenue Reserve	-	-
Transfer from Revenue Reserve	-	-
As at 31/03/12	27,612	27,612

18. Housing Stock

	2012	2011
The number of units of accommodation in management at the year end was:		
General Needs Housing	1,848	1,786
Supported Housing Accommodation	372	390
Shared Ownership	171	173
Accommodation Managed on Behalf of Another Body	64	65
	2,455	2,414

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

19. Capital Commitments

	2012 £	2011 £
Expenditure Contracted Less Certified	<u>1,361,567</u>	<u>5,349,372</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 2012 (2011 - £Nil).

21. Pensions

Disclosure to Meet the Requirements of FRS17

Loreburn Housing 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 2011. 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 £341 Million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 Million, equivalent to a past service funding level of 62.2%.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

Employer Debt Regulations

1. 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.
2. 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:
 - a. The commencement of winding up of the Scheme.
 - b. An employer becomes insolvent.
 - c. An Employer Cessation Event.
3. An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, ie. 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.
4. 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.
5. 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 2011.
6. The suggested Pension Obligations 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.
7. 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).

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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, ie. 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 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.

Loreburn has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Loreburn was £7.958 Million.

Further Disclosures

Loreburn participates in the Scottish Housing Associations' Pension Scheme.

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:

- ▶ Final salary with a 1/60th accrual rate
- ▶ Career average revalued earnings with a 1/80th accrual rate (from 1 April 2011) No-one has taken up this option

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

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 59 active members of the Scheme employed by Loreburn. The annual pensionable payroll in respect of these members was £1,438,623.

Loreburn continues to offer membership of the above two Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions		% pa
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% pa minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% pa minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)		%
Final Salary 1/60 ^{ths}		19.2
Career Average Revalued Earnings 1/60 ^{ths}		17.1
Career Average Revalued Earnings 1/70 ^{ths}		14.9
Career Average Revalued Earnings 1/80 ^{ths}		13.2
Career Average Revalued Earnings 1/120 ^{ths}		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.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

22. Reconciliation of Movement in Accumulated Surplus

	2012 £	2011 Restated £
Revenue Reserve Brought Forward	10,965,278	9,151,038
Shares Cancelled	22	23
Surplus for the Year	2,043,170	1,966,602
Transfer to Designated & Restricted Reserves	-	-
	13,008,470	11,117,663

23. Scottish Secure Tenancy Rents

	2012 £	2011 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	3,535	3,341
Percentage Increase from Previous Year	6%	1.5%

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.

Dumfries & Galloway Homes

Dumfries & Galloway Homes Limited, a subsidiary of the Association, made a Gift Aid payment of £170,000 (2011 - £130,000) 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 £23,796. (2011 - £22,748).

The value of works and services provided by Dumfries & Galloway Homes during the year was £144,968. (2011 - £525,149).

At the end of the financial year the Association was owed £44,243 (2011 - £42,362) by Dumfries & Galloway Homes Limited and owed £10,279 (2011 - £83,122) to Dumfries & Galloway Homes Limited.

In addition to the above Dumfries & Galloway Homes Limited also owed the Association £1,346,278 (2011 - £1,226,947) the balance of loans outstanding at that date. The loans were made at arms length and at commercial rates. The Association received £25,722 (2011 - £16,021) in interest on the loans during the year.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

During the year Loreburn sold two properties to Dumfries & Galloway Homes Limited in the sums of £76,000 and £81,000. A loan was provided from the Association and is included in the loan balances above. The Scottish Housing Regulator granted consent for this disposals.

Loreburn Un Limited

The value of works and services provided by Loreburn Un Limited during the year was £458,328. (2011 - £Nil).

At the end of the financial year the Association was owed £120 (2011 - £Nil) by Loreburn Un Limited and owed £83,537 (2011 - £Nil) to Loreburn Un Limited.

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 from May 2011 and mainly provides maintenance services to Loreburn Housing Association Limited.

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.

26. Prior Year Adjustment

As stated within the Accounting policies, at 31 March 2011 the Association changed its accounting policy for charging depreciation upon housing property. Depreciation is now charged upon the individual components of a property at varying rates, where previously the property was treated as a single component.

Loreburn revised the accounting policy in order to be compliant with the Statement of Recommended Practice 2010.

Prior period comparatives have been reinstated to reflect this change in policy. The following table indicates the changes that have been made to the comparative statements:

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2012

	Financial Statements 31 March 2011	Adjustment	Restated 31 March 2011
	£	£	£
Income & Expenditure Account			
Operating Cost	7,739,339	(1,124,814)	6,614,525
Operating Surplus	<u>1,858,112</u>	<u>1,124,814</u>	<u>2,982,926</u>
Capital & Reserves			
Share Capital	604	-	604
Designated Reserves	12,478,451	(12,450,839)	27,612
Accumulated Surplus	<u>13,403,823</u>	<u>(2,257,944)</u>	<u>11,117,663</u>
			<u>11,145,879</u>
	Financial Statements 31 March 2010	Adjustment	Restated 31 March 2010
	£	£	£
Balance Sheet			
Tangible Fixed Assets	<u>34,839,812</u>	<u>(1,842,284)</u>	<u>32,997,528</u>
Capital & Reserves			
Share Capital	597	-	597
Designated Reserves	11,694,681	(11,667,069)	27,612
Accumulated Surplus	<u>866,726</u>	<u>9,824,785</u>	<u>10,691,511</u>
	<u>12,562,004</u>	<u>(1,842,284)</u>	<u>10,719,720</u>

