



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2014

Wylie & Bisset LLP
Chartered Accountants
Glasgow

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2014

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Registration Particulars:

Financial Conduct 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:	Wylie & Bisset LLP Chartered Accountants 168 Bath Street Glasgow G2 4TP	Bankers:	Royal Bank of Scotland UK Corporate Banking Kirkstane House 139 St Vincent Street Glasgow G2 5JF
Internal Auditors:	Scott Moncreiff 25 Bothwell Street Glasgow G2 6NL	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 2014**

The Committee of Management have pleasure in submitting their report and the Financial Statements for the year ended 31 March 2014.

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No 2110R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC29917.

Principal Activities

The principal activity of the Association is the provision of rented accommodation for those in housing need. In addition, the Association has developed 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 24 units of rented accommodation in Dumfries and Dalbeattie. The Association's Development Programme will continue during the next twelve months and it is hoped to achieve the completion of a further 19 units of rented accommodation at Dalbeattie, Dumfries and Beeswing.

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

Wendy McCracken was appointed as Interim Chief Executive in April 2013 and continues to be so at the signing date of the financial statements.

Committee of Management

The Committee of Management during the year to 31 March 2014 were as follows:

John R McNaught	Convener	John P Tarry	
Brian S Pattinson	Vice-Convener	John A Ross CBE	
Derek Rodgers	Secretary	Michael J Jones	
Maureen Farrell		Helen Forsyth	Co-opted
Ronald J Jardine		Charles Lunn	Co-opted
James C Hogg		Julia Mulloy	Co-opted
Lynda Cameron			

Each member of the Committee of Management holds one fully paid share of £1 in the Association. The Chief Executive 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 2014**

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

In 2013 Loreburn maintained its Investors in People Gold standard following assessment and was the first in Scotland to hold the joint accolade of the Health & Wellbeing Award.

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 2014

Auditors

A resolution to re-appoint the Auditors, Wylie & Bisset LLP, will be proposed at the Annual General Meeting.

By order of the Committee of Management



Secretary

Date: 15/7/14


**Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2014**

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 2010 and the Registered Social Landlords Determination of Accounting Requirements – April 2012. 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

Date: 15/7/14

Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2014

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

We have audited the financial statements of Loreburn Housing Association for the year ended 31 March 2014 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 auditors' 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 of Management and auditors

As explained more fully in the Statement of Committee's Responsibilities set out on page 4, the Committee are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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 misstatement, 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. In addition, we read all the financial and non-financial information in the Report of the Committee to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012

**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 are required to report to you under the Industrial and Provident Societies Act 1965 to 2002 if, in our opinion

- the information given in the Management Committee Report is inconsistent with the Financial Statements;
- a satisfactory system of control over transactions has not been maintained;
- proper books of accounts have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.

Wylie & Bisset LLP

Wylie & Bisset LLP
Chartered Accountants
Statutory Auditors
Glasgow

Date: 15 July 2014

Loreburn Housing Association Limited
Income & Expenditure Account
For The Year Ended 31 March 2014

	Notes	2014 £	2013 £
Turnover	1	11,303,677	10,813,120
Operating Costs	1	8,677,460	7,978,489
		<hr/>	<hr/>
Operating Surplus	1	2,626,217	2,834,631
Gain/(Loss) on Sale of Fixed Assets	4	(115,852)	(14,411)
Interest Receivable & Other Income	6	82,584	98,221
Gift Aid from Subsidiary Company		60,000	20,000
Interest Payable and Similar Charges	7	(1,150,384)	(1,218,669)
		<hr/>	<hr/>
Surplus for the Year	22	<u>1,502,565</u>	<u>1,719,772</u>

The results for the year relate wholly to continuing activities.



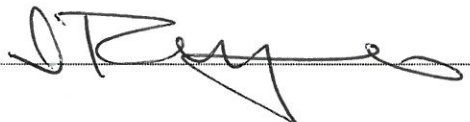
The Association has no recognised gains and losses other than those included in the surpluses above, and therefore no separate statement of total recognised gains and losses has been prepared.

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 2014

		2014 £	2013 £
Tangible Fixed Assets	Notes		
Housing Properties (Net of Depreciation)	11a	141,176,971	139,572,595
Less : HAG & Other Grants	11a	<u>102,726,269</u>	<u>102,019,395</u>
		38,450,702	37,553,200
Other	11b	<u>1,807,218</u>	<u>1,904,934</u>
		<u>40,257,920</u>	<u>39,458,134</u>
 Current Assets			
Shares in Subsidiary	12	3	3
Debtors	13	2,897,733	2,408,122
Cash at Bank & In Hand		<u>3,199,428</u>	<u>4,050,418</u>
		6,097,164	6,458,543
Creditors: Amounts Falling Due Within One Year	14	4,808,993	4,798,188
Net Current Assets/(Liabilities)		<u>1,288,171</u>	<u>1,660,355</u>
Total Assets less Current Liabilities		41,546,091	41,118,489
Creditors: Amounts Falling Due After More Than One Year	15	25,287,078	26,362,042
Net Assets		<u>16,259,013</u>	<u>14,756,447</u>
 Capital & Reserves			
Share Capital	16	539	558
Designated Reserves	17	27,612	27,612
Accumulated Surplus	22	<u>16,230,862</u>	<u>14,728,277</u>
		<u>16,259,013</u>	<u>14,756,447</u>

These Financial Statements were approved by the Committee on the 15/7/14 and signed on their behalf by:


 _____ Convener

 _____ Committee Member

 _____ Secretary

Loreburn Housing Association Limited
Cashflow Statement
For The Year Ended 31 March 2014

	2014	2013
	£	£
Net Cash Inflow from Operating Activities	<u>3,674,843</u>	<u>4,121,318</u>
Returns on Investments & Servicing of Finance		
Interest Received	98,763	91,282
Interest Paid	<u>(1,149,330)</u>	<u>(1,213,194)</u>
	<u>(1,050,567)</u>	<u>(1,121,912)</u>
Capital Expenditure & Financial Investment		
Payments to Acquire & Develop Housing Properties	(3,322,401)	(4,353,174)
Payments to Acquire Other Fixed Assets	(108,248)	(27,301)
Housing Grants Received	605,158	828,657
Grants Repaid	(67,247)	(95,207)
Receipts from Sales of Housing Properties	65,000	386,899
Receipts from Sales of Other Fixed Assets	276,523	-
Other Grants	101,716	562,810
Net Cash Outflow from Investing Activities	<u>(2,449,499)</u>	<u>(2,697,316)</u>
Net Cash Inflow Before Financing	<u>174,777</u>	<u>302,096</u>
Financing		
Share Capital Issued	2	6
Housing Loans Repaid	<u>(1,025,767)</u>	<u>(1,063,480)</u>
	<u>(1,025,765)</u>	<u>(1,063,474)</u>
Decrease in Cash	<u>(850,990)</u>	<u>(761,384)</u>
Reconciliation of Net Cashflow to Movement in Net Debt		
Increase/(Decrease) in Cash in the Year	(850,990)	(761,384)
Loans Repaid	1,025,767	1,063,480
Change in Net Debt	<u>174,777</u>	<u>302,096</u>
Net debt at 1 April 2013	(23,329,761)	(23,631,857)
Net debt at 31 March 2014	<u>(23,154,984)</u>	<u>(23,329,761)</u>

Loreburn Housing Association Limited
Notes To The Cashflow Statement
For The Year Ended 31 March 2014

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

	2014 £	2013 £
Operating Surplus	2,626,217	2,834,621
Received from Subsidiary Company	60,000	20,000
Depreciation	1,712,007	1,945,912
Increase in Debtors	(505,790)	(413,628)
Decrease in Creditors	(217,591)	(265,597)
	<u>3,674,843</u>	<u>4,121,318</u>

2. Analysis of the Net Debt

	2013 £	Cashflows £	Non-Cash Changes £	2014 £
Cash in Hand & At Bank	4,050,418	(850,990)		3,199,428
Overdrafts	-	-		-
Debt Due Within 1 Year	(1,018,135)	1,018,135	(1,067,334)	(1,067,334)
Due After 1 Year	(26,362,044)	7,632	1,067,334	(25,287,078)
	<u>(23,329,761)</u>	<u>174,777</u>	<u>-</u>	<u>(23,154,984)</u>

	2012 £	Cashflows £	Non-Cash Changes £	2013 £
Cash in Hand & At Bank	4,811,802	(761,384)	-	4,050,418
Overdrafts	-	-	-	-
Debt Due Within 1 Year	(958,941)	958,941	(1,018,135)	(1,018,135)
Due After 1 Year	(27,484,718)	104,539	1,018,135	(26,362,044)
	<u>(23,631,857)</u>	<u>302,096</u>	<u>-</u>	<u>(23,329,761)</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

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 Determination of Accounting Requirements – April 2012 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 result 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 saw 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 2014

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 2014

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 when held 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 2014

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

During the year the Association participated 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 2014

1. Particulars of Turnover, Operating Costs & Operating Surpluses

		2014	2014	Operating
	Notes	Turnover	Operating	Surplus
		£	Costs	£
			£	£
Social Lettings	2	9,685,348	6,921,959	2,763,389
Other Activities	3	1,618,329	1,755,501	(137,172)
Total		<u>11,303,677</u>	<u>8,677,460</u>	<u>2,626,217</u>
			2013	Operating
	Notes	Turnover	Operating	Surplus
		£	Costs	£
			£	£
Social Lettings	2	9,186,697	6,304,877	2,881,820
Other Activities	3	1,626,423	1,673,612	(47,189)
Total		<u>10,813,120</u>	<u>7,978,489</u>	<u>2,834,631</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2014 Total £	2013 Total £
Rent Receivable Net of Service Charges	7,156,474	1,825,949	335,267	9,317,690	8,808,545
Service Charges	67,218	335,915	-	403,133	407,614
Gross Income from Rent & Service Charges	7,223,692	2,161,864	335,267	9,720,823	9,216,159
Less Voids	27,561	7,914	-	35,475	29,462
Net Income from Rents & Service Charges	7,196,131	2,153,950	335,267	9,685,348	9,186,697
Grants from Scottish Ministers					-
Other Revenue Grants					-
Total Turnover from Social Letting Activities	7,196,131	2,153,950	335,267	9,685,348	9,186,697
Management & Maintenance Administration Costs	1,818,778	388,136	158,960	2,365,674	2,067,140
Service Costs	67,218	335,915	-	403,133	407,613
Planned & Cyclical Maintenance including Major Repairs Costs	1,009,643	435,391	-	1,445,034	980,878
Reactive Maintenance Costs	829,151	163,538	-	992,689	900,913
Bad Debts – Rents & Service Charges	41,170	2,852	3,781	47,803	41,116
Depreciation of Social Housing	1,359,908	290,211	17,307	1,667,426	1,907,217
Operating Costs for Social Letting Activities	5,125,869	1,616,042	180,048	6,921,959	6,304,877
Operating Surplus for Social Lettings 2014	2,070,263	537,907	155,219	2,763,389	
Operating Surplus for Social Lettings 2013	2,486,825	225,304	169,691	-	2,881,820

Service charges were receivable on housing accommodation not eligible for Housing Benefit £21,888. (2013 - £21,439).

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2014

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 2014 £	Operating Surplus or Deficit 2013 £
Care & Repair	402,232	-			402,232		402,232	-	-
Development Activities	-				-		168,541	(168,541)	(86,738)
Support Activities	-	709,303	155,853		865,156		865,156	-	-
Other Management Services				51,772	51,772		51,772	-	-
Aids & Adaptations	248,508				248,508		248,508	-	-
Other Activities				50,661	50,661		19,292	31,369	39,549
Total from Other Activities 2014	650,740	709,303	155,853	102,433	1,618,329	-	1,755,501	(137,172)	
Total from Other Activities 2013	635,720	736,441	157,457	96,805	1,626,423	-	1,673,612		(47,189)

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

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

	2014 £	2013 £
Proceeds from the Sale of Fixed Assets	341,523	361,676
Less: Cost of Sales		
Historic Cost	571,141	386,899
Grant Received	(67,247)	(107,520)
Accumulated Depreciation	(117,512)	(6,191)
Grant Repayable	67,247	95,207
Legal & Valuation Costs	3,746	7,692
	(115,852)	(14,411)

5. Operating Surplus

	2014 £	2013 £
Operating Surplus is stated after charging:		
Depreciation	1,712,007	1,945,913
External Auditors' Remuneration (inc. VAT)	11,067	7,440
Internal Auditors' Remuneration (inc. VAT)	6,876	7,134

In addition, the External Auditors were paid £Nil (2013 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2013 - £Nil) in respect of consultancy work.

6. Interest Receivable & Other Income

	2014 £	2013 £
Bank Interest Received	25,802	60,815
Interest from Loans to Subsidiary	56,782	37,406
	82,584	98,221

7. Interest Payable & Similar Charges

	2014 £	2013 £
Loan Interest	1,157,712	1,219,654
Interest Capitalised in Housing Properties	(7,328)	(985)
Bank Interest & Charges	-	-
Other Interest Payable	-	-
	1,150,384	1,218,669

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

8. Officers Emoluments

The Officers are defined as the members of the Management Committee, the Chief Executive 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 Interim Chief Executive as noted below.

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

	2014 £	2013 £
Total Emoluments received by the Interim Chief Executive (2013 - Chief Executive) excluding employer's pension contributions	<u>64,028</u>	<u>68,350</u>

9. Employee Information

	2014	2013
The monthly average number of employees during the year was	87	84
The full time equivalent number of staff	<u>90</u>	<u>93</u>
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	2,168,848	2,007,070
Social Security Costs	132,562	136,005
Pension Contributions	<u>306,347</u>	<u>300,775</u>
	<u>2,607,757</u>	<u>2,443,850</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 2014

11. Tangible Fixed Assets

a. Housing Properties

	Housing Property Held for Letting £	Housing Property in Course of Construction £	Total £
Cost			
At 01/04/13	151,145,142	2,448,041	153,593,183
Additions	977,407	2,478,229	3,455,636
Transfers	3,734,382	(3,731,798)	2,584
Disposals	(709,392)	-	(709,392)
At 31/03/14	<u>155,147,539</u>	<u>1,194,472</u>	<u>156,342,011</u>
Depreciation			
At 01/04/13	14,020,588	-	14,020,588
Charge for Year	1,413,893	-	1,413,893
Disposals	(269,441)	-	(269,441)
At 31/03/14	<u>15,165,040</u>	<u>-</u>	<u>15,165,040</u>
Housing Properties (Net of Depreciation)	<u>139,982,499</u>	<u>1,194,472</u>	<u>141,176,971</u>
Housing Association & Capital Grants			
At 01/04/13	99,925,992	2,093,403	102,019,395
Received	-	706,874	706,874
Transfers	2,093,403	(2,093,403)	-
At 31/03/14	<u>102,019,395</u>	<u>706,874</u>	<u>102,726,269</u>
Net Book Value at 31/03/14	<u>37,963,104</u>	<u>487,598</u>	<u>38,450,702</u>
Net Book Value at 31/03/13	<u>37,198,562</u>	<u>354,638</u>	<u>37,553,200</u>

Development administration costs amounted to £278,553 (2013 - £173,126) for which HAG amounting to £nil (2013 - £nil) was received during the year resulting in a deficit. From the deficit £110,001 (2013 - £86,389) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £7,328. (2013 - £985).

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2014

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 01/04/13	883,312	523,137	159,365	50,798	6,544	195,989	4,500	4,891,159	6,714,804
Additions		141,864	6,927						148,791
Transfers								(2,584)	(2,584)
Disposals	(163,663)						(4,500)	(87,952)	(256,115)
At 31/03/14	719,649	665,001	166,292	50,798	6,544	195,988	-	4,800,623	6,604,896
HAG & Other Grants									
At 01/04/13	-	-	-	-	6,544	188,402	-	3,529,553	3,724,499
Received in Year	-	-	-	-	-	-	-	-	-
Disposals								(67,247)	(67,247)
At 31/03/14	-	-	-	-	6,544	188,402	-	3,462,306	3,657,252
Depreciation									
At 01/04/13	57,611	486,617	157,691	50,798	-	3,034	4,500	325,120	1,085,371
Disposals	(19,640)	-	-	-	-	-	(4,500)	(4,964)	(29,104)
Transfers	-	-	-	-	-	-	-	(622)	(622)
Charge for Year	14,393	42,571	3,407	-	-	1,517	-	22,893	84,781
At 31/03/14	52,364	529,188	161,098	50,798	-	4,551	-	342,427	1,140,426
Net Book Value									
At 31/03/14	667,286	135,812	5,194	-	-	3,036	-	995,890	1,807,218
At 31/03/13	825,701	36,520	1,674	-	-	4,553	-	1,036,486	1,904,934

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

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 is in the process of being struck off.

13. Debtors

	2014 £	2013 £
Rental Arrears	136,171	99,223
Bad Debt Provision	(54,304)	(39,075)
Net Rent Arrears	<u>81,867</u>	<u>60,148</u>
Other Debtors & Prepayments	397,248	380,633
HAG Receivable	-	57,555
Prepayments & Accrued Income	130,420	119,015
Loans to Group Undertaking	<u>2,288,198</u>	<u>1,790,771</u>
	<u>2,897,733</u>	<u>2,408,122</u>

14. Creditors: Amounts Falling Due Within One Year

	2014 £	2013 £
Current Instalments of Loans	1,067,334	1,018,135
Trade Creditors	710,370	911,151
Other Taxes & Social Security	44,040	45,276
Accruals & Deferred Income	495,910	498,576
Services Equalisation	846,868	811,232
Other Creditors	1,303,553	1,296,114
Amounts Due to Group Undertakings	123,935	31,734
Rent in Advance	<u>216,983</u>	<u>185,970</u>
	<u>4,808,993</u>	<u>4,798,188</u>

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

	2014 £	2013 £
Loans	<u>25,287,078</u>	<u>26,362,042</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 8 to 25 years, in instalments due as follows:

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

	2014	2013
	£	£
Between 1 – 2 Years	1,111,339	1,060,740
Between 2 – 5 Years	3,624,922	3,463,892
5 Years or More	<u>20,550,817</u>	<u>21,837,410</u>
	<u>25,287,078</u>	<u>26,362,042</u>

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

16. Share Capital

	2014	2013
	£	£
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2013	558	587
Shares Issued	<u>2</u>	<u>6</u>
	560	593
Shares Forfeited	<u>(21)</u>	<u>(35)</u>
As at 31 March 2014	<u>539</u>	<u>558</u>

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 31/03/14	<u>27,612</u>	<u>27,612</u>

18. Housing Stock

	2014	2013
The number of units of accommodation in management at the year end was:		
General Needs Housing	2,108	2,062
Supported Housing Accommodation	155	163
Shared Ownership	163	167
Accommodation Managed on Behalf of Another Body	<u>64</u>	<u>64</u>
	<u>2,490</u>	<u>2,456</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

19. Capital Commitments

	2014 £	2013 £
Expenditure Contracted Less Certified	<u>92,907</u>	<u>210,304</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 2014 (2013 - £Nil).

21. Pensions

Disclosure to Meet the Requirements of FRS17

Loreburn Housing Association 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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2014

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, 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.
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 2013.
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).

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Notes To The Financial Statements
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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.

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 for the Scheme based on the financial position of the Scheme at 30 September 2013. As of this date the estimated employer debt for Loreburn was £8.327 Million.

Further Disclosures

Loreburn operates the Final Salary scheme with a 1/60th accrual rate.

From April 2011 Loreburn added the career average re-valued earnings scheme with a 1/80th accrual rate. No-one has taken up this option to date.

During the accounting period Loreburn paid contributions at the rate of 9.6% of pensionable salaries in addition to the Past Scheme payment of £166,753. Member contributions were also at 9.6%.

As at the balance sheet date there were 58 (2013 – 57) active members of the Scheme. The annual pensionable payroll in respect of these members was £1,406,145 (2013 - £1,434,470).

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

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement - Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Loreburn Housing Association Limited
Notes To The Financial Statements
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Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increasing by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

Point of Note:

FRC issued a new reporting standard early in 2013: FRS 102 is the Financial Reporting Standard (FRS) applicable in the UK and Republic of Ireland (known as new UK and Irish GAAP). The mandatory effective date for the new framework of reporting is for financial years beginning on or after 1 January 2015. Early adoption is available.

The standard directs that sponsoring employers should disclose the net present value of agreed deficit repayments on their balance sheets i.e. recognising the contingent liability. As a consequence the reader will see the immediate impact on the financial statements.

22. Reconciliation of Movement in Accumulated Surplus

	2014	2013
	£	£
Revenue Reserve Brought Forward	14,728,277	13,008,470
Shares Cancelled	21	35
Surplus for the Year	1,502,565	1,719,772
Transfer to Designated & Restricted Reserves	-	-
	<u>16,230,862</u>	<u>14,728,277</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
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23. Scottish Secure Tenancy Rents

	2014	2013
	£	£
Average Scottish Secure Tenancy Rent for Housing Accommodation	3,893	3,699
Percentage Increase from Previous Year	3.6%	4.7%

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 £60,000 (2013 - £20,000) 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 £91,912 (2013 - £24,556).

The value of works and services provided by Dumfries & Galloway Homes during the year was £123,935. (2013 - £6,086).

At the end of the financial year the Association was owed £26,067 (2013 - £29,997) by Dumfries & Galloway Homes Limited and owed £123,935 (2013 - £2,951) to Dumfries & Galloway Homes Limited.

In addition to the above Dumfries & Galloway Homes Limited also owed the Association £2,288,197 (2013 - £1,790,771) the balance of loans outstanding at that date. The loans were made at arms length and at commercial rates. The Association received £56,782 (2013 - £37,406) in interest on the loans during the year.

Loreburn Un Limited

During the year the Association was in receipt of Management Charges from Loreburn Un Limited in the sum of £19,860 (2013 - £16,006).

The value of works and services provided by Loreburn Un Limited during the year was £372,610. (2013 - £393,252).

Loreburn Housing Association Limited
Notes To The Financial Statements
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At the end of the financial year the Association was owed £nil (2013 - £nil) by Loreburn Un Limited and owed £nil (2013 - £25,871) to Loreburn Un Limited.

A decision was taken in the year to strike off Loreburn Un Limited and that process is ongoing.

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.

During the year a decision was taken to strike off Loreburn Un Limited and to assign contracts to Dumfries & Galloway Homes Limited for maintenance services provided 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.



