



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2016

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2016

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Registration Particulars:

Financial Conduct Authority:	Cooperative And Community Benefit Societies Act 2014 Registration Number 2110R(S)
Scottish Housing Regulator:	Housing (Scotland) Act 2014 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 2016

Principal Activity

The principal activity of the Association is the provision of social housing for let at rents affordable to the client group for whom it intends to provide. The Association operates across Dumfries and Galloway, Scotland.

The Association is registered with the Financial Conduct Authority as a Community Benefit Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association is primarily regulated by the Scottish Housing Regulator.

Our Strategic Aims

The Association has a vision which is to 'Create Great Places to Live'. The Association embraces the benefits of partnership working and has a mission of 'Working Together'. The Strategic Aims of the Association are:

- Great Homes
- Great People
- Great Services
- Great Results

The Association's ways of working and behaviours are shaped by our GREAT values which encourage us to be Go-Getters, Respectful, Entrepreneurial, Accountable and Together.

Going Concern

The Board has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Corporate Governance

The Association has a Management Committee who are elected by the members of the Association (as listed on page 7). It is the responsibility of the Management Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Management Committee are unpaid.

The Executive Team of the Association (as listed on page 7) are responsible for achieving the strategy set and undertaking the operational activities in line with the policies set.

Our governing body is our Management Committee, which is responsible to the wider membership. Management Committee members serve in a voluntary capacity, and we recognise that this puts even more onus on us to ensure that we set and achieve high standards of professionalism in our work. We take governance very seriously, and in the last year we continued to build on work from previous years which strengthened our governance arrangements.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016

Achievements and performance

The Association has carried out a full restructure of the business which has resulted in the introduction of specialist Customer Service and Asset Management Teams. The teams were introduced in response to feedback from our customers which identified benefits of making an investment in dedicated teams for those service areas. As a result of the restructure a number of staff left the organization and others joined however staff absence levels remained low during the year at 2.7%. In February a full tenant consultation was conducted and a total of 728 responses were returned, 91% of the tenants surveyed were happy with our service and 92% with the standard of their home. A high percentage of customers, 93%, were happy with the way they were kept informed. At the end of the year 96% of our stock met the SHQS standard and by the end of the next financial year the figure will be 99%.

During the year a new ICT system was introduced including a shift to paperless working and service delivery through the utilization of mobile technology.

Overall, whilst this has been a challenging year, the Association believes it has been relatively successful and our satisfaction results indicate that our customers are happy with their homes and services.

Financial Review

The results for the year are shown in the Statement of Comprehensive Income.

A summary of key financial results and position at the end of the year is as follows:-

	2016	Restated 2015
Turnover	13,124,319	12,738,475
Total Comprehensive Income	680,036	1,399,302
Cash at Bank & In Hand	2,041,603	3,102,197

Credit Payment policy

The average payment period is thirty days and complies to the Confederation of British Industry guidelines.

Risk Management Policy

The Association is committed to providing quality rented housing and services in Dumfries & Galloway. To do this we need to ensure financial stability, good governance and sound management practices. In order to achieve this we have established a system of controls whereby residual risks, after any mitigating actions, can be borne without serious permanent damage.

The Management Committee have a formal risk management process to assess business risks and implement risk management strategies. This involves identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Management Committee review the adequacy of the Association's current internal controls.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016

The Management Committee have set internal controls which cover the following:

- Consideration of the type of risks the Association faces;
- The level of risks which they regard as acceptable;
- The likelihood of the risks concerned materialising;
- The Association's ability to reduce the incidence and impact on the business of risks that do materialise
- Clarified the responsibility of management to implement the Management Committee's policies and identify and to evaluate risks for their consideration;
- Communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- Embedded the control system so that it becomes part of the culture of the Association;
- Developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment; and
- Included procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken.

The Management Committee have overall responsibility for the adequacy of the risk management framework and operation of the process. The Executive Management Team have responsibility for setting the framework, identifying risks, operating processes and reporting to the Management Committee.

General Reserves Policy

The Management Committee members have previously reviewed the reserves of the Association in conjunction with the Asset Management plans. The review concluded that to allow the Association to be managed efficiently and to provide a buffer for uninterrupted services, reserves equivalent to at least one year's operating costs should be maintained. During the year the Association's revenue reserves increased from £16,980,022 to £17,660,060.

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 Statement of Comprehensive Income.

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 the repairs would be charged to the Statement of Comprehensive Income, unless it was agreed they could be capitalised within the terms outlined in the SORP. The Association applies component accounting and the cost of replacement of major components will be capitalised and any remaining net book value of the original component will be written off to the Statement of Comprehensive Income.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016

Treasury Management Policy

The Association recognises the following three key principles of Treasury Management:

- It requires formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of the Treasury Management activities;
- That the policies and practices should make clear that the effective management and control of risk are prime objectives of the Treasury Management activities and that responsibility for these lies clearly within the Association. The appetite for risk will form part of the annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and liquidity when investing funds.
- That the pursuit of value for money in Treasury Management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of the business and service objectives; and that within the context of effective risk management, the Treasury Management Policies and Practices should reflect this.

The Association delegates responsibility for the implementation and regular monitoring of its Treasury Management Policies and Practices to the Management Committee, and the execution and administration of Treasury Management decisions to the Director of Finance and Corporate Services, who will act in accordance with the Association's Policy Statement and Treasury Management Practices.

Health and Safety

The Association understands and accepts that Health and Safety legislation, places statutory duties on both employers and employees. In particular the Health and Safety at Work Act requires the Association to ensure, so far as is reasonably practicable, the health, safety and welfare of all its employees by providing and maintaining a safe and healthy work place, equipment and systems of work.

The Association also recognises its responsibility to ensure, so far as is reasonably practicable, the health and safety of other people who may be affected by their activities. This includes tenants, residents, service users, volunteers, trainees, contractors, visitors and others. Overall and final accountability for health and safety in the organisation lies with the Management Committee, supported by the Chief Executive (CEO). The day-to-day responsibilities for the management of health and safety are delegated to the CEO, Directors and Managers throughout the organisation.

**Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016**

Management Committee

Members of the Committee

The Members of the Management Committee of the Association during the year to 31 March 2016 were as follows:

John R McNaught	Convener
Brian S Pattinson	Vice-Convener
Derek Rodgers	Secretary
Maureen Farrell	
Ronald J Jardine	
James C Hogg	
Lynda Cameron	
Russell Brown	
Michael J Jones	
John A Ross CBE	
Robert S J Wishart	
Russell Brown (Appointed 30/06/2015)	
Iain Fergusson (Appointed 30/06/2015)	
Peter Ward (Appointed 31/05/2016)	

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Management Committee.

Executive Team

Lorraine Usher, Chief Executive
Wendy McCracken, Director of Finance (Resigned 31/03/16)
Louise Jeffery, Director of Services (Appointed 22/09/15) (Resigned 08/07/16)

Policy on setting key management personnel remuneration

The Management Committee set the remuneration packages of the key management personnel after assessing the market and taking guidance from independent consultants. Responsibility for recommending remuneration packages key personnel remuneration is delegated to the Organisational Development and Staffing Committee. The Director of Finance & Corporate Services is responsible for all remuneration payments.

**Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016**

Recruitment and training of Management Committee members

Vacancies on the Management Committee are filled from members of the community who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation.

All Management Committee members receive initial induction training, opportunities to participate in spotlight days (focusing on key areas of the business) and are then eligible to attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

Related parties

Various members of the Management Committee are tenants or sharing owners. The tenancies are on the Association's normal tenancy terms and they could not use their position to their advantage. Sharing owners have lease agreements and these are also on the Housing Association's normal terms.

Future developments

The Association intends to continue with its policy of improving the quality of housing working with its existing and new partners. The Association in conjunction with the local council and the Scottish Government has a programme of agreed and proposed new developments. The Association is actively exploring opportunities for the provision of new housing. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before the Association commits to a development. The Association has a commitment to specialist developments such as Extra Care Housing and Young People's projects. Future plans include:

- Our current strategic plan contains £49.1m of capital works to support our commitment to Great Homes.
- Planned Housing developments of £7 million.
- Disposal of inefficient or difficult to let properties with poor long term viability
- A programme of internal service reviews to identify ways of removing inefficiencies
- An organisational commitment to quality, productivity and efficiency.

The Association aim to balance customer expectations with the business resilience. We recognise we have to manage our assets and investments in a way that brings even greater returns. Productivity, quality and efficiency at a reasonable price has never been more important. Risk profiles have changed and there is increased awareness that resilience and sustainability can only be achieved through continuous improvement and by providing our customers with a quality service at a fair price.

Loreburn Housing Association have a robust asset management process which is underpinned by recently introduced software platform Aareon QL. As well as maintaining our assets to benefit

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2016

our customers, our Planned Works Programme is centred around the Scottish Governments requirements, i.e. for our housing stock to i) comply with the Scottish Housing Quality Standard (SHQS) on an ongoing basis and ii) to meet the requirements of the new Energy Efficiency Standard for Social Housing (ESSH), as per the vision set out in The Sustainable Housing Strategy (SHS). In accordance with these requirements Loreburn Housing Association is working towards making the required investment to achieve the ESSH compliance as far as practicable by the government target of 2020. To further improve our planning and budgeting accuracy a stock condition survey for approximately 40% of our stock is being carried out in 16/17.

Statement as to Disclosure of Information to Auditors

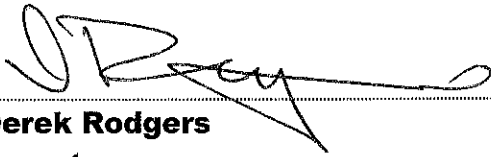
So far as the Management Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's Auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order 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 2016

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



Derek Rodgers
Secretary

Date: 6th September 2016

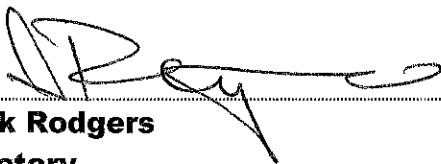
**Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2016**

Housing Association legislation requires the Management 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.
- ▶ Observe the methods and principles in the RSL SORP & FRS102.

The Management 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 Cooperative And Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Registered Social Landlords Determination of Accounting Requirements – Dec 2014. 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



Derek Rodgers
Secretary

Date: 6th September 2016

Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2016

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

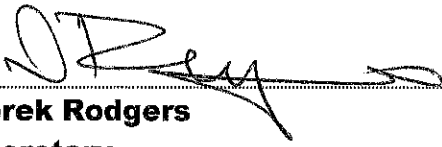
- ▶ The reliability of financial information used within the Association or for publication;
- ▶ The maintenance of proper accounting records;
- ▶ The safeguarding of assets (against unauthorised use or disposition).

It is the Management 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 of the Association's systems 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 and 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, financial objectives, and progress towards achieving the financial plans set for the year and the medium term;
- ▶ Regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- ▶ Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- ▶ 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 received 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 and that a general review of the major risks facing the Association is undertaken;
- ▶ Formal procedures have been established for instituting appropriate action to correct weaknesses identified through internal or external audit reports.

**Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2016**

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year end 31 March 2016. No weaknesses were found in internal financial controls which results in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.



Derek Rodgers
Secretary

Date: 6th September 2016

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 2016

CORPORATE GOVERNANCE

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 12 & 13 concerns the Association's compliance with the information required by the Regulatory Standards (for systemically important RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

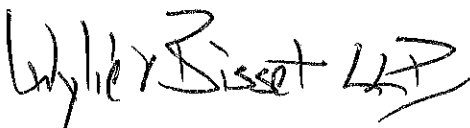
BASIS OF OPINION

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 reason given for non-compliance.

OPINION

In our opinion the Statement on Internal Financial Control on pages 12-13 has provided the disclosures required by the relevant Regulatory Standards (for systemically important Associations) within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as the result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards (for systemically important RSLs) in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Wylie & Bisset LLP
Chartered Accountants
Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

Date: 6th September 2016

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

Independent auditors' report 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 2016 on pages 17 to 42. 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) including Financial Reporting Standard 102.

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 the Management Committee and auditor

As explained more fully in the Management Committee's Responsibilities Statement set out on page 11, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on 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 (APB'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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and 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 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 2016 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2014.

**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 Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the Statement of Comprehensive Income to which our report relates and the Statement of Financial Position are not in agreement with the books of account of the Association; or
- We have not received all the information and explanations we require for our audit.

Wylie & Bisset LLP

Wylie & Bisset LLP, Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow
G2 4TP

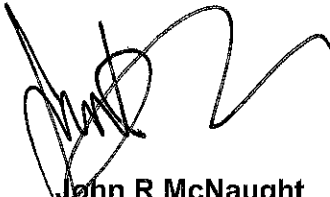
Date - 6th September 2016

Loreburn Housing Association Limited
Statement of Comprehensive Income
For The Year Ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Turnover	1	13,124,319	12,738,475
Operating Costs	1	11,330,656	10,301,001
<hr/>			
Operating Surplus	1	1,793,663	2,437,474
(Loss)/Gain on Sale of Fixed Assets	4	(37,811)	9,683
Interest Receivable & Other Income	6	67,624	73,405
Gift Aid from Subsidiary Company		-	72,000
Interest Payable and Similar Charges	7	(1,143,440)	(1,193,260)
<hr/>			
Total Comprehensive Income	23	680,036	1,399,302

The results for the year relate wholly to continuing activities.

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 & FRS102 (see note 26). The notes on pages 20 to 42 form part of these financial statements. These financial statements were approved by the Management Committee on 6th September 2016 and were signed on its behalf by :-


John R McNaught
Convener


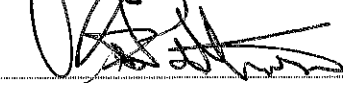
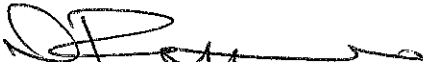

Brian S Pattinson
Vice-Convener


Derek Rodgers
Secretary

Loreburn Housing Association Limited
Statement of Financial Position
As at 31 March 2016

		2016 £	Restated 2015 £
Tangible Fixed Assets	Notes		
Housing Properties (Net of Depreciation)	11a	137,900,126	133,478,496
Other non current assets	11b	1,070,631	974,350
		<u>138,970,757</u>	<u>134,452,846</u>
Investments In Subsidiary	12	3	3
Current Assets			
Debtors	13	2,635,002	2,894,699
Cash at Bank & in Hand		<u>2,041,603</u>	<u>3,102,197</u>
		4,676,605	5,996,896
Creditors: Amounts Falling Due Within One Year	14	6,554,746	6,111,480
Net Current (Liabilities)		<u>(1,878,141)</u>	<u>(114,584)</u>
Total Assets less Current Liabilities		137,092,619	134,338,265
Creditors: Amounts Falling Due After More Than One Year	15	28,402,099	27,833,417
Deferred Income	16	91,030,460	89,524,826
Net Assets		<u>17,660,060</u>	<u>16,980,022</u>
Capital & Reserves			
Share Capital	18	188	186
Accumulated Surplus		<u>17,659,872</u>	<u>16,979,836</u>
		17,660,060	16,980,022

These Financial Statements were approved by the Management Committee on the 6th September 2016 and signed on their behalf by:


 _____ Convener

 _____ Committee Member

 _____ Secretary

The notes on pages 20 to 42 form part of these financial statements.

Loreburn Housing Association Limited
Statement of Cashflows
For The Year Ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Net cash inflow from operating activities	1	<u>4,017,142</u>	<u>4,428,008</u>
Investing Activities			
Cash paid for construction and purchases		(7,686,054)	(3,749,414)
Housing association grants received		2,673,333	1,355,758
Housing association grants repaid		-	-
Sales of Housing Properties		260,600	54,600
Other Grants		-	38,311
Purchase of other fixed assets		<u>(197,226)</u>	<u>(28,217)</u>
Net Cash outflow from investing activities		<u>(4,949,347)</u>	<u>(2,328,962)</u>
Financing			
Interest received on cash flow and cash equivalents		67,624	72,987
Interest paid		(1,072,888)	(1,191,591)
Loan principal repayments		(1,123,129)	(1,077,674)
Loans Drawn		2,000,000	-
Share Capital Issued		4	1
Net Cash Outflow from Financing		<u>(128,389)</u>	<u>(2,196,277)</u>
Increase in cash		(1,060,594)	(97,231)
Opening cash and cash equivalents		3,102,197	3,199,428
Closing cash and cash equivalents		2,041,603	3,102,197

The notes on pages 20 to 42 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Statement of Cashflows
For The Year Ended 31 March 2016

1. Statement of Cash Flow

Reconciliation of Operating surplus to balance as at 1 April 2015	2016 £	Restated 2015 £
Operating Surplus for year	1,793,663	2,437,474
Depreciation-Housing properties	2,784,050	3,087,693
Depreciation-Other Assets	100,945	60,141
Amortisation of capital grants	(1,120,785)	(1,049,902)
Decrease/(Increase) in Debtors	259,697	(13,145)
(Decrease)/Increase in Creditors	(108,428)	(273,253)
Received from Subsidiary Company	-	72,000
Pension cost liability	308,000	107,000
Net cash inflow from operating activities	<u>4,017,142</u>	<u>4,428,008</u>

Loreburn Housing Association Limited
Statement of Changes in Equity
For The Year Ended 31 March 2016

Statement of changes in equity

As At 31 MARCH 2016

	Notes	Share Capital £	Revenue Reserves	Total £
Balance at 1 April 2015 as previously stated		186	17,735,719	17,735,905
FRS 102 adjustment	26	-	(755,883)	(755,883)
Balance at 1 April 2015-as restated		186	16,979,836	16,980,022
Issue of shares		4	-	4
Cancellation of shares		(2)	-	(2)
Surplus for year		-	680,036	680,036
Balance as at 31 st March 2016		188	17,659,872	17,660,060

The notes on pages 20 – 42 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

Principal Accounting Policies

Accounting Convention

The Association is registered under the Cooperative and Community Benefit Societies Act 2014 and is registered by the Financial Conduct Authority. The Financial Statements have been prepared under the historical cost convention, and in compliance with the Registered Social Landlords Determination of Accounting Requirements – December 2014 and the Statement of Recommended Practice (SORP) 2014, Accounting by Registered Social Landlords and applicable Accounting Standards. These Financial Statements were prepared in accordance with Financial Reporting Standard 102 – ‘The Financial Standard applicable in the UK and the Republic of Ireland’ The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 27. 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 housing services, together with revenue grants from the Scottish Executive, local authorities and other organisations.

Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount. 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 Statement of Comprehensive Income.

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.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

Depreciation – Housing Properties

Properties other than heritable land are depreciated in accordance with FRS102 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

Assets in the course of construction are not depreciated until complete. These properties depreciation commences in the following financial year.

Other Tangible Fixed Assets

The Association's assets are held at cost less accumulated depreciation and 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

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.

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102 and the Housing SORP 2014. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the structure of the property.

Loans & Investments

All loans, Investments and short term deposits held by the Association are classified as basic instruments in accordance with FRS102 and are held at historic costs. Finance Costs are charged to the Statement of Comprehensive Income over the term of the debt.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

Development Administration Costs

Development costs incremental to the other costs of the Association are capitalised against the current development programme.

Capitalisation of Interest

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

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.

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of the Financial Reporting Standard. The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the 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 Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

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.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

Pension Costs

From 1 April 2014 the Association ceased to participate in the centralised SFHA Defined Benefit Pension Scheme. The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

From 1 April 2014 the Association commenced the operation of a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Income and Expenditure in the year they are payable.

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 cash flows from these units. Impairment of assets would be recognised in the Statement of Comprehensive Income.

Consolidation

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

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Loreburn Housing Associations Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates.
- ii) The Association has not revisited the accounting of previous business combinations.

b) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

1. Particulars of Turnover, Operating Costs & Operating Surpluses

	Notes	Turnover £	2016 Operating Costs £	Restated Operating Surplus £
Social Lettings	2	11,458,065	9,826,302	1,631,763
Other Activities	3	1,666,254	1,504,354	161,900
Total		<u>13,124,319</u>	<u>11,330,656</u>	<u>1,793,663</u>

	Notes	Turnover £	2015 Operating Costs £	Restated Operating Surplus £
Social Lettings	2	11,063,858	8,700,010	2,363,848
Other Activities	3	1,674,617	1,600,991	73,626
Total		<u>12,738,475</u>	<u>10,301,001</u>	<u>2,437,474</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2016 Total £	2015 Total £
Rent Receivable Net of Service Charges	7,748,906	1,923,024	353,543	10,025,473	9,659,859
Service Charges	77,924	280,550	-	358,474	406,197
Gross Income from Rent & Service Charges	7,826,830	2,203,574	353,543	10,383,947	10,066,056
Less Voids	34,072	12,515	-	46,587	52,100
Net Income from Rents & Service Charges	7,792,758	2,191,059	353,543	10,337,360	10,013,956
HAG Grants released	886,320	182,197	52,188	1,120,705	1,049,902
Other Revenue Grants	-	-	-	-	-
Total Turnover from Social Letting Activities	8,679,078	2,373,256	405,731	11,458,065	11,063,858
Management & Maintenance Administration Costs	3,045,002	640,473	252,450	3,937,925	3,071,929
Service Costs	145,246	349,717	-	494,963	406,197
Planned & Cyclical Maintenance including Major Repairs Costs	865,126	431,975	735	1,297,836	1,004,859
Reactive Maintenance Costs	1,048,333	230,860	-	1,279,193	1,076,273
Bad Debts – Rents & Service Charges	32,046	289	-	32,335	30,416
Depreciation of Social Housing	2,238,998	526,172	18,880	2,784,050	3,110,336
Operating Costs for Social Letting Activities	7,374,751	2,179,486	272,065	9,826,302	8,700,010
Operating Surplus for Social Lettings 2016	1,304,327	193,770	133,666	1,631,763	
Operating Surplus for Social Lettings 2015	1,793,703	446,573	123,572	-	2,363,848

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2016

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 2016 £	Operating Surplus or Deficit 2015 £
Care & Repair	451,672	-	-	-	451,672	-	451,672	-	-
Development Activities	-	-	-	-	-	-	-	-	(76,505)
Support Activities	-	632,036	153,134	-	785,170	-	770,201	14,969	-
Other Management Services	-	-	-	43,629	43,629	-	43,629	-	-
Aids & Adaptations	223,087	-	-	-	223,087	-	223,087	-	-
Other Activities	-	-	-	162,696	162,696	-	15,765	146,931	150,131
Total from Other Activities 2016	674,759	632,036	153,134	206,325	1,666,254	-	1,504,354	161,900	
Total from Other Activities 2015	620,729	683,536	153,135	217,217	1,674,617	-	1,600,991		73,626

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

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

	2016		2015	
	£	£	£	£
Proceeds from the Sale of Fixed Assets		260,600		54,600
Less: Cost of Sales				
Historic Cost	452,309		46,940	
Grant Received	(119,417)		(32,238)	
Accumulated Depreciation	(83,426)		(3,763)	
Grant Repayable	46,996		32,238	
Legal & Valuation Costs	1,949	298,411	1,740	44,917
		<u>(37,811)</u>		<u>9,683</u>

5. Operating Surplus

	2016	Restated 2015
	£	£
Operating Surplus is stated after charging:		
Depreciation	2,996,486	3,170,477
External Auditors' Remuneration (inc. VAT)	13,949	8,760
Internal Auditors' Remuneration (inc. VAT)	9,552	7,395

In addition, the External Auditors were paid £Nil (2015 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2015 - £Nil) in respect of consultancy work.

6. Interest Receivable & Other Income

	2016	2015
	£	£
Bank Interest Received	12,099	16,587
Interest from Loans to Subsidiary	55,525	56,818
	<u>67,624</u>	<u>73,405</u>

7. Interest Payable & Similar Charges

	2016	Restated 2015
	£	£
Loan Interest	1,058,440	1,086,260
Interest Capitalised in Housing Properties	-	-
Bank Interest & Charges	-	-
Other Interest Payable	85,000	107,000
	<u>1,143,440</u>	<u>1,193,260</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

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 Chief Executive as noted below.

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

The definition of key management personnel in the 2014 Determination includes those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. This includes governing body members. The aggregate amount of emoluments payable to or receivable by, the key management personnel and former key management personnel of the Association landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions, during the reporting period is disclosed below.

	2016 £	2015 £
Emoluments payable to key management personnel earning over £60k	89,698	62,228
Emoluments payable to all key management personnel (without pension contributions)	89,698	62,228
Compensation paid to key management personnel for loss of office	NIL	NIL
Emoluments payable to the CEO, (based on a thirty five hour week)	89,698	62,228
Pension contributions for the CEO.	<u>6,622</u>	<u>4,283</u>
	<u>96,320</u>	<u>66,511</u>

Emoluments over £60,000 including pension contributions paid to key management personnel can be analysed as follows:

	No	No
£60,001 - £70,000	0	1
£70,001 - £80,000	0	0
£80,001 - £90,000	0	0
£90,001 - £100,000	1	0
£130,001 - £140,000	<u>0</u>	<u>0</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

9. Employee Information

	2016	2015
The monthly average number of employees during the year was	100	101
The full time equivalent number of staff	89	92
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	2,598,049	2,405,895
Social Security Costs	216,610	196,509
Pension Contributions	482,324	448,483
	3,296,983	3,050,887

10. Taxation

The Association's charitable status means that no corporation tax is payable on its activities.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

11. Tangible Fixed Assets

a. Housing Properties

	Shared Ownership Property	Housing Property Held for Letting	Housing Property In Course of Construction	Restated Total
	£	£	£	£
Cost				
At 01/04/15 as previously stated	4,753,683	158,008,483	1,800,247	164,562,413
Prior Year adjustment	-	-	-	-
At 01/04/15 restated	4,753,683	158,008,483	1,800,247	164,562,413
Additions	-	1,051,816	6,634,238	7,686,054
Transfers	-	5,576,415	(5,576,415)	-
Disposals	<u>(70,526)</u>	<u>(929,807)</u>	-	<u>(1,000,333)</u>
At 31/03/16	<u>4,683,157</u>	<u>163,706,907</u>	<u>2,858,070</u>	<u>171,248,134</u>
Depreciation				
At 01/04/15 as previously stated	361,307	16,871,760	-	17,233,067
Prior Year adjustment	778,361	13,072,489	-	13,850,850
At 01/04/15 restated	1,139,668	29,944,249	-	31,083,917
Charge for Year	74,428	2,709,622	-	2,784,050
Disposals	<u>(6,443)</u>	<u>(513,516)</u>	-	<u>(519,959)</u>
At 31/03/16	<u>1,207,653</u>	<u>32,140,355</u>	-	<u>33,348,008</u>
 Net Book Value at 31/03/16	 <u>3,475,504</u>	 <u>131,566,552</u>	 <u>2,858,070</u>	 <u>137,900,126</u>
 Net Book Value at 31/03/15	 <u>3,614,015</u>	 <u>128,064,234</u>	 <u>1,800,247</u>	 <u>133,478,496</u>

Development administration costs amounted to £257,692 (2015 - £210,461) for which HAG amounting to £NIL (2015 - £NIL) was received during the year resulting in a deficit. From the deficit £134,704 (2015 - £133,956) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £Nil. (2015 - £NIL).

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2016

b. Other Tangible Fixed Assets

	Office Premises £	Office Equipment £	Furnishings & Fittings £	Wider Action £	Let Property Furnishings £	Total £
Cost						
At 01/04/15	719,649	388,414	27,716	6,544	195,989	1,338,312
Additions	-	197,226	-	-	-	197,226
Transfers	-	-	-	-	-	-
Disposals	-	(147,496)	(12,413)	-	-	(159,909)
At 31/03/16	719,649	438,144	15,303	6,544	195,989	1,375,629
Depreciation						
At 01/04/15	66,757	267,576	23,561	-	6,068	363,962
Disposals	-	(147,496)	(12,413)	-	-	(159,909)
Charge for Year	14,394	83,649	1,385	-	1,517	100,945
Transfers	-	-	-	-	-	-
At 31/03/16	81,151	203,729	12,533	-	7,585	304,998
Net Book Value						
At 31/03/16	638,498	234,415	2,770	6,544	188,404	1,070,631
At 31/03/15	652,892	120,838	4,155	6,544	189,921	974,350

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

12. Share in Subsidiary Companies

The Association holds 100% of the share capital issued by its 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.

13. Debtors

	2016 £	2015 £
Rental Arrears	188,972	126,272
Bad Debt Provision	(103,433)	(54,304)
Net Rent Arrears	85,539	71,968
Other Debtors	282,463	481,816
Amounts due from group undertakings	10,907	10,933
HAG Receivable	347	2,571
Prepayments & Accrued Income	112,444	110,937
Loans to Group Undertaking	2,143,302	2,216,474
	<u>2,635,002</u>	<u>2,894,699</u>

14. Creditors: Amounts Falling Due Within One Year

	2016 £	2015 £
Bank Loans	1,182,122	1,121,177
Trade Creditors	513,132	352,636
Other Taxes & Social Security	76,328	60,780
Accruals & Deferred Income	1,023,149	576,548
Social Housing Grant Deferred Income	1,085,871	1,085,871
Services Equalisation	748,065	885,738
Other Creditors	1,334,990	1,498,921
Amounts Due to Group Undertakings	53,529	7,121
Rent in Advance	220,172	214,544
Liability for past service contributions	317,388	308,144
	<u>6,554,746</u>	<u>6,111,480</u>

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

	2016 £	2015 £
Liability for past service contributions	3,430,612	3,677,856
Bank Loans	24,971,487	24,155,561
	<u>28,402,099</u>	<u>27,833,417</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

16. Deferred Income

	2016 £	Restated 2015 £
Social Housing Grant		
Balance brought forward	90,610,697	106,385,522
Prior year adjustment	-	(16,086,755)
	<u>90,610,697</u>	<u>90,298,767</u>
Additions in year	2,673,333	1,394,069
Released/repaid as a result of property disposal	(46,994)	(32,237)
Amortisation in year	(1,120,705)	(1,049,902)
	<u>92,116,331</u>	<u>90,610,697</u>
Due in under one year	1,085,871	1,085,871
Due in over one year	91,030,460	89,524,826
	<u>92,116,331</u>	<u>90,610,697</u>

17. Loans and Borrowings

Loans are secured by means of fixed charges over the Association's housing assets and are repayable at varying rates of interest ranging from 1.0% to 6.9% and will mature over a period of 7 to 35 years, in instalments due as follows:

	2016 £	2015 £
Less than 1 year	1,182,122	1,121,177
Between 1 – 2 Years	1,230,820	1,167,073
Between 2 – 5 Years	4,014,509	3,804,653
5 Years or More	19,726,158	19,183,835
	<u>26,153,609</u>	<u>25,276,738</u>

Further undrawn loan facilities have been arranged totalling £4.5m and are available to finance future acquisitions and developments.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

18. Share Capital

	2016	2015
	£	£
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2015	186	539
Shares Issued	4	1
	190	540
Shares Forfeited	(2)	(354)
As at 31 March 2016	188	186

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.

19. Housing Stock

	2016	2015
The number of units of accommodation in management at the year end was:		
General Needs Housing	2,119	2,104
Supported Housing Accommodation	166	159
Shared Ownership	162	162
Accommodation Managed on Behalf of Another Body	66	66
	2,513	2,491

20. Capital Commitments

	2016	2015
	£	£
Expenditure Contracted Less Certified	1,939,877	4,018,595

This will be funded through existing facilities currently in place.

21. Contingent Liabilities

The Association has no known contingent liabilities at 31 March 2016 (2015 - £Nil).

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

22. Pension Fund – Scottish Housing Associations Pension Scheme

Disclosure to Meet the Requirements of FRS102

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £3,748,000 (2015 - £3,986,000). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29% (2015 2.22%). The Association made payments totalling £482,324 to the pension scheme during the year.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2016

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 2014.
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 FRS102 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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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.

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23. Scottish Secure Tenancy Rents

	2016 £	2015 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	<u>4,113</u>	<u>4,021</u>
Percentage Increase from Previous Year	<u>2.3%</u>	<u>3.3%</u>

24. Related Party Transactions

Members of the Committee of Management are related parties of the Association as defined by Financial Reporting Standard 102. Tenants, sharing owners and owners who are members of the Committee of Management are not treated differently to any other tenants or owners. Councillors who are members of the Committee of Management declare their interests relating to relevant decisions taken by the Association or the Council. Committee of Management members cannot use their position to any advantage. Any transaction between the Association and any entity with which a Committee of Management Member has a connection with is made at arms length and is under normal commercial terms.

The related party relationships of the members of the Committee of Management is that 1 members are tenants of the Association, 1 members are factored owners and 11 members are neither tenants or factored owners.

Transactions with Committee of Management Members in the year were, £4,229 of rent was charged and £39 of factoring charges. At the year end there were arrears of rent of £NIL and factoring charges of £NIL.

The Association has taken advantage of the exemptions conferred by FRS102 in not disclosing transactions with the wholly owned subsidiary of the Association.

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25. Group Structure

Loreburn is a housing association, registered in Scotland, and forms part of a group. The other member is 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.

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. Transition to the Financial Reporting Standard

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on the 1st April 2015. As a result of this the comparative figures for the accounting period ending 31st March 2015 have been restated in accordance with FRS102. The transition to FRS102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income & expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS102 for the reporting period ending 31st March 2016.

Reconciliation of Capital & Reserves
As at 31st March 2015

	<u>As previously</u> <u>Stated</u> <u>£</u>	<u>Effect of</u> <u>Transition</u> <u>£</u>	<u>As Restated</u> <u>£</u>
Non Current Assets (a)	40,558,342	93,894,504	134,452,846
Negative Goodwill	-	-	-
Current Assets	5,996,899	-	5,996,899
Current Liabilities	(4,663,775)	(1,447,702)	(6,111,477)
Non Current liabilities	(24,155,561)	(3,677,856)	(27,833,417)
Deferred Income	-	<u>(89,524,829)</u>	<u>(89,524,829)</u>
	<u>17,735,905</u>	<u>(755,883)</u>	<u>16,980,022</u>
Capital & reserves	<u>17,735,905</u>	<u>(755,883)</u>	<u>16,980,022</u>

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Reconciliation of Retained Surpluses for the year
Year ended 31st March 2015

	As Previously Stated £	Effect of Transition £	As Restated £
Revenue (1)	11,688,573	1,049,902	12,738,475
Operating Costs (2)	(9,280,510)	(1,020,491)	(10,301,001)
Gain/Loss on sale of Fixed Asset	9,683	-	9,683
Interest Receivable	73,405	-	73,405
Gift Aid from Subsidiary Company	72,000	-	72,000
Interest Payable & Similar Charges (3)	<u>(1,086,260)</u>	<u>(107,000)</u>	<u>(1,193,260)</u>
	<u>1,476,891</u>	<u>(77,589)</u>	<u>1,399,302</u>

- (1) £1,049,902 due to FRS102 restatement of social housing grant now amortised separately and not against the cost of the asset.
- (2) £1,020,491 due to FRS102 restatement regarding depreciation on original cost and not on cost less social housing grants.
- (3) £107,000 due to past service deficit adjustments in pension liability under FRS102 for year to 31st March 2015.

Notes to the reconciliations:-

Social Housing Grants and other grants have been accounted for in accordance with the Housing SORP 2014 which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. The liability recognised as a result of this has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS102 para 28.13A