



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2017

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2017

Contents

	Page
Report of Committee of Management	3 – 10
Statement of Committee Responsibilities	11
Committee Statement on the Association's System of Internal Financial Control	12 – 13
Report of the Independent Auditors on the Committee Statement on the Association's System of Internal Financial Control	14
Report of the Independent Auditors	15 – 16
Statement of Comprehensive Income	17
Statement of Financial Position	18
Statement of Cash flows	19 – 20
Statement of Changes in Equity	21
Notes to the Financial Statements	22 -42

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 2017

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 Management 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 annually self-assess and appraise each member of the committee to continue to build on work from previous years and enhance our skill sets which strengthened our governance arrangements.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2017

Achievements and performance

Following on from the full organisational restructure last year, there have been some further changes to teams and managers during 2016/17 to strengthen our business. We continue to build on our success of recent years and this year a focus on repairs has resulted in a significant reduction in emergency and day to day repairs response times. We continue to maintain high levels of customer satisfaction and are beginning to shape a diverse customer involvement programme and wider use of social media to engage our tenants.

We continue to work towards a paperless office with the introduction of a document imaging system. Mobile technology has been launched but is still a work in progress in terms of embedding the system across the region.

Loreburn remained committed to developing new homes across the region and towards the end of the year have been working with funder to secure funding for a 5 year programme.

We were delighted to see all of our work recognised with a number of external awards and accreditations in 2016/17. We added to our two Investors in People Gold Awards with an IIP Young People Gold award. Loreburn Housing Association were named Developer of the Year at the CIH Excellent Awards and Charity Employer of the Year at the S1 Awards, additionally, the organisation has been shortlisted for numerous other awards.

Overall, whilst this has been another challenging year, the Association believes it has been successful and our satisfaction results indicate that our customers remain 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:-

	2017	2016
Turnover	12,747,736	13,124,319
Total Comprehensive Income	2,279,192	680,036
Cash at Bank & In Hand	1,264,156	2,041,603

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

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2017

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 and the Audit and Compliance Committee regularly review the adequacy of the Association's current internal controls.

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 £17,660,060 to £19,939,243.

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 2017

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 customers, 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. We work with a H&S Consultant to ensure adherence to good practice and legislative guidance.

**Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2017**

Management Committee

Members of the Committee

The Members of the Management Committee of the Association during the year to 31 March 2017 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 (Resigned 06/09/2016)	
Robert S J Wishart	
Iain Fergusson	
Peter Ward (Co-opted 31/05/2016)	
Jane Connechen (Appointed 06/09/2016)	

Each member of the Management Committee holds one fully paid share of £1 in the Association. Co-opted members are not required to hold one fully paid £1 share. 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
Louise Jeffery, Director of Services (Resigned 08/07/16)
Alison Anderson, Director of Finance & Corporate Services (Appointed 3 October 2016)
Amanda Yellowley, Director of Operations (Appointed 7 November 2016)

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 Human Resources 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 2017**

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), conferences and seminars and attend internal and external training events which not build on existing knowledge and experience and provide an opportunity to develop further skills.

Related parties

Two 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 Associations 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 totalling £7 million.
- Disposal of inefficient or difficult to let properties with poor long term viability but only after completion of a robust option appraisal
- A programme of internal service reviews to identify ways of removing inefficiencies
- An organisational commitment to improved 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 Aeron QL. From a maintenance perspective, our Planned Works Programme is centred around the Scottish Governments requirements, i.e. for.

**Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2017**

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 (EESH), 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 EESH compliance as far as practicable by the government target of 2020. To further improve our planning and budgeting accuracy a stock condition survey of approximately 40% of our stock was carried out in 16/17

Statement as to Disclosure of Information to Auditors

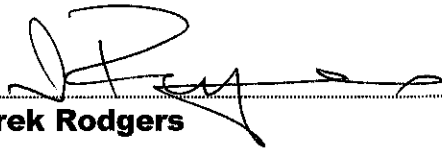
So far as the Management Committee are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Association's Auditors are unaware, and each Committee Member has taken all the steps that he or she ought to have taken as a Committee Member in order 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 2017

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: 29 August 2017

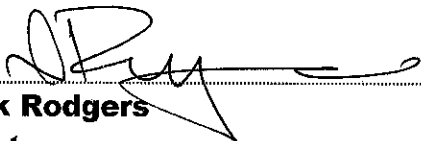
**Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2017**

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: 29 August 2017

Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2017

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:

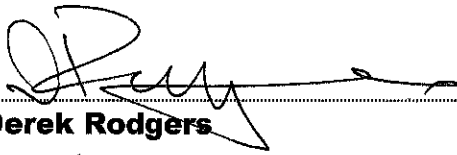
- ▶ The reliability of financial information used within the Association or for publication;
- ▶ The maintenance of proper accounting records;
- ▶ The safeguarding of assets (against unauthorised use or disposition).

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 2017**

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 2017. 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: 29 August 2017

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 2017

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: 29 August 2017

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 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows 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 the Co-operative and Communities 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 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 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 that 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 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 Management 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 Management 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 of 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 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

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

In light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified any material misstatements in the Report of the Management Committee.

We are required to report to you under The Co-operative and Community Benefit Societies Act 2014 if, in our opinion:

- The information given in the Report of the Management Committee is inconsistent with the Financial Statements;
- 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 requirement 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, Statutory Auditor
Chartered Accountants
Statutory Auditors
Glasgow

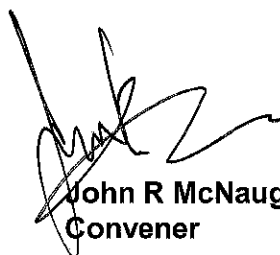
Date – 29 August 2017

Loreburn Housing Association Limited
Statement of Comprehensive Income
For The Year Ended 31 March 2017


	Notes	2017 £	2016 £
Turnover	1	12,747,736	13,124,319
Operating Costs	1	11,368,454	11,330,656
<hr/>			
Operating Surplus	1	1,379,282	1,793,663
Gain/(Loss) on Sale of Fixed Assets	4	37,475	(37,811)
Interest Receivable & Other Income	6	55,890	67,624
Gift Aid from Subsidiary Company		5,000	-
Interest Payable and Similar Charges	7	(1,005,067)	(1,143,440)
<hr/>			
Surplus		472,580	680,036
Movement on Past Service Contributions		1,806,612	-
<hr/>			
Total Comprehensive Income		2,279,192	680,036

The results for the year relate wholly to continuing activities.

The notes on pages 22 to 42 form part of these financial statements. These financial statements were approved by the Management Committee on 29 August 2017 and were signed on its behalf by :-


John R McNaught
Convener

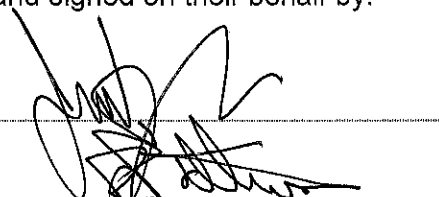
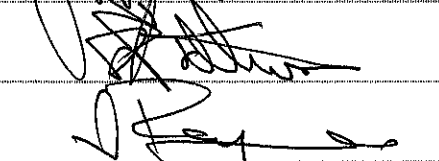
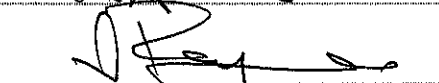

Brian S Pattinson
Vice-Convener


Derek Rodgers
Secretary

Loreburn Housing Association Limited
Statement of Financial Position
As at 31 March 2017

		2017 £	2016 £
Tangible Fixed Assets	Notes		
Housing Properties (Net of Depreciation)	11a	137,587,924	137,900,126
Other non-current assets	11b	1,104,936	1,070,631
		<u>138,692,860</u>	<u>138,970,757</u>
Investments In Subsidiary	12	3	3
Current Assets			
Debtors	13	3,412,937	2,635,002
Cash at Bank & in Hand		<u>1,264,156</u>	<u>2,041,603</u>
		4,677,093	4,676,605
Creditors: Amounts Falling Due Within One Year	14	6,864,717	6,554,746
Net Current (Liabilities)		<u>(2,187,624)</u>	<u>(1,878,141)</u>
Total Assets less Current Liabilities		136,505,239	137,092,619
Creditors: Amounts Falling Due After More Than One Year	15	25,925,316	28,402,099
Deferred Income	16	90,640,680	91,030,460
Net Assets		<u>19,939,243</u>	<u>17,660,060</u>
Capital & Reserves			
Share Capital	18	179	188
Accumulated Surplus		<u>19,939,064</u>	<u>17,659,872</u>
		<u>19,939,243</u>	<u>17,660,060</u>

These Financial Statements were approved by the Management Committee on the 29 August 2017 and signed on their behalf by:


 _____ Convener

 _____ Committee Member

 _____ Secretary

The notes on pages 22 to 42 form part of these financial statements.

Loreburn Housing Association Limited
Statement of Cashflows
For The Year Ended 31 March 2017

	Notes	2017 £	2016 £
Net cash inflow from operating activities	1	<u>2,612,843</u>	<u>4,017,142</u>
Investing Activities			
Cash paid for construction and purchases		(2,997,026)	(7,686,054)
Housing association grants received		651,949	2,673,333
Housing association grants repaid		-	-
Sales of Housing Properties		230,021	260,600
Other Grants		147,630	-
Purchase of other fixed assets		<u>(158,127)</u>	<u>(197,226)</u>
Net Cash outflow from investing activities		<u>(2,125,553)</u>	<u>(4,949,347)</u>
Financing			
Interest received on cash flow and cash equivalents		55,829	67,624
Interest paid		(1,071,977)	(1,072,888)
Loan principal repayments		(1,248,590)	(1,123,129)
Loans Drawn		1,000,000	2,000,000
Share Capital Issued		1	4
Net Cash Outflow from Financing		<u>(1,264,737)</u>	<u>(128,389)</u>
Decrease in cash		(777,447)	(1,060,594)
Opening cash and cash equivalents		2,041,603	3,102,197
Closing cash and cash equivalents		1,264,156	2,041,603

The notes on pages 22 to 42 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Statement of Cashflows
For The Year Ended 31 March 2017

1. Statement of Cash Flow

Reconciliation of Operating surplus to balance as at 1 April
2017

	2017	2016
	£	£
Operating Surplus for year	1,379,282	1,793,663
Depreciation-Housing properties	3,140,212	2,784,050
Depreciation-Other Assets	123,822	100,945
Amortisation of capital grants	(1,089,889)	(1,120,785)
Decrease/(Increase) in Debtors	(777,874)	259,697
(Decrease)/Increase in Creditors	67,678	(108,428)
Received from Subsidiary Company	5,000	-
Pension cost liability	(235,388)	308,000
Net cash inflow from operating activities	2,612,843	4,017,142

Loreburn Housing Association Limited
Statement of Changes in Equity
For The Year Ended 31 March 2017

Statement of changes in equity

As At 31 MARCH 2017

	Share Capital £	Revenue Reserves	Total £
Balance as at 1 April 2016	188	17,659,872	17,660,060
Issue of shares	1	-	1
Cancellation of shares	(10)	-	(10)
Surplus for year	-	2,279,192	2,279,192
Balance as at 31 st March 2017	179	19,939,064	19,939,243

The notes on pages 22 – 42 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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.

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 2017

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 2017

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 2017

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) 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.

b) 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 2017

1. Particulars of Turnover, Operating Costs & Operating Surpluses

		Turnover £	2017 Operating Costs £	Operating Surplus £
	Notes			
Social Lettings	2	11,460,108	10,189,166	1,270,942
Other Activities	3	1,287,628	1,179,288	108,340
Total		<u>12,747,736</u>	<u>11,368,454</u>	<u>1,379,282</u>
			2016	
	Notes	Turnover £	Operating Costs £	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>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2017 Total £	2016 Total £
Rent Receivable Net of Service Charges	7,835,278	1,964,604	345,657	10,145,539	10,025,473
Service Charges	85,438	229,378	-	314,816	358,474
Gross Income from Rent & Service Charges	7,920,716	2,193,982	345,657	10,460,355	10,383,947
Less Voids	54,340	35,793	-	90,133	46,587
Net Income from Rents & Service Charges	7,866,376	2,158,189	345,657	10,370,222	10,337,360
HAG Grants released	873,709	165,531	50,646	1,089,886	1,120,705
Other Revenue Grants	-	-	-	-	-
Total Turnover from Social Letting Activities	8,740,085	2,323,720	396,303	11,460,108	11,458,065
Management & Maintenance Administration Costs	2,721,230	682,891	253,657	3,657,778	3,937,925
Service Costs	76,303	192,005	-	268,308	494,963
Planned & Cyclical Maintenance including Major Repairs Costs	1,162,973	303,235	-	1,466,208	1,297,836
Reactive Maintenance Costs	1,514,730	101,130	-	1,615,860	1,279,193
Bad Debts – Rents & Service Charges	38,031	2,769	-	40,800	32,335
Depreciation of Social Housing	2,546,376	521,667	72,169	3,140,212	2,784,050
Operating Costs for Social Letting Activities	8,059,643	1,803,697	325,826	10,189,166	9,826,302
Operating Surplus for Social Lettings 2017	680,442	520,023	70,477	1,270,942	
Operating Surplus for Social Lettings 2016	1,304,327	193,770	133,666	-	1,631,763

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2017

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 2017 £	Operating Surplus or Deficit 2016 £
Care & Repair	202,809	-	-	-	202,809	-	202,809	-	-
Development Activities	-	-	-	-	-	-	31,043	(31,043)	-
Support Activities	-	535,565	152,940	-	688,505	-	688,475	30	14,969
Other Management Services	-	-	-	36,383	36,383	-	36,383	-	-
Aids & Adaptations	204,562	-	-	-	204,562	-	204,562	-	-
Other Activities	-	-	-	155,369	155,369	-	16,016	139,353	146,931
Total from Other Activities 2017	407,371	535,565	152,940	191,752	1,287,628	-	1,179,288	108,340	
Total from Other Activities 2016	674,759	632,036	153,134	206,325	1,666,254	-	1,504,354		161,900

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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

	2017	2016
	£	£
Proceeds from the Sale of Fixed Assets	234,750	260,600
Less: Cost of Sales		
Historic Cost	573,216	452,309
Grant Received	(65,119)	(119,417)
Accumulated Depreciation	(405,340)	(83,426)
Grant Repayable	89,788	46,996
Legal & Valuation Costs	4,730	1,949
	<u>197,275</u>	<u>298,411</u>
	<u>37,475</u>	<u>(37,811)</u>

5. Operating Surplus

	2017	2016
	£	£
Operating Surplus is stated after charging:		
Depreciation	3,264,034	2,996,486
External Auditors' Remuneration (inc. VAT)	13,200	13,949
Internal Auditors' Remuneration (inc. VAT)	9,493	9,552

In addition, the External Auditors were paid £Nil (2016 - £Nil) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £Nil (2016 - £Nil) in respect of consultancy work.

6. Interest Receivable & Other Income

	2017	2016
	£	£
Bank Interest Received	4,948	12,099
Interest from Loans to Subsidiary	50,942	55,525
	<u>55,890</u>	<u>67,624</u>

7. Interest Payable & Similar Charges

	2017	2016
	£	£
Loan Interest	923,066	1,058,440
Interest Capitalised in Housing Properties	-	-
Bank Interest & Charges	1	-
Other Interest Payable	82,000	85,000
	<u>1,005,067</u>	<u>1,143,440</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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 officers 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.

	2017	2016
	£	£
Emoluments payable to key management personnel earning over £60k	89,906	89,698
Emoluments payable to all key management personnel (without pension contributions)	89,906	89,698
Compensation paid to key management personnel for loss of office	NIL	NIL
Emoluments payable to the CEO, (based on a thirty five hour week)	89,906	89,698
Pension contributions for the CEO.	<u>7,048</u>	<u>6,622</u>
	<u>96,954</u>	<u>96,320</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	0
£70,001 - £80,000	0	0
£80,001 - £90,000	0	0
£90,001 - £100,000	1	1
£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 2017

9. Employee Information

	2017	2016
The monthly average number of employees during the year was	104	100
The full time equivalent number of staff	91	89
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	2,615,053	2,598,049
Social Security Costs	205,592	216,610
Pension Contributions	464,999	482,324
	3,285,644	3,296,983

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 2017

11. Tangible Fixed Assets

a. Housing Properties

	Shared Ownership Property	Housing Property Held for Letting	Housing Property In Course of Construction	Total
	£	£	£	£
Cost				
At 01/04/16	4,683,157	163,706,907	2,858,070	171,248,134
Additions	-	886,442	2,110,584	2,997,026
Transfers	-	4,493,577	(4,493,577)	-
Disposals	<u>(131,529)</u>	<u>(441,687)</u>	<u>(1,140)</u>	<u>(574,356)</u>
At 31/03/17	<u>4,551,628</u>	<u>168,645,239</u>	<u>473,937</u>	<u>173,670,804</u>
Depreciation				
At 01/04/16	1,207,653	32,140,355	-	33,348,008
Charge for Year	72,169	3,068,043	-	3,140,212
Disposals	<u>(36,145)</u>	<u>(369,195)</u>	-	<u>(405,340)</u>
At 31/03/17	<u>1,243,677</u>	<u>34,839,203</u>	<u>-</u>	<u>36,082,880</u>
Net Book Value at 31/03/17	<u>3,307,951</u>	<u>133,806,036</u>	<u>473,937</u>	<u>137,587,924</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>

Development administration costs amounted to £149,792 (2016 - £257,692) for which HAG amounting to £NIL (2016 - £NIL) was received during the year resulting in a deficit. From the deficit £120,930 (2016 - £134,704) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £Nil. (2016 - £NIL).

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2017

b. Other Tangible Fixed Assets

	Office Premises £	Office Equipment £	Furnishings & Fittings £	Wider Action £	Let Property Furnishings £	Total £
Cost						
At 01/04/15	719,649	438,144	15,303	6,544	195,989	1,375,629
Additions	-	158,127	-	-	-	158,127
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31/03/16	719,649	596,271	15,303	6,544	195,989	1,533,756
Depreciation						
At 01/04/15	81,151	203,729	12,533	-	7,585	304,998
Disposals	-	-	-	-	-	-
Charge for Year	14,393	108,044	1,385	-	-	123,822
Transfers	-	-	-	-	-	-
At 31/03/16	95,544	311,773	13,918	-	7,585	428,820
Net Book Value						
At 31/03/17	624,105	284,498	1,385	6,544	188,404	1,104,936
At 31/03/16	638,498	234,415	2,770	6,544	188,404	1,070,631

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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

	2017	2016
	£	£
Rental Arrears	334,771	188,972
Bad Debt Provision	(95,068)	(103,433)
Net Rent Arrears	239,703	85,539
Other Debtors	633,238	282,463
Amounts due from group undertakings	354,417	10,907
HAG Receivable	76,647	347
Prepayments & Accrued Income	41,877	112,444
Loans to Group Undertaking	2,067,055	2,143,302
	<u>3,412,937</u>	<u>2,635,002</u>

14. Creditors: Amounts Falling Due Within One Year

	2017	2016
	£	£
Bank Loans	1,349,931	1,182,122
Trade Creditors	424,515	513,132
Other Taxes & Social Security	59,631	76,328
Accruals & Deferred Income	1,118,823	1,023,149
Social Housing Grant Deferred Income	1,090,223	1,085,871
Services Equalisation	697,407	748,065
Other Creditors	1,515,723	1,334,990
Amounts Due to Group Undertakings	110,824	53,529
Rent in Advance	161,868	220,172
Liability for past service contributions	335,772	317,388
	<u>6,864,717</u>	<u>6,554,746</u>

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

	2017	2016
	£	£
Liability for past service contributions	1,370,228	3,430,612
Bank Loans	24,555,088	24,971,487
	<u>25,925,316</u>	<u>28,402,099</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

16. Deferred Income

	2017 £	2016 £
Social Housing Grant		
Balance brought forward	92,116,331	90,610,697
Additions in year	769,579	2,673,333
Released/repaid as a result of property disposal	(65,118)	(46,994)
Amortisation in year	(1,089,889)	(1,120,705)
	<u>91,730,903</u>	<u>92,116,331</u>
Due in under one year	1,090,223	1,085,871
Due in over one year	90,640,680	91,030,460
	<u>91,730,903</u>	<u>92,116,331</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 5 to 35 years, in instalments due as follows:

	2017 £	2016 £
Less than 1 year	1,349,931	1,182,122
Between 1 – 2 Years	1,403,534	1,230,820
Between 2 – 5 Years	4,563,576	4,014,509
5 Years or More	18,587,978	19,726,158
	<u>25,905,019</u>	<u>26,153,609</u>

Further undrawn loan facilities have been arranged totalling £3.5m and are available to finance future acquisitions and developments.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

18. Share Capital

	2017	2016
	£	£
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2016	188	186
Shares Issued	1	4
	189	190
Shares Forfeited	(10)	(2)
As at 31 March 2017	179	188

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

	2017	2016
The number of units of accommodation in management at the year end was:		
General Needs Housing	2,246	2,119
Supported Housing Accommodation	212	166
Shared Ownership	155	162
Accommodation Managed on Behalf of Another Body	27	66
	2,640	2,513

20. Capital Commitments

	2017	2016
	£	£
Expenditure Contracted Less Certified	-	1,939,877

21. Contingent Liabilities

The Association has no known contingent liabilities at 31 March 2017 (2016 - £Nil).

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

22. Pension Fund – Scottish Housing Associations Pension Scheme

Disclosure to Meet the Requirements of FRS102

The company participates in the scheme, a multi-employer scheme which provides benefits to over 150 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 Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly, increasing by 3% each 1st April)
--	---

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022:	£25,735,092 per annum (payable monthly, increasing by 3% each 1st April)
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From 1 April 2017 to 30 June 2025:	£727,217 per annum (payable monthly, increasing by 3% each 1st April)
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From 1 April 2017 to 31 October 2026:	£1,239,033 per annum (payable monthly, increasing by 3% each 1st April)
---------------------------------------	---

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 company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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 Para28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £1,706,000 (2016 - £3,748,000). 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 1.06% (2016 2.29%). The Association made payments totalling £464,999 (2016 £482,324) to the pension scheme during the year.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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).

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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 Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

23. Scottish Secure Tenancy Rents

	2017 £	2016 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	<u>4,113</u>	<u>4,113</u>
Percentage Increase from Previous Year	<u>0%</u>	<u>2.3%</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 12 members are neither tenants or factored owners.

Transactions with Committee of Management Members in the year were, £4,189 (2016 £4,229) of rent was charged and £2,201 (2016 £39) of factoring charges. At the year end there were arrears of rent of £125 (2016 £NIL) and factoring charges overpaid of £190 (2016 £NIL).

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

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2017

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.