



Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2019

Loreburn Housing Association Limited
Financial Statements
For The Year Ended 31 March 2019

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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 BTO Solicitors LLP 48 St. Vincent Street Glasgow G2 5HS

Loreburn Housing Association Limited
Report of Committee of Management
For the Year Ended 31 March 2019

Principal Activity

The principal activity of the Association is the provision of social housing at affordable rents. The Association continue to operate across Dumfries and Galloway, Scotland with new development programmed across the region.

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

During 2018/19 the Management Committee carried out a comprehensive review of the strategic plan in preparation for the launch of the revised 2019/24 Corporate Vision and Plan. The Management Committee included customers, stakeholders, shareholder members and staff in the consultation process and the result is a Strategic Plan which reflects the challenging but pioneering environment in which Loreburn is working. Commitments include:

- a contribution to the Scottish Government's target of building 50,000 new homes by 2021;
- a commitment to making a significant regional contribution to the climate change agenda and the ambition for a carbon neutral Scotland by 2040 with our commitment to Passiv Haus;
- a partnership to explore the use of modern methods of construction with other RSL's in the Scottish borders;
- a significant regional contribution to address the challenges of demographic change including meeting the needs of an increasingly elderly population across Dumfries and Galloway.

By 2040 Scotland will have a third of its population over 100 years old and 25% will be over 65 which presents a huge challenge in housing terms. Loreburn acknowledge this could bring significant opportunity for the sector to work more closely with partners to create sustainable housing solutions. Our development programme is focussed on addressing the challenges of the ageing population across Dumfries and Galloway and we are working closely with the IJB to ensure those homes offer people opportunities to live independently for longer. Our plans remain focussed on affordability and energy efficiency at a time when poverty and climate change move up the national agenda. We retain our vision to 'Create Great Places to Live' with the mission of 'Working Together' at a time when partnership solutions are increasingly important. Loreburn's strategic aims have been revised with GREAT results changed to GREAT Communities to reflect our commitment to work with others to create solutions and great places to live. Our strategic aims from 2019 are:

- GREAT Homes
- GREAT People
- GREAT Services
- GREAT Communities

The Association's way of working and behaviours are shaped by our GREAT values which have been modified to include Growth Mindset and Entrepreneurial thinking. These changes ensure the association is focussed on continuous improvement, exploring new ways to deliver outcomes and effective collaborative working.

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Report of Committee of Management
For the Year Ended 31 March 2019

Going Concern

The Management Committee have reviewed the results for this year and the projections for the next five years and 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 5). It is the responsibility of the Management Committee to lead strategy and ensure policies are shaped to enable us to achieve our ambitious goals. They also monitor performance and compliance regarding 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 5) are responsible for delivering the strategy and undertaking the operational activities in line with the agreed strategies and policies. Management Committee members serve in a voluntary capacity. We deliver excellent governance by recruiting members who share our values and ambitious targets for the organisation and our tenants. We appraise each member individually and the Management Committee collectively on an annual basis. The appraisal includes a skills gap analysis and discussions on succession planning and take learning from the wider sector through external advisors. We invest in training and development for Management Committee Members to ensure their knowledge and skills are up to date and relevant to ensure strong, robust governance.

Achievements and performance

After listening to our customers, one of the key achievements in 2018/19 has been to bring the repairs service in-house after many years of out-sourcing. The decision to bring the service in-house was based on the levels of customer satisfaction, higher unit costs demonstrated through peer benchmarking and ongoing quality assurance issues. Our ARC indicators for 2018/19, unfortunately indicate negative slippage in terms of customer satisfaction and engagement however the change is not unexpected during a period of transition and change. The Management Committee and Executive Team are confident following a settling in period the new service and our ambitious vision for stock investment will ensure Loreburn continue to provide quality housing and associated services.

Our ambitions for the paperless office have been achieved and in 2018/19 the focus moved to agile working. Investment in the ICT infrastructure continues and increasing numbers of transactions can take place in tenants' homes. The move to agile working is a significant step change in the way we'll do business in the future and will bring financial savings whilst offering an improved customer experience. Our commitment to developing new homes across the region continues and in 2018/19 we have continued to build our relationship with the Integrated Joint Board through our continued commitment to Extra Care Housing for Older People. Relationships remain strong with D&G Council Strategic Housing, Scottish Government Representatives, and private funders all of which contribute to achieving our ambitions to develop new homes across the region. The focus on asset management continues and the revised Strategic Plan for 2019/24 will reflect the Management Committee ambition to offer high quality, energy efficient homes as re-lets as well as new homes. Rent affordability and Value for Money is a key Management Committee commitment and in 2018/19 we retain that focus. To aid affordability we have started to develop new homes to Passiv Haus standard and are committed to a high-level energy design standard for our current stock.

Overall this has been another successful and productive year with evidence of our innovative and creative thinking beginning to deliver results.

Loreburn Housing Association Limited
Report of Committee of Management
For the Year Ended 31 March 2019

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: -

	2019	As Restated 2018
Turnover	13,668,467	12,982,391
Total Comprehensive Income	(1,443,522)	369,888
Cash at Bank & In Hand	1,157,999	1,155,020

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 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.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2019

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 decreased from £20,308,952 to £18,865,430.

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.

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 Audit & Compliance Committee, and the execution and administration of Treasury Management decisions to the Director of Finance, who will act in accordance with the Association's Policy Statement and Treasury Management Practices.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2019

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.

Management Committee

Members of the Committee

The Members of the Management Committee of the Association during the year to 31 March 2019 were as follows:

Russell Brown	Convener (Appointed 30/05/2019) Secretary (Resigned 30/04/2019)
Brian S Pattinson	Convener (Resigned 30/05/2019)
Peter Ward	Vice-Convener
Michael J Jones	Secretary (Appointed 30/04/2019)
Maureen Farrell	
Ronald J Jardine	(Leaving date 29/01/2019)
James C Hogg	(Leaving date 29/01/2019)
Derek Rodgers	
Robert S J Wishart	
John R McNaught	
Jane Connechen	
Rachel Reekie	(Joined 29/01/2019)

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
Alison Anderson, Director of Finance & Corporate Services (Leaving date 6/12/2018)
Amanda Yellowley, Director of Operations (Leaving date 7/12/2018)
Gary Alison, Director of Finance (Appointed 01/05/2019)
Lindsay Lauder, Director of Property and Development (Appointed 01/07/2019)
Sue Irving, Director of Housing (Appointed 10/06/2019)

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2019

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 is responsible for all remuneration payments.

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 allow to build on existing knowledge and experience and provide an opportunity to develop further skills.

Future developments

Loreburn H A continues to focus on our main objectives of providing good quality homes, improving the customer experience and investing in communities. The Association is committed to the development of new homes across the region working with existing and new partners. The Association in conjunction with the local council and the Scottish Government has a detailed programme of agreed and proposed new developments and private funding in place. 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 housing projects.

Our Future Housing Programme includes:

- A housing development programme across the region, planned and being explored, totalling approximately £90m.
- Housing for Older People being developed in Stranraer, Moffat and Langholm
- Specialist Housing for people with learning disabilities being built in Annan.
- General needs housing developments in Dumfries, Castle Douglas, Annan, Lockerbie, Langholm and Moffat.
- A Passiv Haus pilot scheme of 4 units in Dumfries

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2019

Asset Management

Loreburn Housing Association have a robust asset management process which is underpinned by stock condition survey data. The stock condition data is being analysed to inform future stock investment and to measure our position against the Scottish Government ambitious targets for low carbon homes. From a maintenance perspective, our Planned Works Programme is focussed on the Scottish Government's requirements for our housing stock to comply with Scottish Housing Quality Standard (SHQS) and to meet the requirements of the Energy Efficiency Standard for Social Housing (ESSH). Loreburn currently achieves 92.7% compliance on ESSH and 90.68% on SHQS. Loreburn will achieve the ESSH compliance, as far as practicable, by the government target date of 2020. ESSH and SHQS compliance. Whilst we are committed to new homes and stock investment the health and safety of our customers is a key priority for the Management Committee. All our fire risk assessments are up to date and we do regular visits to our sheltered stock and communal areas to maintain customer safety. In 2018/19 there has been a significant investment, £658k, in fire safety improvements following a programme of fire risk assessments. In response to customer feedback our In-House Repairs Service was launched in April 2019 with Loreburn staff now delivering the repairs service. We can now focus on improving service delivery and enhance the way we diagnose, deliver and check repairs to customers' homes. We expect to see a significant improvement in our service delivery with increased satisfaction and reduced costs.

Organisational Development

ICT has been an area for investment over recent years with a focus on increasing the number of services that can be accessed and delivered in customers' homes. Our new housing development in Stranraer will include WIFI access for customers' homes which will help medical staff to access technology that enables our older customers to live independently for longer. The WIFI Facility will also ensure the space and facilities within the foyer become a valued community asset. We are committed to moving to agile working and the Foyer in Stranraer will be used as a hot desk space for staff operating in the region. Our investment in modern apprenticeships and future leader development is starting to impact positively on the business with a number of posts and promotions secured by staff who have participated in those programmes. Through our commitment to invest in young people we avoided the high risk of an ageing work force that is facing many associations in the Scottish Housing Sector. Loreburn's workforce is more balanced than most at a 50/50 split between over 40 year olds and the under 40's. We are committed to increased effective staff presence and visibility in the communities we serve through agile working. As a result of our 2018/19 customer survey we will continue to work with customers to transform the way we engage and involve customers. We will continue to invest in training and development and shape a culture which empowers staff to deliver an exceptional customer experience.

Loreburn Housing Association Limited
Report of Committee of Management
For The Year Ended 31 March 2019

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.

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

Mike Jones
Secretary

Date:

Loreburn Housing Association Limited
Statement of Committee Responsibilities
For The Year Ended 31 March 2019

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

Mike Jones
Secretary

Date:

Loreburn Housing Association Limited
Committee Statement on the Association's
System of Internal Financial Control
For The Year Ended 31 March 2019

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 2019

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 2019. 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.

Mike Jones
Secretary

Date:

Loreburn Housing Association Limited
Report of the Auditor to the Board of Management on Corporate Governance
Matters
For The Year Ended 31 March 2019

In addition to our audit of the financial statements, we have reviewed your statements on pages 10 & 11 concerning the Association's compliance with the information required by the Regulatory Standards 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 on corporate governance matters within Bulletin 2009/4 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 any non-compliance.

Opinion

In our opinion your Statement on Internal Financial Controls on pages 10 & 11 has provided the disclosures required by the relevant Regulatory Standards 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 a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards 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
Statutory Auditor
Chartered Accountants
168 Bath Street
Glasgow G2 4TP

Date:

Loreburn Housing Association Limited
Report of the Independent Auditors to the
Members of Loreburn Housing Association Limited
For The Year Ended 31 March 2019

Opinion

We have audited the financial statements of Loreburn Housing Association (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Communities Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Managements' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board of Management are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Loreburn Housing Association Limited
Report of the Independent Auditors to the
Members of Loreburn Housing Association Limited
For The Year Ended 31 March 2019

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Board of Managements' Report.

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:

- The information given in the Report of the Board of Management 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.

Responsibilities of The Board of Management

As explained more fully in the Boards' Responsibilities Statement set out on page 9, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a

Loreburn Housing Association Limited
Report of the Independent Auditors to the
Members of Loreburn Housing Association Limited
For The Year Ended 31 March 2019

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of this report

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 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.

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

Loreburn Housing Association Limited
Statement of Comprehensive Income
For The Year Ended 31 March 2019

	Notes	2019 £	<i>As Restated</i> 2018 £
Turnover	1	13,668,467	12,982,391
Operating Costs	1	12,275,314	11,545,167
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Operating Surplus	1	1,393,153	1,437,224
Gain/(Loss) on Sale of Fixed Assets	4	(55,309)	26,200
Interest Receivable & Other Income	6	57,569	49,691
Gift Aid from Subsidiary Company		-	5,000
Interest Payable and Similar Charges	7	(1,188,090)	(1,160,455)
<hr/>			
Surplus		207,323	357,660
Movement on Past Service Contributions		-	12,228
Initial recognition of multi-employer defined benefit scheme	23	(1,299,000)	-
Actuarial losses in respect of pension schemes	23	(351,845)	-
<hr/>			
Total Comprehensive Income		(1,443,522)	369,888

The results for the year relate wholly to continuing activities.

The notes on pages 21 to 45 form part of these financial statements. These financial statements were approved by the Management Committee on and were signed on its behalf by :-

Russell Brown
Convener

Peter Ward
Vice-Convener

Mike Jones
Secretary

Loreburn Housing Association Limited
Statement of Financial Position
As at 31 March 2019

		2019	As Restated
		£	2018
			£
Tangible Fixed Assets	Notes		
Housing Properties (Net of Depreciation)	11a	145,363,532	138,622,895
Other non current assets	11b	1,029,024	1,091,085
		<u>146,392,556</u>	<u>139,713,980</u>
Investments In Subsidiary	12	3	3
Current Assets			
Debtors	13	5,173,154	3,787,695
Cash at Bank & in Hand		<u>1,157,999</u>	<u>1,155,020</u>
		6,331,154	4,942,715
Creditors: Amounts Falling Due Within One Year	14	6,552,357	7,196,562
Net Current (Liabilities)		<u>(221,203)</u>	<u>(2,253,847)</u>
Total Assets less Current Liabilities		146,171,356	137,460,136
Creditors: Amounts Falling Due After More Than One Year	15	27,003,942	25,265,568
Deferred Income	16	97,556,898	91,885,440
Pension - Defined Benefit Liability	23	2,745,000	-
Net Assets		<u>18,865,517</u>	<u>20,309,128</u>
Capital & Reserves			
Share Capital	18	87	176
Accumulated Surplus		<u>18,865,430</u>	<u>20,308,952</u>
		18,865,517	20,309,128

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

Convenor

Committee Member

Secretary

The notes on pages 21 to 45 form part of these financial statements.

Loreburn Housing Association Limited
Statement of Cashflows
For The Year Ended 31 March 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	1	<u>1,551,015</u>	<u>3,220,076</u>
Investing Activities			
Cash paid for construction and purchases		(8,552,096)	(4,318,940)
Improvement of Housing		(1,534,823)	-
Housing association grants received		6,745,565	2,356,271
Housing association grants repaid		(168,894)	-
Sales of Housing Properties		78,051	98,308
Other Grants		40,000	-
Sale of other fixed assets		-	1,075
Purchase of other fixed assets		<u>(69,752)</u>	<u>(133,767)</u>
Net Cash outflow from investing activities		<u>(3,461,949)</u>	<u>(1,997,053)</u>
Financing			
Interest received on cash flow and cash equivalents		57,569	49,691
Interest paid		(1,171,615)	(1,135,054)
Loan principal repayments		(972,043)	(1,246,798)
Loans Drawn		4,000,000	1,000,000
Share Capital Issued		2	2
Net Cash Inflow from Financing		<u>1,913,913</u>	<u>(1,332,159)</u>
Increase in cash		2,979	(109,136)
Opening cash and cash equivalents		1,155,020	1,264,156
Closing cash and cash equivalents		1,157,999	1,155,020

The notes on pages 21 to 45 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Statement of Cashflows
For The Year Ended 31 March 2019

1. Statement of Cash Flow

Reconciliation of Operating surplus to balance as at 1 April
2019

	2019	<i>As Restated</i>
	£	£
Operating Surplus for year	1,393,153	1,437,224
Depreciation-Housing properties	3,223,459	3,144,025
Depreciation-Other Assets	131,811	147,618
Amortisation of capital grants	(1,047,728)	(1,089,337)
(Increase) in Debtors	(1,385,459)	(374,758)
(Decrease)/Increase in Creditors	(483,376)	269,076
Received from Subsidiary Company	-	5,000
Pension cost	(280,845)	(318,772)
Net cash inflow from operating activities	<u><u>1,551,015</u></u>	<u><u>3,220,076</u></u>

Loreburn Housing Association Limited
Statement of Changes in Equity
For The Year Ended 31 March 2019

Statement of changes in equity

As At 31 MARCH 2019

	Share Capital	Revenue Reserves	Total
	£		£
Balance as at 1 April 2018 (<i>As Restated</i>)	176	20,308,952	20,309,128
Issue of shares	2	-	2
Cancellation of shares	(91)	-	(91)
Surplus/(Deficit) for year	-	(1,443,522)	(1,443,522)
Balance as at 31 March 2019	87	18,865,430	18,865,517

The notes on pages 21 – 45 form part of these financial statements.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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 2019

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
Boilers	10 Years	Gas Mains	Useful Life Remaining

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 2019

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 is a member of the SHAPS multi-employer defined benefit pension scheme, and has a share of the scheme assets and liabilities. As sufficient information about the Association's share of these assets and liabilities became available from 1 April 2018, it is now possible for the Association to disclose its share of the fair value of the scheme's net assets, the present value of its defined benefit liability and its net defined benefit pension liability.

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.

Gift Aid From Subsidiary Company

Gift Aid is accounted for when receipted.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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.

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.

c) SHAPS defined benefit accounting assumptions

The Association has followed the assumptions set by the actuaries in arriving at its share of the scheme's deficit. Further details are contained within note 23 to the accounts.

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

1. Particulars of Turnover, Operating Costs & Operating Surpluses

		2019	2019	Operating
	Notes	Turnover	Operating	Surplus
		£	Costs	£
			£	£
Social Lettings	2	11,865,375	10,709,771	1,155,604
Other Activities	3	1,803,092	1,565,543	237,549
Total		<u>13,668,467</u>	<u>12,275,314</u>	<u>1,393,153</u>
		(As Restated)	(As Restated)	Operating
	Notes	Turnover	Operating	Surplus
		£	Costs	£
			£	£
Social Lettings	2	11,643,935	10,325,562	1,318,373
Other Activities	3	1,338,456	1,219,605	118,851
Total		<u>12,982,391</u>	<u>11,545,167</u>	<u>1,437,224</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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

	<i>As Restated</i>				
	General Needs Housing £	Supported Housing £	Shared Ownership £	2019 Total £	2018 Total £
Rent Receivable Net of Service Charges	8,010,387	1,979,647	338,796	10,328,830	10,185,726
Service Charges	227,878	337,802	-	565,680	447,165
Gross Income from Rent & Service Charges	8,238,265	2,317,449	338,796	10,894,510	10,632,891
Less Voids	48,693	28,170	-	76,863	78,293
Net Income from Rents & Service Charges	8,189,572	2,289,279	338,796	10,817,647	10,554,598
HAG Grants released	803,187	195,047	49,494	1,047,728	1,089,337
Other Revenue Grants	-	-	-	-	-
Total Turnover from Social Letting Activities	8,992,759	2,484,326	388,290	11,865,375	11,643,935
Management & Maintenance Administration Costs	2,976,481	958,628	293,166	4,228,275	3,908,482
Service Costs	183,645	382,035	-	565,680	447,184
Planned & Cyclical Maintenance including Major Repairs Costs	276,511	739,474	-	1,015,985	1,070,430
Reactive Maintenance Costs	1,406,989	220,622	-	1,627,611	1,635,118
Bad Debts – Rents & Service Charges	47,873	888	-	48,761	120,323
Depreciation of Social Housing	2,536,975	616,083	70,401	3,223,459	3,144,025
Operating Costs for Social Letting Activities	7,428,474	2,917,730	363,567	10,709,771	10,325,562
Operating Surplus for Social Lettings 2019	1,564,285	(433,404)	24,723	1,155,604	
Operating Surplus for Social Lettings 2018	1,081,692	170,723	65,958	-	1,318,373

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2019

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 2019 £	Operating Surplus or Deficit 2018 £
Care & Repair	219,871	-	-	-	219,871	-	219,871	-	-
Development Activities	-	-	-	-	-	-	62,700	(62,700)	(159,284)
Support Activities	-	726,698	157,087	-	883,785	-	883,785	-	-
Other Management Services	-	-	-	54,279	54,279	-	-	54,279	39,600
Aids & Adaptations	303,807	-	-	-	303,807	-	303,807	-	-
Other Activities	-	-	-	341,350	341,350	-	95,380	245,970	238,535
Total from Other Activities 2019	523,678	726,698	157,087	395,629	1,803,092	-	1,565,543	237,549	
Total from Other Activities 2018	465,766	430,832	152,267	289,591	1,338,456	-	1,219,605		118,851

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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

		2019		2018
	£	£	£	£
Proceeds from the Sale of Fixed Assets		79,500		100,325
Less: Cost of Sales				
Historic Cost	441,336		498,536	
Grant Received	(23,865)		(22,721)	
Accumulated Depreciation	(320,030)		(434,743)	
Grant Repayable	34,869		32,110	
Legal & Valuation Costs	2,499	134,809	943	74,125
		<u>(55,309)</u>		<u>26,200</u>

5. Operating Surplus

	2019	2018
	£	£
Operating Surplus is stated after charging:		
Depreciation	3,355,270	3,291,643
External Auditors' Remuneration (inc. VAT)	9,476	9,786
Internal Auditors' Remuneration (inc. VAT)	11,764	3,485

In addition, the External Auditors were paid £Nil (2018 - £4,602) in respect of accountancy, taxation and investigative services and the Internal Auditors were paid £28,343 (2018 - £2,977) in respect of consultancy work.

6. Interest Receivable & Other Income

	2019	2018
	£	£
Bank Interest Received	3,589	864
Interest from Loans to Subsidiary	53,980	48,827
	<u>57,569</u>	<u>49,691</u>

7. Interest Payable & Similar Charges

	2019	2018
	£	£
Loan Interest	1,129,871	1,143,445
Interest Capitalised in Housing Properties	(6,781)	-
Bank Interest & Charges	-	10
Other Interest Payable	65,000	17,000
	<u>1,188,090</u>	<u>1,160,455</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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 were the Chief Executive and the two Directors 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.

	2019	2018
	£	£
Emoluments payable to key management personnel earning over £60k	118,857	266,649
Emoluments payable to all key management personnel (without pension contributions)	111,073	248,641
Compensation paid to key management personnel for loss of office	NIL	NIL
Emoluments payable to the CEO, (based on a thirty five hour week)	98,625	97,270
Pension contributions for the CEO.	<u>7,785</u>	<u>7,670</u>
	<u>106,410</u>	<u>104,940</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	2
£80,001 - £90,000	0	0
£90,001 - £100,000	0	0
£100,001 - £110,000	0	0
£110,001 - £120,000	<u>1</u>	<u>1</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

9. Employee Information

	2019	2018
The monthly average number of employees during the year was	104	108
The full time equivalent number of staff	88	96
Staff Costs (including Executive Emoluments)	£	£
Wages & Salaries	2,750,962	2,648,945
Social Security Costs	236,741	217,603
Pension Contributions	537,445	489,852
	3,525,148	3,356,400

Included within the pension contributions above is £345,845 (2018 - £335,722) in relation to payments for the Associations share of past service deficit liabilities.

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 2019

11. Tangible Fixed Assets

a. Housing Properties

	Shared Ownership Property £	Housing Property Held for Letting £	Housing Property In Course of Construction £	Total £
Cost				
At 01/04/18	4,500,732	169,889,928	3,111,197	177,501,857
Additions	-	1,534,823	8,552,097	10,086,920
Transfers	-	1,365,927	(1,365,927)	-
Disposals	(51,845)	(389,491)	(1,518)	(442,854)
At 31/03/19	<u>4,448,887</u>	<u>172,401,187</u>	<u>10,295,849</u>	<u>187,145,923</u>
Depreciation				
At 01/04/18	1,300,088	37,578,874	-	38,878,962
Charge for Year	70,401	3,153,058	-	3,223,459
Disposals	(16,230)	(303,800)	-	(320,030)
At 31/03/19	<u>1,354,259</u>	<u>40,428,132</u>	<u>-</u>	<u>41,782,391</u>
 Net Book Value at 31/03/19	 <u>3,094,628</u>	 <u>131,973,055</u>	 <u>10,295,849</u>	 <u>145,363,532</u>
 Net Book Value at 31/03/18	 <u>3,200,644</u>	 <u>132,311,054</u>	 <u>3,111,197</u>	 <u>138,622,895</u>

Development administration costs amounted to £215,686 (2018 - £235,730) for which HAG amounting to £NIL (2018 - £NIL) was received during the year resulting in a deficit. From the deficit £152,990 (2018 - £76,445) was capitalised in accordance with the SORP. Interest capitalised during the year amounted to £6,781. (2018 - £NIL).

Included in the additions above is £1,534,823 (2018 - £1,605,529) of major repair works to replace components within existing properties.

All properties are freehold.

Loreburn Housing Association Limited
Notes To The Financial Statements
As At 31 March 2019

b. Other Tangible Fixed Assets

	Office Premises £	Office Equipment £	Furnishings & Fittings £	Wider Action £	Let Property Furnishings £	Total £
Cost						
At 01/04/18	719,649	659,202	6,926	6,544	188,404	1,580,725
Additions	-	69,753	-	-	-	69,753
Transfers	-	-	-	-	-	-
Disposals	-	(141,865)	(6,926)	-	-	(148,791)
At 31/03/19	<u>719,649</u>	<u>587,090</u>	<u>-</u>	<u>6,544</u>	<u>188,404</u>	<u>1,501,687</u>
Depreciation						
At 01/04/18	109,937	372,777	6,926	-	-	489,640
Disposals	-	(141,862)	(6,926)	-	-	(148,788)
Charge for Year	14,393	117,418	-	-	-	131,811
Transfers	-	-	-	-	-	-
At 31/03/19	<u>124,330</u>	<u>348,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,663</u>
Net Book Value						
At 31/03/19	<u>595,320</u>	<u>238,756</u>	<u>-</u>	<u>6,544</u>	<u>188,404</u>	<u>1,029,024</u>
At 31/03/18	<u>609,712</u>	<u>286,425</u>	<u>-</u>	<u>6,544</u>	<u>188,404</u>	<u>1,091,085</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

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

	2019	2018
	£	£
Rental Arrears	307,658	294,135
Bad Debt Provision	(120,545)	(110,706)
Net Rent Arrears	<u>187,113</u>	<u>183,429</u>
Other Debtors	276,895	68,785
Amounts due from group undertakings	33,435	31,998
HAG Receivable	2,620,986	1,409,639
Prepayments & Accrued Income	142,926	104,879
Loans to Group Undertaking	<u>1,911,799</u>	<u>1,988,965</u>
	<u>5,173,154</u>	<u>3,787,695</u>

14. Creditors: Amounts Falling Due Within One Year

	2019	<i>As Restated</i> 2018
	£	£
Bank Loans	1,682,238	1,421,809
Trade Creditors	544,728	803,924
Other Taxes & Social Security	62,124	64,907
Accruals & Deferred Income	1,800,117	1,384,074
Social Housing Grant Deferred Income	1,094,357	1,089,677
Services Equalisation	232,896	323,484
Other Creditors	931,598	1,522,068
Amounts Due to Group Undertakings	3,230	63,026
Rent in Advance	201,069	177,748
Liability for past service contributions	-	345,845
	<u>6,552,357</u>	<u>7,196,562</u>

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

	2019	2018
	£	£
Liability for past service contributions	-	1,029,155
Bank Loans	<u>27,003,942</u>	<u>24,236,413</u>
	<u>27,003,942</u>	<u>25,265,568</u>

Loreburn Housing Association Limited
Notes To The Financial Statements
For The Year Ended 31 March 2019

16. Deferred Income

	2019 £	2018 £
Social Housing Grant		
Balance brought forward	92,975,117	91,730,903
Additions in year	6,785,565	2,356,272
Released/repaid as a result of property disposal	(61,699)	(22,721)
Amortisation in year	<u>(1,047,728)</u>	<u>(1,089,337)</u>
	<u>98,651,255</u>	<u>92,975,117</u>
Due in under one year	1,094,357	1,089,677
Due in over one year	<u>97,556,898</u>	<u>91,885,440</u>
	<u>98,651,255</u>	<u>92,975,117</u>

The total original cost of Social Housing Grant given to the organisation is £116,622,408 (2018 - £109,909,544).

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 0.75% to 6.9% and will mature over a period of 5 to 35 years, in instalments due as follows:

	2019 £	2018 £
Less than 1 year	1,682,238	1,421,809
Between 1 – 2 Years	1,751,584	1,480,287
Between 2 – 5 Years	5,372,059	4,670,750
5 Years or More	<u>19,880,298</u>	<u>18,085,376</u>
	<u>28,686,179</u>	<u>25,658,222</u>

Further undrawn loan facilities are available totalling £20.5m and are available to finance future acquisitions and developments.

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18. Share Capital

	2019	2018
	£	£
Shares of £1 Each Issued & Fully Paid		
As at 1 April 2018	176	179
Shares Issued	2	2
	178	181
Shares Forfeited	(91)	(5)
As at 31 March 2019	87	176

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

	2019	2018
The number of units of accommodation in management at the year end was:		
General Needs Housing	2,256	2,246
Supported Housing Accommodation	210	212
Shared Ownership	149	151
Accommodation Managed on Behalf of Another Body	27	27
	2,642	2,636

20. Capital Commitments

	2019	2018
	£	£
Expenditure Contracted Less Certified	7,417,873	1,578,374

21. Contingent Liabilities

The Association has no known contingent liabilities at 31 March 2019 (2018 - £Nil).

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22. Operating Lease

The Association had the following obligations under non-cancellable operating leases

	2019	2018
	£	£
Amounts due less than one year	8,648	6,158
Amounts due between one and two years	8,648	6,158
Amounts due between two – five years	11,984	18,143
	<u>29,280</u>	<u>30,459</u>

23. Pension Fund – Scottish Housing Associations Pension Scheme

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

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Based on accounting for the Associations scheme liabilities under the defined benefit calculation the results are as follows:

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE
OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2019 (£000s)	31 March 2018 (£000s)
Fair value of plan assets	11,239	10,802
Present value of defined benefit obligation	13,984	13,476
Surplus (deficit) in plan	(2,745)	(2,674)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(2,745)	(2,674)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	-	-

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31 March 2019 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

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RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE
DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	13,476
Current service cost	-
Expenses	11
Interest expense	344
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(377)
Actuarial losses (gains) due to changes in demographic assumptions	37
Actuarial losses (gains) due to changes in financial assumptions	1,013
Benefits paid and expenses	(520)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	13,984

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RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE
FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	10,802
Interest income	279
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	322
Contributions by the employer	356
Contributions by plan participants	-
Benefits paid and expenses	(520)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	11,239

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £601,000.

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DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF
COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	-
Expenses (included in Admin expenses)	11
Net interest expense (Included in interest payable)	65
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	76

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DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	322
Experience gains and losses arising on the plan liabilities - gain (loss)	377
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(37)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,013)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(351)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(351)

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ASSETS

	31 March 2019 (£000s)	31 March 2018 (£000s)
Global Equity	1,808	1,943
Absolute Return	952	1,282
Distressed Opportunities	192	49
Credit Relative Value	195	-
Alternative Risk Premia	628	409
Fund of Hedge Funds	31	310
Emerging Markets Debt	360	370
Risk Sharing	326	98
Insurance-Linked Securities	292	296
Property	223	427
Infrastructure	471	197
Private Debt	145	100
Corporate Bond Fund	788	754
Long Lease Property	136	-
Secured Income	392	396
Over 15 Year Gilts	289	349
Index Linked All Stock Gilts	-	-
Liability Driven Investment	3,999	3,802
Net Current Assets	12	20
Total assets	11,239	10,802

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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KEY ASSUMPTIONS

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount Rate	2.35%	2.60%
Inflation (RPI)	3.25%	3.14%
Inflation (CPI)	2.25%	2.14%
Salary Growth	3.25%	3.14%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

The move from accounting for the scheme liabilities from a defined contribution scheme to a defined benefit scheme has seen an adjustment of £1,299,000 going through the statement of comprehensive income. In addition, the movement in the defined benefit cost (see above £351k) has resulted in a total deficit in other comprehensive income of £1,423,522.

In the 31 March 2017 accounts the Association experienced a positive movement in its pension liability of £1,806,612, which created an other comprehensive income total of £2,279,192. The movement this year has effectively contra the 2017 movement and shows the volatility that defined benefit pension scheme liabilities can have on organisations.

Defined Contribution

During the year the Association made payments totalling £191,600 (2018 £154,080) into defined contribution pension schemes on behalf of its employees.

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24. Prior Year Adjustment

An adjustment has been made to the previous years comparatives to reverse a service charge balance that was incorrectly written off last year.

Service charge income, and total Turnover has been reduced by £52,156 and creditors due less than one year increased by this amount. This has resulted in the surplus for last year in the statement of comprehensive income and the total net assets in the statement of financial position reducing by the same amount.

25. Scottish Secure Tenancy Rents

	2019 £	2018 £
Average Scottish Secure Tenancy Rent for Housing Accommodation	4,175	4,113
Percentage Increase from Previous Year	1.5%	0%

26. 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 during the year was that 1 member was a tenant of the Association and 9 members are neither tenants nor factored owners.

Transactions with Committee of Management Members in the year were, £1,076 (2018 £2,497) of rent was charged and £NIL (2018 £1,100) of factoring charges. At the year end there was rent overpaid of £24 (2018 £Nil).

The Association has decided not to take advantage of the exemptions conferred by FRS102 and is disclosing transactions with the wholly owned subsidiary, D&G Homes.

The principal activities of D&G Homes in 2018/19 was the provision of rented residential and commercial properties, and the delivery of a Direct Labour Organisation.

Loreburn purchased services from D&G Homes Direct Labour Organisation for bathroom and kitchen replacement works for a cost of £307,833 (2018 £296,922).

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At the year-end Loreburn owed D&G Homes £Nil (2018 £60,465) for these services. Loreburn also purchased services from D&G Homes for cleaning services for a cost of £35,522 (2018 £32,714). At the year-end Loreburn owed D&G Homes £3,230 (2018 £2,561) for these services.

During the year Loreburn recharged D&G Homes £77,379 (2018 £Nil) for the costs of staff seconded.

As per Note 13 of the accounts Loreburn has loans due from D&G Homes totalling £1,911,799 (2018 £1,988,965). During the year Loreburn received interest payments of £53,923 (2018 £48,827) and capital repayments of £77,166 (2018 £78,151) on these loans.

Loreburn also receives a management fee from D&G Homes. This totalled £46,000 (2018 £46,000) and at the year end £11,500 (2018 £11,500) was due from D&G Homes.

D&G Homes manages the service charges and rent collection of Loreburn's shared ownership properties. At the year end £17,322 (2018 £15,231) of the rent collected was due to Loreburn.

Finally, Loreburn and D&G Homes trade via an intercompany account. This is for costs paid by Loreburn on D&G Homes behalf or vice versa. At the year end £4,614 (2018 £6,021) was due from D&G Homes.

27. 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.