



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2019

Dunedin Canmore Housing Limited

(Co-operative and Community Benefit Society No. 1823R(S))
(Scottish Housing Regulator Registration No. 116)
(Scottish Charity No. SC034572)

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2019.

Principal Activities

The principal activities of Dunedin Canmore Housing are the provision and management of affordable rented accommodation. Dunedin Canmore has over 5,700 affordable homes to let in the east of Scotland.

OPERATING REVIEW

Looking back over the year 2018/19, there is much to be proud of at Dunedin Canmore.

Our new build housing programme went from strength to strength as we completed over 200 more affordable homes in Edinburgh and the Lothians, while also carrying out £7.6m of planned improvements to existing homes. Our repairs and maintenance service improved further still with an increase in our multi-skilled workforce, and we continued our work to engage and involve tenants more closely in decision-making.

We achieved a major milestone in our journey to excellence in July when we gained the European Foundation for Quality Management's Recognised for Excellence five-star status and then went on to take home the top Scottish Award for Business Excellence prize as well as the 'Adding Value for Customers Good Practice' award.

The roll-out of Universal Credit continued to present new challenges and hardship for many. We supported our customers and their families through this and many other challenges with personalised help delivered by our housing officers. Our wraparound advice services, from money, benefits and fuel advice, to help with furnishing their homes, became more important than ever, particularly for those making the transition on to the new benefit.

We helped 23 people from our homes into work or training either through opportunities created by our investment and new build contracts or through our employability schemes such as our Modern Apprenticeships.

We can report strong performance, and in some cases further improvements, across a number of the areas we measure. Satisfaction with repairs remained high at 93%, the number of days taken to re-let our homes reduced further to 10 days and the number of tenants satisfied with opportunities for participating in decision-making increased to 85%, reflecting our focus on engaging and listening ever more closely to our customers. Overall, our customer satisfaction stood at 87%.

Homes and communities

Investing in our homes

In 2018/19 Dunedin Canmore invested £7.6m improving its homes and communities; 300 tenants benefited from new kitchens and 210 also received bathroom upgrades.

A total of 208 homes had new front doors fitted with a further 178 homes also receiving new windows.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

We completed 30 major medical adaptations helping these customers to remain in their homes.

Our improvement programme for pre-1919 tenements continued with roof and stonework repairs to a further five blocks.

Residents at Merchiston Avenue and Stenhouse Mill Crescent in Edinburgh also benefited from new roofs and render improvements.

In addition we:

- installed 35 new gas central heating systems and 70 new efficient gas boilers;
- fitted 65 homes with new highly efficient Quantum Electric heating systems;
- improved 32 common closes including redecoration, new main entrance doors, controlled entry and LED lighting; and
- helped to keep our tenants safe by fitting new improved smoke and heat detection systems in 600 homes.

Building new homes

Dunedin Canmore built 218 new homes over the year, 150 of them for social rent and 68 for mid-market rent, across Edinburgh and the Lothians.

The new affordable homes which were completed included:

- the final 56 at an 111-home development in Craigmillar in Edinburgh, the first phase of a multi-million pound transformation of the community;
- 20 at The Wisp in the east of Edinburgh;
- 24 at Moredun and Hyvots, the final piece of a £70m transformation of the community which has spanned two decades;
- 28 energy-efficient houses in Wallyford in East Lothian, also part of a wider regeneration project which will see almost 1,500 new homes, new primary and secondary schools, open spaces and sports facilities;
- 18 at Dewar Park in Gorebridge;
- 24 at Gorton Loan, Rosewell;
- 7 at Greendykes in Edinburgh;
- 21 in Balerno across two sites; and
- 20 at the second phase of our North Berwick development.

Many more homes are being built over the next few years with over 280 planned in 2019/20 and a further 50 the following year.

Improving our neighbourhoods

Creating clean, green and safe neighbourhoods where people are proud to live remained one of our priorities.

Through our pioneering partnership with Keep Scotland Beautiful, we developed, with our partners in Wheatley, a way of assessing our environments which involves both staff and customers. We were delighted that Dunedin Canmore's neighbourhoods achieved a 5-star award.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

Wheatley's Community Improvement Partnership ("CIP") – made up of seconded police and fire officers and our own staff – worked with us to tackle anti-social behaviour, crime and fire safety.

Our *Stay Safe* campaign encourages our tenants to get a home safety visit. The visits are carried out by an officer from Scottish Fire and Rescue Service and are key to helping prevent fires in our homes. We introduced this service for Dunedin Canmore tenants in 2018/19 with the first households taking this up.

We resolved 99% of all anti-social cases reported to us within timescales agreed locally, up from 92.8% the previous year.

A total of 86% of tenants were satisfied with the management of their neighbourhood, down slightly from 88% the previous year.

Our repairs service

We continued our mission to improve our repairs and maintenance service because we recognise this is a top priority for our customers.

We were delighted that tenant satisfaction with the repairs service remained at 93% for the second year in a row.

We cut the average time taken for both emergency repairs and non-emergency repairs to be carried out.

Emergency repairs were completed in an average of 2.6 hours compared with 3.3 hours the previous year. Non-emergency repairs were carried out in an average of 5.1 working days, down from 6.0 working days the previous year. In the year 97% of repairs were completed right first time.

We continued working with our partners in the Wheatley Group on further improving and modernising the service to make the overall customer experience even better over the next year.

Rents and value for money

In 2018/19 the percentage of tenants who felt the rent for their home represented good value for money was 85%. While it's not as high as the previous year when 87% of tenants reported feeling their home was good value for money, it has improved over the last five years. For example, in 2013/14 only 80% of tenants were positive about the value their home brought them. We will continue to work with customers over the next year to ensure they get as much value from their home and our services as they can.

Moving on to Universal Credit caused unprecedented challenges for many of our customers and we worked hard to help them access support available and to pay their rent and other household bills. Despite the difficulties faced by people in our communities due to the impact of welfare reform, our gross rent arrears fell to 4.3%, from 4.8% the previous year and rent collection remained steady at 99.5% for the second year in a row.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

Engaging with customers

Engaging more effectively with our communities was high on our agenda as Wheatley commissioned international research into how organisations can best involve their customers and communities.

The study – carried out by The Democratic Society and published in January 2019 – drew on best practice from around the world – from Antwerp to Oldham; Oslo to Estonia; and Rio de Janeiro to Vienna.

The resulting report outlined fresh approaches, tools and techniques for how organisations across the UK, particularly the housing sector, can better engage with people in the communities they serve.

We now have a renewed focus on engaging with our communities in new and innovative ways following the research.

Our Customer Forum and Customer Panel continue to meet and shape what we do. Our Customer Panel has joined the Wheatley Scrutiny Panel which has led to improved sharing of information and increased good practice by connecting all tenants of Wheatley Group and benchmarking performance across the different landlords.

In April 2018 our housing officers began working with new tablet computers. This gives them much more scope to be out and about in their communities, engaging directly with customers in their homes, helping them access services and supporting them to get online.

We also reached out to more tenants through online channels, with nearly 1,600 people following us on our social media channels – an increase of around 300 in the last financial year – and our website audience growing steadily with around 4,415 visitors a month. Our new website sections proved popular with tenants. We added our *Stay Safe* campaign, expert advice and support for people affected by Universal Credit and Community News pages from around our neighbourhoods.

The number of tenants registered for online self-service at the end of the financial year more than trebled to 1,575. Over £1.7m was paid online by customers using a *My DC* online account.

The percentage of tenants who felt Dunedin Canmore was good at keeping them informed about their services and decisions was 93% while the percentage of tenants satisfied with opportunities to participate in decision-making was 85%, up from 84% the previous year.

Supporting our customers

As Universal Credit was rolled out in our communities, affecting thousands of households, it became more important than ever to support tenants and their families.

We brought the delivery of all our support and wraparound services together in a new division – *Wheatley 360*. This makes it easier for people to access the right package of services for them at any one time, including benefits, money and fuel advice, help with furniture or support to put food on the table.

DIRECTORS' REPORT (continued)

OPERATING REVIEW (continued)

In November we launched *MyHousing* across our West Lothian area. This is our new online advice, information and letting service, which gives people tailored help with their housing and an improved website for people to apply for housing, view available homes and note interest.

Through our *Wheatley Works* service, run by our charitable trust, Wheatley Foundation, we supported hundreds of our customers into work and training.


Working with Wheatley Foundation and *Wheatley 360*, we:

- supported 23 of our customers to get into work or training;
- helped 155 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- provided 24 veterans with support to settle back into civilian life;
- gave four tenants up-cycled furniture through our *Home Comforts* service;
- awarded one young person a bursary to go to university; and
- provided free books every month to 56 children under five in our homes through the Dolly Parton Imagination Library initiative.

Independent auditor

A resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Mary Mulligan, Chair

15 August 2019

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW

Income

The Association's turnover for the year ended 31 March 2019 totalled £46,055k (2018: £42,565k). Rental and service charge income (net of void losses) accounted for 57% or £26,402k (2018: 58%, or £24,742k) of this with the remainder including:

- £13,589k of grant is accounted for as income, including grant in relation to capital investment and the new build programme (2018: £11,742k);
- £2,648k of investment property lease income for the provision of mid-market properties (2018: £3,187k); and
- £2,985k income at our workshop, providing repairs and investment services to other Wheatley Group subsidiaries (2018: £2,499k).

Expenditure

Total operating expenditure in the year was £37,182k (2018: £22,169k), comprising the following main items:

- Letting activity management costs of £5,502k (2018: £4,510k);
- Service costs of £1,663k (2018: £1,589k);
- Planned repair and reactive maintenance costs of £2,047k and £3,211k respectively (2018: £1,834k and £3,555k);
- Total depreciation costs of £20,507k following a change in the year to our estimate of the useful lives of the structure and roofs of our properties (2018: £7,031k); and
- Costs associated with our wider role in supporting communities of £135k (2018: £419k).

The operating loss generated by the Association in the year totalled £14,707k (2018: surplus of £23,528k) after taking account of a loss on the revaluation of investment properties of £10,980k (2018: a gain of £3,132k) and the transfer of grant on disposal of MMR units to Lowther Homes of £12,600k (2018: nil).

The Association had a net asset position at the year-end of £173.6m (2018: £165.0m).

Cashflows

The cash flow statement of the Association is shown on page 19. The Association generated £16.4m from operating activities, an increase of £1.7m from the prior year. Cash and cash equivalents in the year increased by £2.6m (2018: decreased by £2.1m).

Liquidity

The Association's net current liabilities as at 31 March 2019 totalled £14,877k, a movement of £199k in the year (from a net current liability position of £14,678k).

Capital structure and treasury

The Association's activities are funded on the basis of a Business Plan which is updated annually. The main element of our long-term funding is the syndicated funds in Wheatley Funding No. 1 Limited ("WFL1"), as detailed in note 20. The Association has access to an intra-group facility of £167.7m which is secured on its housing stock. Interest rate risk is managed at a group level by WFL1.

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW (continued)

Investment in tenants' homes

During the year we invested £7,621k in improving tenant's homes. At the year-end our completed housing stock was valued at £301.6m (2018: £247.5m).

New Build

During the financial year we completed 218 new build properties. A further £26,571k has been invested in housing under construction for properties not yet completed at the balance sheet date. The Business Plan includes a further projected net spend of £90m on the new build programme in Dunedin Canmore Housing over the next five years.

Reserves Policy

Under the Statement of Recommended (Accounting) Practice ("SORP") 2014 and Financial Reporting Standard ("FRS") 102, the Association may operate with up to three principal reserves; a revenue reserve, a revaluation reserve and a pension reserve.

Revenue reserve

Revenue reserve includes historic grant received in respect of the following:

- new build housing properties;
- specific projects for which subsidy has been received, such as investment in the energy efficiency of our homes.

These grants have been invested for the specific purposes prescribed in the related grant conditions, with this activity typically resulting in an increase in the value of housing properties in the Association's Statement of Financial Position. The Association has no ability to realise new cash from this element of reserves, since selling the related assets which were constructed or improved with the grant funds would trigger clawback conditions and require repayment of grant to the Scottish Government or other grant providers. Furthermore, it is not the Association's policy to sell social housing assets; on the contrary, continuing to own and support these while providing excellent services to customers is core to the Association's charitable purpose.

The revenue reserve may include revaluation gains on investment properties, such as any mid-market rent homes which are owned by the Association. Under FRS 102, gains or losses on investment properties must be taken to profit and loss, and therefore form part of the general revenue reserve. These gains are not available to be realised in cash, since selling the Association's interest in any mid-market rent properties would trigger grant clawback and would run counter to the Association's core charitable objective of supporting the provision of a range of affordable housing solutions to be provided for its customers.

The residual amount of revenue reserve, not represented by grant or gains on investment properties, may be invested by the Association in line with its 30-year business plan financial projections. Such investment is subject to the Association maintaining a viable financial profile over the life of its business plan, as well as approval by the Wheatley Group Board. In approving the Association's business plan annually, the Wheatley Group Board will take into account projected compliance with the loan covenants which apply to the Wheatley RSL Borrower Group, as well as the impact of sensitivity analysis and other risk factors which may apply.

DIRECTORS' REPORT (continued)

FINANCIAL REVIEW (continued)

Revaluation reserve

The revaluation reserve represents, to the extent applicable, the increase in valuation which has occurred over and above the cost of additions to the Association's property (other than investment property). This reserve is therefore also not realisable, on the basis that to do so would involve selling social housing assets and would therefore undermine the Association's core charitable purpose.

By order of the Board



Mary Mulligan, Chair

15 August 2019

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' REPORT (continued)

DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS

As at 31 March 2019 Dunedin Canmore's Rules allowed for the appointment of up to 15 Board members. They are elected at the annual general meeting from the general membership of the Association and retire by rotation every three years. Any general member of the Association is entitled to stand for membership of the Board.

At 31 March 2019 there were 9 members (2018: 9 members) of the Dunedin Canmore Housing Board:

The members of the Board during the year are listed below:

| Name | First Joined Board | Re-elected/ re-appointed | Left Board | Committees/Group Directorships |
|-----------------------|--------------------|-----------------------------|-------------------|---|
| Mary Mulligan (Chair) | 20 September 2012 | 22 September 2016 | - | Wheatley Housing Group Wheatley Foundation Limited |
| Surbhi Gosain | 26 March 2015 | 17 September 2015 | - | - |
| Jane Green | 28 August 2014 | 23 September 2014 | 13 September 2018 | - |
| Terence Kirby | 20 September 2012 | 22 September 2016 | - | - |
| Sheila Scobie | 26 March 2015 | 17 September 2015 | 13 September 2018 | - |
| George Cunningham | 1 October 2016 | - | - | - |
| Anne McGovern * | 9 February 2017 | - | - | - |
| Bryan Pitbladdo * | 30 March 2017 | - | - | - |
| Ruth Kynoch | 19 December 2017 | - | - | Barony Housing Association |
| Arron Peters* | 24 May 2018 | - | - | - |
| Roslyn White* | 24 May 2018 | - | - | - |

* tenant of the Association

Creditor payment policy

Dunedin Canmore Housing agrees payment terms with its suppliers when it enters into contracts. The average creditor payment period for the year was within 30 days.

Disclosure of information to auditor

The Board members who held office at the date of approval of these statements confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board member has taken all the steps that he/she ought to have taken as a Board member to make himself/herself aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

DIRECTORS' REPORT (continued)

DIRECTORS' STATEMENT ON INTERNAL CONTROLS

The Directors acknowledge their responsibility for ensuring that the Association has in place systems of control that are appropriate to its business environment. These controls are designed to give reasonable assurance with respect to:

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

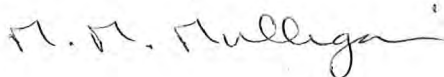
The systems of internal financial control, which are under regular review, are designed to manage rather than to eliminate risk. They can only provide reasonable and not absolute assurance against material misstatement or loss.

The key procedures which have been established are as follows:

- Detailed standing orders covering Board structure, election, membership and meetings;
- Financial regulations and procedures with clear authorisation limits;
- Regular Board meetings, focusing on areas of concern, reviewing management reports;
- Audit and Compliance reporting focussing on areas of concern and reviewing management reports;
- Regular review of cashflow and loan portfolio performance;
- Regular review of tendering process, rent accounting, arrears control and treasury management;
- Segregation of duties of those involved in finance;
- Identification and monitoring of key risks by the management committee; and
- Monitoring the operation of the internal financial control system by considering regular reports from management, internal and external auditors and ensuring appropriate corrective action is taken to address any weaknesses.

The Directors confirm that they have reviewed the effectiveness of the systems of internal control. No weaknesses have been found which would have resulted in material losses, contingencies or uncertainties which require to be disclosed in the financial statements.

By order of the Board



Mary Mulligan, Chair

15 August 2019

8 New Mart Road
Edinburgh
EH14 1RL

DIRECTORS' REPORT (continued)

STATEMENT OF BOARD'S RESPONSIBILITIES FOR A REGISTERED SOCIAL LANDLORD THAT IS A CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETY

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

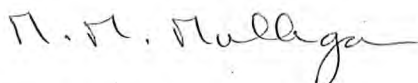
The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Mary Mulligan, Chair

15 August 2019

8 New Mart Road
Edinburgh
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INDEPENDENT AUDITOR'S REPORT TO DUNEDIN CANMORE HOUSING LIMITED

Opinion

We have audited the financial statements of Dunedin Canmore Housing Limited ("the association") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the association as at 31 March 2019 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the association or to cease its operations, and as they have concluded that the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO DUNEDIN CANMORE HOUSING LIMITED (continued)

Other information

The association's Board is responsible for the other information, which comprises the Directors' Report and the Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Directors' Statement on Internal Controls on page 11 does not provide 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; or
- in our opinion, the Directors' Statement on Internal Controls is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 12, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO DUNEDIN CANMORE HOUSING LIMITED (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG is eligible to act as auditor in terms of section 1212 of the Companies Act 2006.

KPMG LLP

319 St Vincent Street

Glasgow

G2 5AS

17 September 2012

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

| | Notes | Total 2019 £'000 | Total 2018 £'000 |
|--|-------|------------------------|------------------------|
| Turnover | 3 | 46,055 | 42,565 |
| Operating expenditure | 3 | (37,182) | (22,169) |
| Other (losses)/gains | 3 | (23,580) | 3,132 |
| Operating (deficit)/surplus | | <u>(14,707)</u> | <u>23,528</u> |
| Loss on disposal of fixed assets | 10 | (221) | (28) |
| Finance income | 11 | 12 | 1 |
| Finance charges | 12 | (8,565) | (8,571) |
| Movement in fair value of financial instruments | | (17) | - |
| Reversal of previous decrease in valuation of housing properties | | 32,088 | 11,096 |
| Reversal of previous decrease in valuation of office properties | | 978 | - |
| Surplus for the financial year | | <u>9,568</u> | <u>26,026</u> |
| Actuarial loss in respect of pension schemes | 24 | <u>(933)</u> | <u>(263)</u> |
| Total comprehensive income for the year | | <u>8,635</u> | <u>25,763</u> |

All amounts relate to continuing operations.

The notes on pages 20 to 39 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH
2019**

| | Revenue Reserve £'000 |
|----------------------------|--------------------------------------|
| Balance at 1 April 2017 | 139,186 |
| Total comprehensive income | 25,763 |
| Balance at 1 April 2018 | <u>164,949</u> |
| Total comprehensive income | 8,635 |
| Balance at 31 March 2019 | <u>173,584</u> |

All amounts relate to continuing operations.

The notes on pages 20 to 39 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

| | <i>Notes</i> | 2019 £'000 | 2018 £'000 |
|--|--------------|-----------------------------|-----------------------------|
| Fixed assets | | | |
| Social housing properties | 15 | 319,724 | 282,677 |
| Other tangible fixed assets | 16 | 5,686 | 5,131 |
| Investment properties | 17 | 21,520 | 79,663 |
| | | <u>346,930</u> | <u>367,471</u> |
| Current assets | | | |
| Stock | 18 | 226 | 178 |
| Trade and other debtors | 19 | 3,228 | 2,769 |
| Cash and cash equivalents | | 3,376 | 801 |
| | | <u>6,830</u> | <u>3,748</u> |
| Creditors: amounts falling due within one year | 20 | (21,707) | (18,426) |
| | | <u>(14,877)</u> | <u>(14,678)</u> |
| Net current liabilities | | | |
| | | <u>(14,877)</u> | <u>(14,678)</u> |
| Total assets less current liabilities | | | |
| | | 332,053 | 352,793 |
| Creditors: amounts falling due after more than one year | 21 | (155,000) | (184,667) |
| | | <u>177,053</u> | <u>168,126</u> |
| Provisions for liabilities | | | |
| Pension liability | 24 | (3,469) | (3,177) |
| Total net assets | | <u>173,584</u> | <u>164,949</u> |
| Reserves | | | |
| Share capital | 23 | - | - |
| Revenue reserve | | 173,584 | 164,949 |
| | | <u>173,584</u> | <u>164,949</u> |
| Total reserves | | | |
| | | <u>173,584</u> | <u>164,949</u> |

These financial statements were approved by the Board on 15 August 2019 and were signed on its behalf on 15 August 2019 by:





Mary Mulligan
Chair

Terence Kirby
Board Member

Anthony Allison
Secretary

The notes on pages 20 to 39 form part of these financial statements.

Charity registration number SC034572.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

| | <i>Notes</i> | 2019 £'000 | 2018 £'000 |
|---|--------------|-----------------------------|-----------------------------|
| Net cash generated from operating activities | 26 | <u>16,376</u> | <u>14,683</u> |
| Cash flow from investing activities | | | |
| Improvement of properties – housing stock | | (7,021) | (6,655) |
| New build | 15 | (26,571) | (33,494) |
| Purchase of other fixed assets | 16 | (308) | (982) |
| Proceeds from disposal of properties | | 43,799 | 945 |
| Grants received | 21 | 14,618 | 9,591 |
| Finance income | 11 | 12 | 1 |
| | | <u>24,529</u> | <u>(30,594)</u> |
| Cash flow from financing activities | | | |
| Finance charges | | (9,080) | (8,221) |
| Repayment of bank loan | | (45,250) | - |
| Financing draw down | | - | 22,000 |
| New loan - Allia | | 16,000 | 22,000 |
| | | <u>(38,330)</u> | <u>13,779</u> |
| Net change in cash and cash equivalents | | <u>2,575</u> | <u>(2,132)</u> |
| Cash and cash equivalents at beginning of the year | | 801 | 2,933 |
| Cash and cash equivalents at end of the year | | 3,376 | 801 |
| Cash and cash equivalents at 31 March | | | |
| Cash | | <u>3,376</u> | <u>801</u> |
| | | <u>3,376</u> | <u>801</u> |

The notes on pages 20 to 39 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Legal status

Dunedin Canmore Housing Limited (“DCH” or “the Association”) is a wholly owned subsidiary of The Wheatley Housing Group (“WHG” or “the Group”). DCH is registered under the Co-operative and Community Benefit Societies Act 2014 No.1823R(S) and is a registered Scottish charity No.SC034572. DCH is registered as a housing association with the Scottish Housing Regulator under the Housing (Scotland) Act 2014. The principle activity of the Association is the provision of social housing. Dunedin Canmore Housing is a Public Benefit Entity. The registered office is 8 New Mart Road, Edinburgh, EH14 1RL.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements of the Association are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Determination of Accounting Requirements 2014, and under the historical cost accounting rules, modified to include the revaluation of properties held for letting, office premises and commercial properties. The financial statements have also been prepared, in accordance with the Statement of Recommended Practice for social housing providers 2014 (“Housing SORP 2014”), issued by the National Housing Federation and under FRS 102. The presentational currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis after consideration of the future prospects for the Association and the preparation of long term financial forecasts and plans which include an assessment of the availability of funding, the certainty of cash flow from the rental of social housing stock. Whilst the Statement of Financial Position shows net current liabilities, a loan facility is in place which allows the Association to borrow sufficient funds to meet its current liabilities as they fall due.

Accounting judgements and estimations

Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts where required or appropriate and other factors.

Judgements have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessment of useful lives;
- The assessment of the fair value of financial instruments;
- Determining the value of the Association’s share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds;
- Allocation of share of assets and liabilities for multi-employer pension schemes. Judgments in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi-employer pension schemes and estimations performed by the Group's actuarial advisers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Related party disclosures

The Association is a wholly-owned subsidiary of Wheatley Housing Group Limited and is included within the consolidated financial statements of Wheatley Housing Group Limited which are publicly available. Consequently, the Association has taken advantage of the exemption, under the terms of FRS 102, from disclosing related-party transactions with wholly owned entities that are part of the Wheatley Housing Group.

Turnover

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fees receivable, grants and other income.

Income from social lettings, service charges, factoring, market and commercial rental activities is recognised when it is receivable. Grant income is recognised when any associated performance conditions have been met.

Grant income

Where a grant is paid as a contribution towards revenue expenditure, it is included in turnover. Where grant is received from government and other bodies as a contribution towards the capital cost of housing schemes, it is recognised as income using the performance model in accordance with the Statement of Recommended Practice for social housing providers 2014 (“Housing SORP 2014”). Prior to satisfying the performance conditions, capital grant is held as deferred income on the Statement of Financial Position.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable. Debts are classed as uncollectable after an assessment of the legislative options available to recover and consideration of specific circumstances.

Supported housing and shared ownership

Expenditure on housing accommodation, supported housing and shared ownership is allocated on the basis of the number of units for each type of accommodation, except for staffing and running costs for which the level of expenditure is directly attributable.

Financial instruments

Loans provided by Wheatley Funding Number 1 Limited (“WFL1”) are classed as basic financial instruments, in the financial statements of DCH, under the requirements of FRS 102, and are measured at amortised cost. In the case of payment arrangements that exist with customers, these are deemed to constitute financing transactions and are measured at the present value of the future payments discounted at a market rate of interest applicable to similar debt instruments.

Deposits and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. Accounting policies (continued)

Pensions

The Association previously participated in the Pensions Trust Scottish Housing Association Pension Scheme (“SHAPS”) Defined Benefit Pension Scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme on 1 April 2014. Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

In accordance with FRS 102, the Association’s share of the scheme assets and liabilities have been separately identified and are included in the Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The Association’s share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

Since the closure of the SHAPs Defined Benefit Pension Scheme, new members are enrolled in a defined contribution scheme administered by Friends Life.

Fixed assets – housing properties

In accordance with the Housing SORP 2014, the Association operates a full component accounting policy in relation to the capitalisation and depreciation of its completed housing stock.

- **Valuation of Social housing stock**

Social housing properties are valued annually on an Existing Use Value for Social Housing (“EUV-SH”) basis by an independent professional adviser qualified by the Royal Institution of Chartered Surveyors to undertake valuation. The cost of properties is their purchase price together with the cost of capitalised improvement works and repairs that results in an enhancement of the economic benefits of the asset. Included in the cost of capitalised improvement works are the direct costs of staff engaged in the investment programme.

- **Depreciation and impairment**

Housing properties are split between land, structure and major components which require periodic replacement. Replacement or refurbishment of such major components is capitalised and depreciated over the estimated useful life which has been set taking into account professional advice, the Group’s asset management strategy and the requirement of the Scottish Housing Quality Standard. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources.

Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

2. Accounting policies (continued)

| | <u>Economic Life</u> |
|-----------------------------------|----------------------|
| Land | n/a |
| Structure & roofs | 50 yrs |
| Bathroom | 25 yrs |
| External environment | 20 yrs |
| External wall finishes | 35 yrs |
| Heating system boiler | 12 yrs |
| Internal works & common areas | 20 yrs |
| Kitchen | 20 yrs |
| Mechanical, electrical & plumbing | 25 yrs |
| Windows and doors | 30 yrs |

Housing assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any write down would be charged to operating surplus.

• **New build**

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting or sale.

The Association's policy is to capitalise the following:

- Cost of acquiring land and buildings;
- Interest costs directly attributable;
- Development expenditure including staff costs attributable to the delivery of the capital investment programme;
- The cost of packages of work completed on void properties; and
- Other directly attributable internal and external costs.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

Non social housing properties

Housing for Mid Market Rent properties are valued on an open market value subject to tenancies basis at the date of the Statement of Financial Position by an independent professional advisor qualified by the Royal Institution of Chartered Surveyors to undertake valuation and are held as investment properties and not subject to depreciation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised improvement works.

Mid Market Rent properties owned by the Association are currently leased to and managed by Dunedin Canmore Enterprise Limited on arms' length commercial terms.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

2. Accounting policies (continued)

Commercial properties are held as investment properties and not subject to depreciation. They are held at existing use value and are subject to revaluation by an independent professional advisor qualified by the Royal Institute of Chartered Surveyors to undertake valuation. Commercial properties are revalued at each reporting date.

Housing Association Grant and other capital grants

Housing Association Grant (“HAG”) is received from central government agencies and local authorities and is utilised to reduce the capital costs of housing properties.

HAG is recognised as income in the Statement of Comprehensive Income when new build properties are completed or the capital work carried out under the performance model. HAG due or received is held as deferred income until the performance conditions are satisfied; at that point it is recognised as income in the Statement of Comprehensive Income within turnover. Grant received in respect of revenue expenditure is recognised as income in the same period to which it relates.

Properties are disposed of under the appropriate legislation and guidance. Any grant that is repayable is accounted for as a liability on disposal of the property. Grant which is repayable but cannot be repaid from the proceeds of sale is abated and the grant removed from the financial statements. Where a disposal is deemed to have taken place for accounting purposes, but the repayment conditions have not been met in relation to the grant funding, the potential future obligation to repay disclosed as a contingent liability.

Shared ownership

Shared ownership properties are split between fixed assets and current assets. The allocation is determined by the percentage of the property to be sold under a first tranche disposal which is recorded as a current asset under Stock. The balance is recorded as social housing stock within fixed assets. Proceeds from a first tranche disposal are recorded as turnover, and costs through operating expenditure in the Statement of Comprehensive Income. Subsequent disposals are treated as a disposal of a fixed asset and are recorded through gain/loss on disposal of fixed assets.

Other tangible fixed assets

For other tangible fixed assets with the exception of office premises, depreciation is charged on a straight-line basis over the expected useful economic lives of fixed assets to write off the cost, less estimated residual values over the following expected lives. Assets are depreciated in the month of acquisition, or in the case of a larger project, from the month of completion, at the following rates:

| | <u>Economic Life</u> |
|---|----------------------|
| Furniture, fittings and office equipment (cost) | 5 – 10 yrs |
| Office improvements (cost) | 10 yrs |
| Computer equipment (cost) | 3 - 5 yrs |
| Solar panels (cost) | 25 yrs |
| Office premises (valuation) | 40 yrs |

Office premises are held at valuation, and are depreciated, on a straight line basis, over a useful life of 40 years. Valuations are made on a regular basis to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. Valuations are carried out at each reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

2. Accounting policies (continued)

Provisions

The association only provides for liabilities at the date of the Statement of Financial Position where there is a legal or constructive obligation incurred which will probably result in an outflow of resources.

Taxation

The Association is considered to pass the tests as set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 1992 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Value Added Tax

The Association is registered for VAT. A large portion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT.

3. Particulars of turnover, operating costs and operating surplus

| | Turnover | 2019 Operating costs | Other (losses) /gains | Operating surplus | 2018 Operating surplus |
|---|---------------|----------------------------|-----------------------------|----------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Affordable letting activities (note 4) | 39,991 | (32,696) | - | 7,295 | 18,402 |
| Other activities (note 5) | 6,064 | (4,486) | - | 1,578 | 1,994 |
| (Loss)/gain on investment properties (note 17) | - | - | (10,980) | (10,980) | 3,132 |
| Release of grant on disposal of MMR properties (note 9) | - | - | (12,600) | (12,600) | - |
| Total | 46,055 | (37,182) | (23,580) | (14,707) | 23,528 |
| Total for previous reporting period | 42,565 | (22,169) | 3,132 | 23,528 | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

4. Particulars of turnover, operating costs and operating surplus from social letting activities

| | General Needs £'000 | Supported Housing £'000 | Shared Ownership £'000 | 2019 Total £'000 | 2018 Total £'000 |
|---|---------------------------|-------------------------------|------------------------------|------------------------|------------------------|
| Rent receivable net of service charges | 22,100 | 1,748 | 945 | 24,793 | 23,294 |
| Service charges | 1,322 | 406 | 73 | 1,801 | 1,612 |
| Gross income from rents and service charges | 23,422 | 2,154 | 1,018 | 26,594 | 24,906 |
| Less rent losses from voids | (162) | (30) | - | (192) | (164) |
| Net income from rents and service charges | 23,260 | 2,124 | 1,018 | 26,402 | 24,742 |
| Grants released from deferred income | 13,099 | - | - | 13,099 | 11,381 |
| Revenue grants from Scottish Ministers | - | 420 | - | 420 | 361 |
| Other revenue grants | 70 | - | - | 70 | - |
| Total turnover from affordable letting activities | 36,429 | 2,544 | 1,018 | 39,991 | 36,484 |
| Management and maintenance administration costs | 4,281 | 876 | 345 | 5,502 | 4,510 |
| Service costs | 1,551 | 7 | 105 | 1,663 | 1,589 |
| Planned and cyclical maintenance including major repairs costs | 1,882 | 36 | 129 | 2,047 | 1,834 |
| Reactive maintenance costs | 2,952 | 57 | 202 | 3,211 | 3,555 |
| Bad debts – rents and service charges | 465 | 1 | 31 | 497 | 254 |
| Depreciation of affordable let properties | 18,419 | 817 | 540 | 19,776 | 6,340 |
| Operating costs for affordable letting activities | 29,550 | 1,794 | 1,352 | 32,696 | 18,082 |
| Operating surplus for affordable letting activities | 6,879 | 750 | (334) | 7,295 | 18,402 |
| Operating surplus for affordable letting activities for the previous reporting period | 17,631 | 475 | 296 | 18,402 | |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

5. Particulars of turnover, operating costs and operating surplus from other activities

| | Grants From Scottish Ministers £'000 | Other Revenue £'000 | Total Turnover £'000 | Total Operating Costs £'000 | 2019 Operating Surplus /(Deficit) £'000 | 2018 Operating Surplus /(Deficit) £'000 |
|---|--|---------------------------|----------------------------|--------------------------------------|---|---|
| Wider role activities to support the community | - | 130 | 130 | (135) | (5) | (44) |
| Investment property activities | - | 2,648 | 2,648 | (32) | 2,616 | 3,187 |
| Factoring | - | - | - | - | - | (4) |
| Other income | - | 3,286 | 3,286 | (3,483) | (197) | 64 |
| Depreciation – Non Social Housing | - | - | - | (731) | (731) | (691) |
| Organisation Restructuring | - | - | - | (105) | (105) | (518) |
| Total from other activities | - | 6,064 | 6,064 | (4,486) | 1,578 | 1,994 |
| Total from other activities for the previous reporting period | - | 6,081 | 6,081 | (4,087) | 1,994 | |

6. Board members' emoluments

Board members received £nil (2018: £nil) by way of reimbursement of expenses. No remuneration is paid to board members in respect of their duties in the Association.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

7. Key management emoluments

| | 2019 | 2018 |
|---|-------------|-------------|
| | £000 | £000 |
| Aggregate emoluments payable to key management (including employers pension contributions and benefits in kind) | 321 | 314 |
| Emoluments payable to highest paid key management | 99 | 96 |
| Employer pension contributions | 19 | 19 |
| Total emoluments payable to the highest paid key management | <u>118</u> | <u>108</u> |

During the period the key management's emoluments (excluding pension contributions) fell within the following band distributions:

| | | |
|--|---|---|
| More than £70,000 but not more than £80,000 | 2 | 2 |
| More than £90,000 but not more than £100,000 | 1 | 1 |

The senior officers are defined for this purpose as the Managing Director and any person reporting directly to the Managing Director earning at the rate of over £60,000 per annum. Emoluments include relocation expenses where appropriate.

There were three senior officers in post during the year:

| | |
|-------------------|-------------------------------|
| Hazel Young | Managing Director |
| Alan Glasgow | Director of Housing Services |
| Anthony Holsgrove | Director of Property Services |

8. Employees

| | 2019 | 2018 |
|---|--------------|--------------|
| | No. | No. |
| The average monthly number of full time equivalent persons employed during the year was | 192 | 201 |
| The average total number of employees employed during the year was | 254 | 279 |
| | £'000 | £'000 |
| Staff costs (for the above persons) | | |
| Wages and salaries | 6,419 | 6,314 |
| Social security costs | 768 | 663 |
| Employer's pension costs | 1,074 | 1,035 |
| FRS 102 pension adjustment | (717) | (739) |
| | <u>7,544</u> | <u>7,273</u> |

In addition to the above staff costs the Association incurred agency staff costs of £229k during the year (2018: £545k).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

9. Transfer of grant on disposal

On 31 October 2018 Dunedin Canmore Housing Limited (“DCH”) sold 464 mid market rent (“MMR”) properties to Lowther Homes Limited (“Lowther”). The difference between the consideration paid by Lowther and the carrying value of the properties relates to the transfer of grant received by DCH to Lowther on the construction of these properties. All obligations under the grant agreement in relation to the properties sold transfers to Lowther Homes. This grant was originally recognised as income in the Statement of Comprehensive Income by DCH on completion of the build of the properties.

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|---------------|---------------|
| Proceeds from disposal of properties | 42,200 | - |
| Value of properties disposed | (54,800) | - |
| Grant transferred on disposal | (12,600) | - |

10. Loss on disposal of fixed assets

This represents net income from the disposal of fixed assets.

| | 2019 £'000 | 2018 £'000 |
|--------------------------------------|---------------|---------------|
| Proceeds from disposal of properties | 1,599 | 945 |
| Value of properties disposed | (1,820) | (973) |
| Loss on sale of fixed assets | (221) | (28) |

11. Finance income

| | 2019 £'000 | 2018 £'000 |
|---------------------------|---------------|---------------|
| Interest on bank deposits | 12 | 1 |
| | 12 | 1 |

12. Finance charges

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Interest on bank borrowings | 679 | 496 |
| Interest on intra group loans | 7,761 | 7,966 |
| Net interest charge on pension liability (note 24) | 76 | 89 |
| Other financing costs | 49 | 20 |
| | 8,565 | 8,571 |

Other financing costs include commitment and non-utilisation fees.

13. Auditor’s remuneration

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| The remuneration of the auditor (excluding VAT) is as follows: | | |
| Audit of these financial statements | 14 | 14 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

14. Financial commitments

Capital commitments

All capital commitments of the Association were as follows:

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Expenditure contracted for, but not provided in the financial statements | 16,912 | 10,993 |
| Expenditure authorised by the Board, but not contracted | 11,310 | 28,483 |
| | 28,222 | 39,476 |

Capital commitments are funded through a combination of grant received in relation to our new build programme, operating surplus generated by the Association, and private funding.

Operating leases

At 31 March 2019 the Association had no commitments under non-cancellable operating leases.

15. Tangible fixed assets

Social Housing Properties

| | General needs £'000 | Shared ownership £'000 | Housing under construction £'000 | Total £'000 |
|-----------------------------------|---------------------------|------------------------------|---|----------------|
| Valuation | | | | |
| At 1 April 2018 | 247,513 | 15,696 | 19,468 | 282,677 |
| Additions | 7,576 | 45 | 26,571 | 34,192 |
| Disposals | (1,319) | (186) | - | (1,505) |
| Transfers | 18,695 | - | (27,916) | (9,221) |
| Revaluation | 12,184 | 1,397 | - | 13,581 |
| At 31 March 2019 | 284,649 | 16,952 | 18,123 | 319,724 |
| Accumulated Depreciation | | | | |
| At 1 April 2018 | - | - | - | - |
| Charge for year | (18,892) | (540) | - | (19,432) |
| Disposals | 920 | 5 | - | 925 |
| Revaluation | 17,972 | 535 | - | 18,507 |
| At 31 March 2019 | - | - | - | - |
| Net Book Value - Valuation | | | | |
| At 31 March 2019 | 284,649 | 16,952 | 18,123 | 319,724 |
| At 1 April 2018 | 247,513 | 15,696 | 19,468 | 282,677 |
| Net Book Value – Cost | | | | |
| At 31 March 2019 | 354,726 | 22,487 | 18,123 | 394,125 |
| At 1 April 2018 | 328,455 | 21,231 | 19,468 | 369,154 |

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

15. Tangible fixed assets (continued)

Total expenditure on repairs and capital improvements in the year on existing properties was £12.0m (2018: £12.0m). Of this, repair costs of £5.3m (2018: £5.3m) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £7.6m (2018: £6.7m) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £7.6m (2018: £6.7m) in the year include:

- £0.1m for the improvement of components with respect to other strategic projects; and
- £7.5m on the replacement of components including capitalised void costs.

Additions to housing under construction include capitalised interest costs of £0.6m (2018: £1.1m). Interest has been capitalised at the weighted average interest cost for the association of 4.68% (2018: 5.50%).

Social housing properties have been valued by Jones Lang LaSalle Limited, an independent professional adviser qualified by the Royal Institution of Chartered Surveyors (“RICS”) to undertake valuations. This valuation was prepared in accordance with the appraisal and valuation manual of the RCIS at 31 March 2019 on an Existing Use Valuation for Social Housing (“EUV-SH”). Discount rates between 5.75-7.50% have been used depending on the property archetype (2018: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation + 0.9% in 2019/20 and +0.5% thereafter for retained stock, in line with the Association’s 30 year Business Plan (2019/20). The capital investment made in housing properties each year may not translate directly into an increase in the value of the assets by virtue of the nature of the EUV-SH valuation methodology.

The number of units of social housing accommodation owned and managed (excluding unlettable voids) by the Association at 31 March 2019 is shown below:

| | 2019 | 2018 |
|-----------------------|-------------|-------------|
| Social Housing | | |
| General needs | 4,936 | 4,814 |
| Shared ownership | 346 | 347 |
| Supported housing | 219 | 203 |
| Total Units | 5,501 | 5,364 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

16. Other tangible fixed assets

| | Office premises £'000 | Office improvements £'000 | Other fixed assets £'000 | Total £'000 |
|---------------------------------|-----------------------------|---------------------------------|--------------------------------|----------------|
| Cost or Valuation | | | | |
| At 1 April 2018 | 2,820 | 3,135 | 1,239 | 7,194 |
| Additions | - | 151 | 157 | 308 |
| Revaluation | 790 | - | - | 790 |
| At 31 March 2019 | 3,610 | 3,286 | 1,396 | 8,292 |
| Accumulated Depreciation | | | | |
| At 1 April 2018 | 94 | 986 | 983 | 2,063 |
| Charge for year | 94 | 281 | 356 | 731 |
| Revaluation | (188) | - | - | (188) |
| At 31 March 2019 | - | 1,267 | 1,339 | 2,606 |
| Net Book Value | | | | |
| At 31 March 2019 | 3,610 | 2,019 | 57 | 5,686 |
| At 31 March 2018 | 2,726 | 2,149 | 256 | 5,131 |

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

17. Investments

Investment Properties

| | Properties held for market rent £'000 | Commercial properties £'000 | Total £'000 |
|---|---|-----------------------------------|----------------|
| Valuation | | | |
| At 1 April 2018 | 77,958 | 1,705 | 79,663 |
| Disposals resulting in a transfer of grant to Lowther Homes (note 9) | (54,800) | - | (54,800) |
| Disposals | (1,584) | - | (1,584) |
| Transfers | 9,221 | - | 9,221 |
| Revaluation taken to operating surplus | (10,750) | (230) | (10,980) |
| At 31 March 2019 | 20,045 | 1,475 | 21,520 |
| Net Book Value | | | |
| At 31 March 2019 | 20,045 | 1,475 | 21,520 |
| At 31 March 2018 | 77,958 | 1,705 | 79,663 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

17. Investments (continued)

Market rent properties were valued at market value subject to tenancy ("MV-T") by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019.

The number of properties held for market rent by the Association at 31 March 2019 was:

| | 2019 | 2018 |
|-----------------------------------|------|------|
| Mid market rent properties | | |
| Total Units | 219 | 629 |

Commercial properties were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2019 in accordance with the appraisal and valuation manual of the RICS.

18. Stock

| | 2019 £'000 | 2018 £'000 |
|----------------------------|---------------|---------------|
| Stock at maintenance depot | 226 | 178 |
| | <u>226</u> | <u>178</u> |

19. Debtors

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Due within one year: | | |
| Arrears of rent and service charges | 884 | 1,111 |
| Adjustment to discount arrears balances with payment plans to NPV | (4) | (4) |
| Factoring debtors | 609 | 495 |
| Less: provision for bad and doubtful debts | (502) | (374) |
| | <u>987</u> | <u>1,228</u> |
| Other debtors | 949 | 501 |
| Due from other group companies | 1,292 | 1,040 |
| | <u>3,228</u> | <u>2,769</u> |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

20. Creditors: amounts falling due within one year

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 1,659 | 337 |
| Accruals | 2,427 | 3,394 |
| Deferred income (note 21) | 13,841 | 12,322 |
| Rent and service charges received in advance | 823 | 709 |
| Other creditors | 462 | 998 |
| Due to other group companies | 2,495 | 666 |
| | <hr/> 21,707 | <hr/> 18,426 |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

21. Creditors: amounts falling due after more than one year

| | 2019 | 2018 |
|------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Housing loans | 32,677 | 16,500 |
| Due to other group companies | 122,323 | 168,167 |
| | <hr/> 155,000 | <hr/> 184,667 |

Bank lending facility

Borrowing arrangements are in place via a Group facility consisting of bank and capital markets debt, secured on charged properties belonging to each of the RSLs within the Wheatley Housing Group. This facility was made up of a committed facility of £662.4m from a syndicate of commercial banks, a committed facility of £285.3m from the European Investment Bank, £300.0m raised through the issue of a public bond, £150.0m private placement loan notes with BlackRock Real Assets and £100.0m facility with HSBC. This provided total facilities of £1,497.7m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited, with DCH having access to an intra-group facility of £167.7m, secured on its housing stock. Interest in the year has been charged at 4.68% (2018: 5.50%).

Dunedin Canmore Housing has a £16.5m external loan with The Housing Finance Corporation Limited ("THFC") which is repayable in October 2031. During the financial year a new £16.0m unsecured loan was agreed with Allia Social Impact Investments Limited; this is repayable in November 2028.

Borrowings are repayable as follows:

| | 2019 | 2018 |
|--|---------------|---------------|
| | £'000 | £'000 |
| In less than one year | 457 | 277 |
| In more than one year but less than five years | - | 975 |
| In more than five years | 154,543 | 183,492 |
| | <hr/> 155,000 | <hr/> 184,744 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

21. Creditors: amounts falling due after more than one year (continued)

Deferred income

The deferred income balance is made up as follows:

| | Housing association grant £'000 | Other £'000 | Total deferred income £'000 |
|--|---------------------------------------|----------------|--------------------------------------|
| Deferred income as at 31 March 2018 | 11,635 | 687 | 12,322 |
| Additional income received | 14,270 | 348 | 14,618 |
| Released to the Statement of Comprehensive Income | (13,099) | - | (13,099) |
| Deferred income as at 31 March 2019 | 12,806 | 1,035 | 13,841 |

This is expected to be released to the Statement of Comprehensive Income in the following years:

| Deferred income to be released to the Statement of Comprehensive Income: | 2019 £000 | 2018 £'000 |
|---|----------------------|-----------------------|
| In less than one year (note 20) | 13,841 | 12,322 |
| In more than one year but less than five years | - | - |
| | 13,841 | 12,322 |

22. Financial instruments

| | 2019 £'000 | 2018 £'000 |
|------------------------------------|-----------------------|-----------------------|
| Financial assets: | | |
| <u>Measured at amortised cost:</u> | | |
| Trade debtors and accrued income | 3,228 | 1,228 |
| | 3,228 | 1,288 |
| Financial liabilities: | | |
| <u>Measured at amortised cost:</u> | | |
| Trade creditors and accruals | 4,086 | 3,731 |
| Bank loans | 155,000 | 184,450 |
| | 159,086 | 188,181 |

23. Share capital

| | 2019 £ | 2018 £ |
|---|-------------------|-------------------|
| Shares of £1 each issued and fully paid | | |
| At 1 April | 84 | 91 |
| Issued during year | - | 1 |
| Surrendered during year | (2) | (8) |
| | 82 | 84 |
| At 31 March | | |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

23. Share capital (continued)

Each member of the Association holds one share of £1 in the Association. Share capital is non-equity and does not carry any rights to dividend payments. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

24. Pensions

Pensions Trust Scottish Housing Association Pension Scheme

Dunedin Canmore Housing participated in the Pensions Trust Scottish Housing Association Pension Scheme ("SHAPS") defined benefit section. This is a multi-employer defined benefit scheme and is funded and contracted out of the State Pension Scheme. Dunedin Canmore transferred to the SHAPS Defined Contribution scheme with effect from 1 April 2014.

The Trustee commissions an actuarial valuation of the Scheme every three years, with the last formal valuation of the Scheme being carried out at 30 September 2018.

The scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. FRS 102 requires the disclosure of the Group's share of the assets and liabilities of the scheme within the financial statements and an evaluation of the scheme assets and liabilities has been carried out by an independent actuary as at 31 March 2019.

Following consideration of the results of the last valuation at 30 September 2018, the shortfall in the scheme reduced from £198m to £121m. It was agreed that this would continue to be dealt with by the payment of additional contributions. These were previously set at 5.4% of pensionable salaries per annum with effect from 1st April 2014 for a period of 8 years with the scheme expected to reach a fully funded position by 2022. The next formal valuation of the scheme is due to be carried out at 30 September 2021 and to ensure the ongoing funding of the scheme whilst the valuation is prepared, the Trustees have agreed to extend the period over which additional contributions are payable by one year to March 2023. Past service deficit contributions continue to increase each 1st April at a rate of 3%.

As a result of Pension Scheme legislation 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 currently participating 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

24. Pensions (continued)

Pensions Trust Scottish Housing Association Pension Scheme - Defined Benefit

The assumptions that have the most significant effect on the results of the valuation of the defined benefit pension arrangements, are those relating to the rate of return on investments and the rates of increases in salaries and pensions. The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

| | 31 March 2019 | 31 March 2018 |
|-------------------------|---------------|---------------|
| Discount rate | 2.6% | 2.7% |
| Future salary increases | 2.0%* | 2.0%** |
| Inflation (CPI) | 2.35% | 2.2% |

* Salary increases are assumed to be 2.20% p.a. for 2019/20 and 2.0% p.a. thereafter.

** Salary increases are assumed to be 2.10% p.a. for 2018/19 and 2.0% p.a. thereafter

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.7 years (male) (2018 23.5 years), 23.4 years (female) (2018 25.4 years).
- Future retiree upon reaching 65: 23.1 years (male) (2018 25.7 years), 24.7 years (female) (2018 27.4 years).

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

| <i>Movements in present value of defined benefit obligation</i> | 2019 | 2018 |
|--|-----------------------|-----------------------|
| | £'000 | £'000 |
| Opening defined benefit obligation | 25,566 | 24,535 |
| Expenses | 20 | - |
| Interest cost | 680 | 677 |
| Actuarial losses | 1,008 | 1,087 |
| Estimated benefits paid | (735) | (733) |
| Closing defined benefit obligation | <u>26,539</u> | <u>25,566</u> |
| | | |
| <i>Movements in fair value of plan assets</i> | 2019 | 2018 |
| | £'000 | £'000 |
| Opening fair value of plan assets | 22,389 | 20,993 |
| Actuarial gain | 75 | 824 |
| Expected return on plan assets (excluding net interest on the defined benefit liability) | 604 | 588 |
| Contributions by the employer | 737 | 739 |
| Estimated benefits paid | (735) | (733) |
| Administration costs | - | (22) |
| Closing fair value of plan assets | <u>23,070</u> | <u>22,389</u> |
| | | |
| Net liability | <u>(3,469)</u> | <u>(3,177)</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

24. Pensions (continued)

Expense recognised in Statement of Comprehensive Income

| | 2019 | 2018 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Administration costs | 20 | 22 |
| Interest on defined benefit pension plan obligation | 76 | 89 |
| Actuarial losses | 933 | 263 |
| | 1,029 | 374 |

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £933k loss (2018: £263k loss).

The fair value of the Scheme assets and the return on those assets were as follows:

| | 2019 | 2018 |
|------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Equities | 5,306 | 4,030 |
| Corporate bonds | 461 | 10,075 |
| Property | 10,382 | 896 |
| Alternatives | 6,460 | 7,164 |
| Cash and other | 461 | 224 |
| | 23,070 | 22,389 |
| Actual return on plan assets | 679 | 1,412 |

25. Related party transactions

Members of the Management Board are related parties of the Association as defined by FRS 102.

The Association retains a register of members' interests. The following interests in related parties are required to be declared:

Tenant Board Members:

| | |
|----------------|--------------|
| Anne McGovern | Arron Peters |
| Bryan Pitladdo | Roslyn White |

Transactions and arrear balances outstanding at 31 March 2019, are as follows:

| | 2019 |
|---|--------------|
| | £'000 |
| Rent charged during the year | 19 |
| Arrears balances outstanding at 31 March 2019 | - |

Other related parties

There were no other related party transactions during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019 (continued)**

26. Cash Flow Analysis

| Cash flow from operating activities | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Surplus for the year | 9,568 | 26,026 |
| <u>Adjustments for non-cash items:</u> | | |
| Depreciation of tangible fixed assets | 20,507 | 7,031 |
| (Increase)/decrease in stock | (48) | 61 |
| (Increase)/decrease in trade and other debtors | (411) | 484 |
| Increase/(decrease) in trade and other creditors | 1,271 | (854) |
| Pension costs less contribution payments | (717) | (739) |
| <u>Adjustments for investing or financing activities:</u> | | |
| Loss on disposal of tangible fixed assets | 221 | 28 |
| Government grants utilised in the year | (13,099) | (11,435) |
| Interest payable | 8,565 | 8,310 |
| Interest received | (12) | (1) |
| Movement in fair value of financial instruments | 17 | - |
| Loss/(gain) on investment activities | 10,980 | (3,132) |
| Release of grant on disposal of properties to Lowther | 12,600 | - |
| Reversal of previous decrease in the valuation of housing properties | (32,088) | (11,096) |
| Reversal of previous decrease in the valuation of office properties | (978) | - |
| Net cash inflow from operating activities | 16,376 | 14,683 |

27. Ultimate parent organisation

The Association is a wholly owned subsidiary undertaking of Wheatley Housing Group Limited, a company limited by guarantee and registered in Scotland.

The only group into which the results of the association are consolidated is Wheatley Housing Group Limited. The consolidated financial statements of Wheatley Housing Group Limited may be obtained from the registered office at Wheatley House, 25 Cochrane Street, Glasgow, G1 1HL.

SUPPLEMENTARY INFORMATION

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Banker

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Glasgow Corporate Office
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