



# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the Year Ended

31 March 2020

**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 2020.

### **Principal Activities**

The principal activities of Dunedin Canmore Housing are the provision and management of affordable rented accommodation. Dunedin Canmore has over 5,800 affordable homes to let in the east of Scotland.

## **OPERATING REVIEW**

Dunedin Canmore achieved a strong business performance in the year 2019/20 across a range of measures.

A total of 96% of tenants were satisfied with Dunedin Canmore as their landlord, up from 87% the year before, and the percentage of tenants satisfied with the quality of their home rose to 95%, up from 89%. The percentage of tenants satisfied with repairs carried out in their home was also 95%.

Alongside this we continued to build more affordable housing in our communities and to carry out a significant investment programme for our existing homes.

Despite these achievements, the events of March 2020 will, sadly, be what the year is most remembered for. The coronavirus crisis challenged our communities, our tenants, staff and our business like never before.

The organisation, and our staff, responded, ensuring ensure timely support for our customers, many of whom were already vulnerable and for whom these circumstances became exceptionally difficult.

Working with our partners across Wheatley Group we not only provided vital help to people who were self-isolating and facing real hardship, we also ensured we held our shape as a business.

A new service model was designed and launched within the first two weeks. Our office closed in line with government regulations. But many of our employees were equipped to work from home, supported by Wheatley Group's I.T. team working around the clock.

A virtual call centre was created, with advisors at home providing a 24/7 service, including a specialist team helping people deal with all impacts of the crisis.

A restricted range of emergency and essential services was put in place, with repairs and maintenance staff and Neighbourhood Environmental Teams continuing to work in Dunedin Canmore communities, adhering strictly to safe-working practices and social-distancing measures.

Specific responses to the pandemic were launched across the Group including our *EatWell* emergency food service which expanded significantly to deliver food parcels to hundreds of Dunedin Canmore households.

## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

The crisis necessitated a halt to many of our activities including our investment and new build programmes. Nevertheless, we finished the financial year having completed our ambitions set out in our five-year strategy *Investing in our Futures*. As well as outstanding business performance we completed 162 new homes, invested £6.4m in improvements to existing homes and supported our customers in a range of ways including helping 20 customers into work and training.

Highlights of the year included:

#### **Building new homes**

Dunedin Canmore built 162 new affordable homes over the year, 84 of them for social rent and 78 for mid market rent.

Our completed new homes included:

- 46 new homes at Greendykes;
- 31 at Gullane fire station; and
- 38 at Lang Loan.

We also progressed work on 83 homes at Beaverbank, Morrison Crescent, Greendykes and Lang Loan, with another 115 homes on site at South Gilmerton, Balerno and The Wisp.

#### **Investing in our homes**

In 2019/20, we delivered £6.4m of planned improvements in our homes and communities. This included:

- £727k on new windows and doors for 140 homes;
- £625k on new kitchens, flooring and energy efficient lighting for 200 homes;
- £602k on new bathrooms for 169 tenants; and
- £355k on new smoke detectors for 1,108 homes.

#### **Improving our neighbourhoods**

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

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

Our refreshed *Stay Safe* campaign saw more than 3000 home fire safety visits carried out across Wheatley communities in 2019/20, with the total number of accidental fires in Wheatley homes falling by 10%.

#### **Our repairs service**

We continued our mission to improve our repairs and maintenance service. We launched improvements to our repairs service from September 2019.

## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

These included:

- Setting up a specialist repairs service within our customer contact centre, with full training delivered to 34 specialist call-handlers; and
- Introducing 'next day appointments service.

#### **Our improving performance**

We continued to improve our performance across key areas, with high levels of satisfaction among our customers.

A total of 96% of tenants were satisfied with their landlord's overall performance, up from 87% the year before, and 95% of tenants thought that their landlord was good at keeping them informed – up from 93%.

The percentage of tenants satisfied with the quality of their home stood at 95%, up from 89%, and 95% were satisfied with repairs carried out in the previous twelve months.

We will continue to work closely with our customers to ensure they get as much value from their home and our services as they can.

#### **Supporting our customers**

More than a fifth of Wheatley customers are now on Universal Credit ("UC"), an increase of almost 10% from last year. In Dunedin Canmore 14% of our customers are now in receipt of Universal Credit.

We continued to support our customers through the challenges they faced, particularly around the five-week delay in getting their first payment.

This year we brought our money advice support staff together into a new dedicated Wheatley UC team to provide even more targeted support, while we also seconded a staff member from the Department Of Work and Pensions ("DWP") to the team to help improve the delivery of the benefit.

Our advisors across Wheatley helped customers claim over £11m in benefits they were entitled to last year, and over the next 12 months we will continue to do all we can to support customers cope with the difficulties posed by UC.

Working with Wheatley Foundation and Wheatley 360, we:

- created 32 opportunities for people from our homes to get into work or training with 23 of our customers benefiting;
- supported 255 new tenants with household budgeting, running a home and settling into their community through *My Great Start*;
- awarded three young people from our homes a bursary to go to university or college; and
- provided free books every month to 54 children under five in our homes through the Dolly Parton Imagination Library initiative.



## **DIRECTORS' REPORT (continued)**

### **OPERATING REVIEW (continued)**

#### **Independent auditor**

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

### **FINANCIAL REVIEW**

#### **Income**

The Association's turnover for the year ended 31 March 2020 totalled £42,934k (2019: £46,055k). Rental and service charge income (net of void losses) accounted for 65% or £27,830k (2019: 57%, or £26,402k) of this with the remainder including:

- £9,570k of grant is accounted for as income, including grant in relation to capital investment and the new build programme (2019: £13,589k), a reduction of £3,121k linked to the timing of the completion of new build developments;
- £1,619k of investment property lease income for the provision of mid-market properties (2019: £2,648k); and
- £2,502k income at our workshop, providing repairs and investment services to other Wheatley Group subsidiaries (2019: £2,985k).

#### **Expenditure**

Total operating expenditure in the year was £26,786k (2019: £37,182k), comprising the following main items:

- Letting activity management costs of £5,383k (2019: £5,502k);
- Service costs of £1,722k (2019: £1,663k);
- Planned repair and reactive maintenance costs of £2,302k and £3,033k respectively (2019: £2,047k and £3,211k);
- Total depreciation costs of £9,652k (2019: £20,507k). The depreciation charge in 2018/19 included an additional one off charge of £12,776k for the change in the estimate of useful life of the structure component of our social housing properties, which reduced from 75 years to 50 years; and
- Costs associated with our wider role in supporting communities of £565k (2019: £135k).

The operating surplus generated by the Association in the year totalled £13,443k (2019: loss of £14,707k).

The Association had a net asset position at the year-end of £190.5m (2019: £173.6m).

#### **Cashflows**

The cash flow statement of the Association is shown on page 16. The Association generated £13.1m from operating activities, an decrease of £3.3m from the prior year. Cash and cash equivalents in the year increased by £0.9m (2019: increased by £2.6m).

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW (continued)**

#### **Net current liabilities**

The Association's net current liabilities as at 31 March 2020 totalled £4,800k, a decrease in liabilities of £10,077k in the year (from a net current liability position of £14,877k) due to the release of deferred Housing Association Grant held in short term creditors to the Statement of Comprehensive Income.

The grant is released on the completion of new build properties. The Association has access to a borrowing facility administered through the Group financing vehicle Wheatley Funding No. 1 is able to meet its liabilities as they fall due.

#### **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 21. The Association has access to an intra-group facility of £254.7m which is secured on its housing stock. Interest rate risk is managed at a group level by WFL1.

#### **Investment in tenants' homes**

During the year we invested £6,434k in improving tenant's homes. At the year-end our housing stock including housing under construction was valued at £332.5m (2019: £319.7m).

#### **New Build**

During the financial year we completed 162 new build properties. A further £12,861k has been invested in housing under construction for properties not yet completed at the balance sheet date.

#### **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

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW (continued)**

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.

#### 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.

## **DIRECTORS' REPORT (continued)**

### **DUNEDIN CANMORE BOARD, COMMITTEE STRUCTURE AND RELATED MATTERS**

As at 31 March 2020 Dunedin Canmore's Rules allowed for the appointment of up to 12 Board members. With the exception of the Parent Appointee (if appointed), Board members are elected at the annual general meeting from the membership of the Association and retire by rotation every three years. Any member of the Association is entitled to stand for membership of the Board.

At 31 March 2020 there were 8 members (2019: 9 members) of the Dunedin Canmore Housing Board:

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

<b>Name</b>	<b>First Joined Board</b>	<b>Re-elected/ re-appointed</b>	<b>Left Board</b>	<b>Committees/Group Directorships</b>
Mary Mulligan (Chair)	20 September 2012	22 September 2016	-	Wheatley Housing Group Limited
Surbhi Gosain	26 March 2015	17 September 2015	12 September 2019	-
Terence Kirby	20 September 2012	22 September 2016	10 September 2019	-
George Cunningham	1 October 2016	-	-	Barony Housing Association Limited
Anne McGovern *	9 February 2017	-	-	-
Bryan Pitbladdo *	30 March 2017	-	-	-
Ruth Kynoch	19 December 2017	-	-	Barony Housing Association Limited
Arron Peters*	24 May 2018	-	10 October 2019	-
Roslyn White*	24 May 2018	-	31 January 2020	-
Jill Cronin	29 November 2018	12 September 2019	-	
Jack Cadell	29 November 2018	12 September 2019	-	Wheatley Group Development Committee
Mark Keane*	28 November 2019			

\* 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**

8 September 2020

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 Boards' 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 that law the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including 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 the income and expenditure of the association for that period.

In preparing the associations financial statements, the directors are 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 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 2019, 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.

By order of the Board



**Mary Mulligan, Chair**

8 September 2020

8 New Mart Road  
Edinburgh  
EH14 1RL



## **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 2020 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 the association's affairs as at 31 March 2020 and of the income and expenditure of the association 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 2019, 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 it does not intend to liquidate the association or to cease its operations, and as it has concluded that the association's financial position means that this is realistic. The Board has also concluded that there are no material uncertainties that could have cast significant doubt over the association's 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 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.

### **Other information**

The directors are responsible for the other information, which comprises the Directors' Report and the Directors' 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. Based solely on that work, we have not identified material misstatements in the other information.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DUNEDIN CANMORE HOUSING LIMITED (continued)**

We are also required to report to you if, in our opinion:

- the Statement on Internal Financial Control on page 9 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
- the Statement on Internal Financial Control 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 the statement set out on page 10, the association's Board is responsible for: the preparation of the 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.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 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 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 as a body, for our audit work, for this report, or for the opinions we have formed.



**Michael Wilkie**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

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

KPMG

319 St Vincent Street

Glasgow, G2

21 September 2020



**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	Total 2020 £'000	Total 2019 £'000
Turnover	3	42,934	46,055
Operating expenditure	3	(26,786)	(37,182)
Other losses	3	(2,705)	(23,580)
Operating surplus/ (deficit)		<u>13,443</u>	<u>(14,707)</u>
Gain/ (loss) on disposal of fixed assets	10	403	(221)
Finance income	11	6	12
Finance charges	12	(7,529)	(8,565)
Movement in fair value of financial instruments		-	(17)
Reversal of previous decrease in valuation of housing properties		9,192	32,088
Reversal of previous decrease in valuation of office properties		109	978
Surplus for the financial year		<u>15,624</u>	<u>9,568</u>
Actuarial gain/(loss) in respect of pension schemes		<u>1,253</u>	<u>(933)</u>
Total comprehensive income for the year		<u>16,877</u>	<u>8,635</u>

All amounts relate to continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

**STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2020**

	<b>Revenue Reserve £'000</b>
Balance at 1 April 2018	164,949
Total comprehensive income	8,635
Balance at 1 April 2019	<u>173,584</u>
Total comprehensive income	16,877
Balance at 31 March 2020	<u>190,461</u>

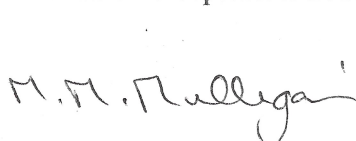
All amounts relate to continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

		2020 £'000	2019 £'000
	<i>Notes</i>		
<b>Fixed assets</b>			
Social housing properties	15	332,501	319,724
Other tangible fixed assets	16	5,534	5,686
Investment properties	17	28,561	21,520
		<u>366,596</u>	<u>346,930</u>
<b>Current assets</b>			
Stock	18	334	226
Trade and other debtors	19	5,123	3,228
Cash and cash equivalents		4,273	3,376
		<u>9,730</u>	<u>6,830</u>
<b>Creditors: amounts falling due within one year</b>	20	(14,564)	(21,707)
<b>Net current liabilities</b>		<u>(4,834)</u>	<u>(14,877)</u>
<b>Total assets less current liabilities</b>		361,762	332,053
<b>Creditors: amounts falling due after more than one year</b>	21	(170,550)	(155,000)
		<u>191,212</u>	<u>177,053</u>
<b>Provisions for liabilities</b>			
Pension liability	24	(751)	(3,469)
<b>Total net assets</b>		<u>190,461</u>	<u>173,584</u>
<b>Reserves</b>			
Share capital	23	-	-
Revenue reserve		190,461	173,584
<b>Total reserves</b>		<u>190,461</u>	<u>173,584</u>

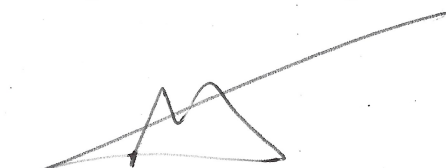
These financial statements were approved by the Board on 13 August 2020 and were signed on its behalf on 8 September 2020 by:



Mary Mulligan  
Chair



Bryan Pitbladdo  
Board Member



Anthony Allison  
Secretary

The notes on pages 17 to 39 form part of these financial statements.

Charity registration number SC034572.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Net cash generated from operating activities</b>	26	13,063	16,376
<b>Cash flow from investing activities</b>			
Improvement of properties – housing stock	15	(6,434)	(7,021)
New build		(18,545)	(26,571)
Purchase of other fixed assets	16	(224)	(308)
Proceeds from disposal of properties		3,329	43,799
Grants received	21	5,083	14,618
Finance income	11	6	12
		(16,785)	24,529
<b>Cash flow from financing activities</b>			
Finance charges		(7,903)	(9,080)
Repayment of bank loan		-	(45,250)
Financing draw down		12,522	-
New loan - Allia		-	16,000
		4,619	(38,330)
<b>Net change in cash and cash equivalents</b>		897	2,575
Cash and cash equivalents at beginning of the year		3,376	801
Cash and cash equivalents at end of the year		4,273	3,376
<b>Cash and cash equivalents at 31 March</b>			
Cash		4,273	3,376
		4,273	3,376

The notes on pages 17 to 39 form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

### **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 2019, 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 which the Board considers to be appropriate for the following reasons.

The Group and Association prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in February 2020 by the Board. As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure. Following the outbreak of Covid-19 the Group and Association have revised forecasts based on updated scenarios, including severe but plausible downsides.

The Board, after reviewing the Group and association budgets for 2020/21 and the Group and Association's financial position as forecast in the 30-year business plan, including changes arising from the Covid-19 pandemic, is of the opinion that, taking account of severe but plausible downsides, the Group and Association have adequate resources to continue to meet their liabilities over the period of 12 months from the date of approval of the financial statements (the going concern assessment period). In reaching this conclusion, the Board has considered the following factors:

- Rent and service charge receivable – arrears and bad debt assumptions have been increased to allow for customer difficulties in making payments and budget and business plan scenarios have been updated to take account of potential future changes in rent increases;
- The property market – budget and business plan scenarios have taken account of delays in new build handovers;

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

### **2. Accounting policies (continued)**

- Maintenance costs – budget and business plan scenarios have been modelled to take account revised profiles of repairs and maintenance expenditure, with major works being phased into future years;
- Development activity – forecast development expenditure has been modelled to take account of potential revised investment profiles;
- Liquidity – current available cash of £4.3m and access to undrawn loan facilities arranged through WFL1 of £310.5m, which are available to Dunedin Canmore Housing and certain other Group RSLs, gives significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period;
- The Group and Association's ability to withstand other adverse scenarios such as higher interest rates and increases in the number of void properties.

The Board believe the Group and Association have sufficient funding in place and expect the Group and Association to be in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **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.

### **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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

### **2. Accounting policies (continued)**

#### **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 2020 (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 ("EUVS-H") 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 2020 (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**

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 Lowther Homes Limited on arms' length commercial terms.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2020 (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

		2020			2019
	Turnover	Operating costs	Other losses	Operating Surplus/ (deficit)	Operating Surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000
Affordable letting activities (note 4)	37,400	(21,833)	-	15,567	7,295
Other activities (note 5)	5,534	(4,953)	-	581	1,578
Loss on investment properties (note 17)	-	-	(2,705)	(2,705)	(10,980)
Release of grant on disposal of MMR properties (note 9)	-	-	-	-	(12,600)
Total	42,934	(26,786)	(2,705)	13,443	(14,707)
Total for previous reporting period	46,055	(37,182)	(23,580)	(14,707)	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

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

	<b>General Needs £'000</b>	<b>Supported Housing £'000</b>	<b>Shared Ownership £'000</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
Rent receivable net of service charges	23,247	1,817	961	26,025	24,793
Service charges	1,507	446	55	2,008	1,801
<b>Gross income from rents and service charges</b>	<b>24,754</b>	<b>2,263</b>	<b>1,016</b>	<b>28,033</b>	<b>26,594</b>
Less rent losses from voids	(131)	(72)	-	(203)	(192)
<b>Net income from rents and service charges</b>	<b>24,623</b>	<b>2,191</b>	<b>1,016</b>	<b>27,830</b>	<b>26,402</b>
Grants released from deferred income	9,205	-	-	9,205	13,099
Revenue grants from Scottish Ministers	-	365	-	365	420
Other revenue grants	-	-	-	-	70
<b>Total turnover from affordable letting activities</b>	<b>33,828</b>	<b>2,556</b>	<b>1,016</b>	<b>37,400</b>	<b>39,991</b>
Management and maintenance administration costs	4,116	936	331	5,383	5,502
Service costs	1,606	10	106	1,722	1,663
Planned and cyclical maintenance including major repairs costs	2,111	50	141	2,302	2,047
Reactive maintenance costs	2,838	9	186	3,033	3,211
Bad debts – rents and service charges	212	1	14	227	497
Depreciation of affordable let properties	8,582	22	562	9,166	19,776
<b>Operating costs for affordable letting activities</b>	<b>19,465</b>	<b>1,028</b>	<b>1,340</b>	<b>21,833</b>	<b>32,696</b>
<b>Operating surplus/(deficit) for affordable letting activities</b>	<b>14,363</b>	<b>1,528</b>	<b>(324)</b>	<b>15,567</b>	<b>7,295</b>
Operating surplus/(deficit) for affordable letting activities for the previous reporting period	6,879	750	(334)	7,295	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2020 (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	2020 Operating Surplus /(Deficit) £'000	2019 Operating Surplus /(Deficit) £'000
Wider role activities to support the community	-	-	-	(565)	(565)	(5)
Investment property activities	-	1,619	1,619	-	1,619	2,616
Other income	-	3,915	3,915	(3,902)	13	(197)
Depreciation – Non Social Housing	-	-	-	(486)	(486)	(731)
Organisation Restructuring	-	-	-	-	-	(105)
<b>Total from other activities</b>	-	5,534	5,534	(4,953)	581	1,578
Total from other activities for the previous reporting period	-	6,064	6,064	(4,486)	1,578	

**6. Board members' emoluments**

Board members received £67 (2019: £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 2020 (continued)**

### **7. Key management emoluments**

Key management personnel are employed by another Group subsidiary and have responsibility for planning, directing and controlling activities across all subsidiaries in the Group. The emoluments payable to Group key management personnel are disclosed in the Wheatley Group financial statements. Dunedin Canmore Housing is recharged an appropriate share of the emoluments. For the year ended 31 March 2020 this amounted to £135k (2019: £137k).

There were six senior officers in post at 31 March 2020. Key management personnel in the year were as follows:

Martin Armstrong	Group Chief Executive
Olga Clayton	Group Director of Housing and Care
Elaine Melrose	Group Director of Resources
Graham Isdale	Group Director of Corporate Affairs
Steven Henderson	Group Director of Finance
Tom Barclay	Group Director of Property and Development

### **8. Employees**

	<b>2020 No.</b>	<b>2019 No.</b>
The average monthly number of full time equivalent persons employed during the year was	198	192
The average total number of employees employed during the year was	257	254
	<b>£'000</b>	<b>£'000</b>
Staff costs (for the above persons)		
Wages and salaries	6,671	6,419
Social security costs	771	768
Employer's pension costs	1,946	1,074
FRS 102 pension adjustment	(1,558)	(717)
	<u>7,830</u>	<u>7,544</u>

In addition to the above staff costs the Association incurred agency staff costs of £79k during the year (2019: £229k).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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.

	2020 £'000	2019 £'000
Proceeds from disposal of properties	-	42,200
Value of properties disposed	-	(54,800)
Grant transferred on disposal	-	(12,600)

### 10. Gain/(loss) on disposal of fixed assets

This represents net income from the disposal of fixed assets.

	2020 £'000	2019 £'000
Proceeds from disposal of properties	1,542	1,599
Value of properties disposed	(1,139)	(1,820)
Gain/(loss) on sale of fixed assets	403	(221)

### 11. Finance income

	2020 £'000	2019 £'000
Interest on bank deposits	6	12
	6	12

### 12. Finance charges

	2020 £'000	2019 £'000
Interest on bank borrowings	997	679
Interest on intra group loans	6,396	7,761
Net interest charge on pension liability (note 24)	71	76
Other financing costs	65	49
	7,529	8,565

Other financing costs include commitment and non-utilisation fees.

### 13. Auditor's remuneration

	2020 £'000	2019 £'000
The remuneration of the auditor (excluding VAT) is as follows:		
Audit of these financial statements	16	14

**NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

**14. Financial commitments**

**Capital commitments**

All capital commitments of the Association were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Expenditure contracted for, but not provided in the financial statements	13,801	16,912
Expenditure authorised by the Board, but not contracted	15,911	11,310
	<u>29,712</u>	<u>28,222</u>

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 2020 the Association had no commitments under non-cancellable operating leases.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 15. Tangible fixed assets

#### Social Housing Properties

	General needs £'000	Shared ownership £'000	Housing under construction £'000	Total £'000
<b>Valuation</b>				
At 1 April 2019	284,649	16,952	18,123	319,724
Additions	6,434	-	18,989	25,423
Disposals	(1,244)	(249)	(1,787)	(3,280)
Transfers	12,277	-	(22,464)	(10,187)
Revaluation	154	667	-	821
At 31 March 2020	302,270	17,370	12,861	332,501
<b>Accumulated Depreciation</b>				
At 1 April 2019	-	-	-	-
Charge for year	8,604	562	-	9,166
Disposals	(780)	(15)	-	(795)
Revaluation	(7,824)	(547)	-	(8,371)
At 31 March 2020	-	-	-	-
<b>Net Book Value - Valuation</b>				
At 31 March 2020	302,270	17,370	12,861	332,501
At 1 April 2019	284,649	16,952	18,123	319,724
<b>Net Book Value – Cost</b>				
At 31 March 2020	364,369	21,691	12,861	398,921
At 1 April 2019	354,726	22,487	18,123	395,336

Total expenditure on repairs and capital improvements in the year on existing properties was £11,769k (2019: £12,879k). Of this, repair costs of £5,335k (2019: £5,258k) were charged to the Statement of Comprehensive Income (note 4) with capital improvement of £6,434k (2019: £7,621k) shown as additions to core stock on the Statement of Financial Position. Additions to core stock in the year of £6,434k (2019: £7,621k) in the year include:

- £4,658k for component additions including:
  - £602k on bathrooms;
  - £268k on heating system boilers;
  - £523k on internal works and common areas;
  - £625k on kitchens;
  - £490k on mechanical, electrical and plumbing;
  - £1,423k on structure and roofs; and
  - £727k on windows and doors.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 15. Tangible fixed assets (continued)

- The remaining balance of £1,776k of additions to existing properties not associated with a specific component includes £716k on void improvements £133k of medical adaptations.

Additions to housing under construction include capitalised interest costs of £0.4m (2019: £0.6m). Interest has been capitalised at the weighted average interest cost for the association of 4.89% (2019: 4.68%).

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 2020 on an Existing Use Valuation for Social Housing ("EUV-SH"). Discount rates between 5.75-6.50% have been used depending on the property archetype (2019: 5.75-6.50 % retained stock). The valuation assumes a rental income increase of inflation +0.5% for retained stock, in line with the Association's 30 year Business Plan (2020/21). 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 2020 is shown below:

	2020	2019
<b>Social Housing</b>		
General needs	5,015	4,936
Shared ownership	342	346
Supported housing	219	219
Total Units	5,576	5,501

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 16. Other tangible fixed assets

	Office premises £'000	Office improvements £'000	Other fixed assets £'000	Total £'000
<b>Cost or Valuation</b>				
At 1 April 2019	3,610	3,286	1,396	8,292
Additions	-	184	41	225
Revaluation	15	-	-	15
At 31 March 2020	3,625	3,470	1,437	8,532
<b>Accumulated Depreciation</b>				
At 1 April 2019	-	1,267	1,339	2,606
Charge for year	94	336	56	486
Revaluation	(94)	-	-	(94)
At 31 March 2020	-	1,603	1,395	2,998
<b>Net Book Value</b>				
At 31 March 2020	3,625	1,867	42	5,534
At 31 March 2019	3,610	2,019	57	5,686

Office premises were valued by an independent professional adviser, Jones Lang LaSalle, on 31 March 2020 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
<b>Valuation</b>			
At 1 April 2019	20,045	1,475	21,520
Disposals	(441)	-	(441)
Transfers	10,187	-	10,187
Revaluation taken to operating surplus	(2,725)	20	(2,705)
At 31 March 2020	27,066	1,495	28,561
<b>Net Book Value</b>			
At 31 March 2020	27,066	1,495	28,561
At 31 March 2019	20,045	1,475	21,520

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (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 2020.

The number of properties held for market rent by the Association at 31 March 2020 was:

	2020	2019
<b>Mid market rent properties</b>		
Total Units	290	219

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

	2020 £'000	2019 £'000
Stock at maintenance depot	334	226
	<u>334</u>	<u>226</u>

### 19. Debtors

	2020 £'000	2019 £'000
<b>Due within one year:</b>		
Arrears of rent and service charges	962	884
Adjustment to discount arrears balances with payment plans to NPV	(4)	(4)
Factoring debtors	539	609
Less: provision for bad and doubtful debts	<u>(599)</u>	<u>(502)</u>
	898	987
Prepayments and Accrued Income	705	-
Other debtors	1,870	949
Due from other group companies	1,650	1,292
	<u>5,123</u>	<u>3,228</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 2020 (continued)

### 20. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	344	1,659
Accruals	2,580	2,427
Deferred income (note 21)	6,313	13,841
Rent and service charges received in advance	1,007	823
Other creditors	108	462
Due to other group companies	4,212	2,495
	14,564	21,707

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

	2020 £'000	2019 £'000
Housing loans	33,163	32,677
Due to other group companies	134,845	122,323
Deferred income	2,542	-
	170,550	155,000

### 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 £657.3m from a syndicate of commercial banks, two committed facilities totalling £282.9m 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 £1,490.2m for RSLs within the Wheatley Group to develop new housing. This facility is provided through Wheatley Funding No. 1 Ltd, a wholly-owned subsidiary of the Wheatley Housing Group Limited with DunedinCanmore having access to an intra-group facility of £254.7m, secured on its housing stock. Interest in the year has been charged at 4.89% (2019: 4.68%).

Dunedin Canmore Housing has a £16.5m external loan with The Housing Finance Corporation Limited ("THFC") which is repayable in October 2031. In addition, a £16.0m unsecured loan was agreed with Allia Social Impact Investments Limited in 2018/19; this is repayable in November 2028.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

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

Borrowings are repayable as follows:	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
In less than one year	-	457
In more than one year but less than five years	-	-
In more than five years	168,008	154,543
	<hr/> 168,008	<hr/> 155,000

### Deferred income

The deferred income balance is made up as follows:

	<b>Housing association grant £'000</b>	<b>Other £'000</b>	<b>Total deferred income £'000</b>
Deferred income as at 31 March 2019	12,806	1,035	13,841
Additional income received	5,083	-	5,083
Released to the Statement of Comprehensive Income	(9,965)	(104)	(10,069)
Deferred income as at 31 March 2020	<hr/> 7,924	<hr/> 931	<hr/> 8,855

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

<b>Deferred income to be released to the Statement of Comprehensive Income:</b>	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£'000</b>
In less than one year (note 20)	6,313	13,841
In more than one year but less than five years	2,542	-
	<hr/> 8,855	<hr/> 13,841

### 22. Financial instruments

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets:</b>		
<u>Measured at amortised cost:</u>		
Trade debtors and accrued income	5,123	3,228
	<hr/> 5,123	<hr/> 3,228
<b>Financial liabilities:</b>		
<u>Measured at amortised cost:</u>		
Trade creditors and accruals	17,106	21,707
Bank loans	168,008	155,000
	<hr/> 185,114	<hr/> 176,707

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

### **23. Share capital**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Shares of £1 each issued and fully paid		
At 1 April	82	84
Issued during year	2	-
Surrendered during year	(3)	(2)
	<hr/>	<hr/>
At 31 March	81	82

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"), a multi-employer defined benefit scheme. It 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 2020.

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.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)**

### **24. Pensions (continued)**

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.

### **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:

	<b>31 March 2020</b>	<b>31 March 2019</b>
Discount rate	2.45%	2.60%
Future salary increases	2.20%	2.20% in the first year and 2.00% thereafter
Inflation (CPI)	1.90%	2.35%

In valuing the liabilities of the pension fund at 31 March 2020, mortality assumptions are based on standard mortality tables and include an allowance for future improvements in longevity. The assumptions in 2020 and 2019 are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: male 20.7 years, female 22.9 years (2019: 21.7 and 23.4 years, respectively)
- Future retiree upon reaching 65: male 22.2 years, female 24.6 years (2019: 23.1 and 24.7 years, respectively)

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.

The information disclosed below is in respect of the whole of the plans for which Dunedin Canmore has been allocated a share of cost under an agreed policy throughout the periods shown.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 24. Pensions (continued)

<i>Movements in present value of defined benefit obligation</i>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	<b>26,539</b>	<b>25,566</b>
Expenses	22	20
Interest cost	683	680
Actuarial (gains) / losses	(675)	1,008
Benefits paid	(710)	(735)
Closing defined benefit obligation	<b>25,859</b>	<b>26,539</b>

### *Movements in fair value of plan assets*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of plan assets	<b>23,070</b>	<b>22,389</b>
Actuarial gain	578	75
Expected return on plan assets (excluding net interest on the defined benefit liability)	612	604
Contributions by the employer	1,558	737
Estimated benefits paid	(710)	(735)
Administration costs	-	-
Closing fair value of plan assets	<b>25,108</b>	<b>23,070</b>
<b>Net liability</b>	<b>(751)</b>	<b>(3,469)</b>

### *Expense recognised in Statement of Comprehensive Income*

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Administration costs	22	20
Interest on defined benefit pension plan obligation	71	76
Actuarial (gains) / losses	(1,253)	933
	<b>(1,160)</b>	<b>1,029</b>

The total amount recognised in the Statement of Comprehensive Income in respect of actuarial gains and losses is £1,253k gain (2019: £933k loss).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 24. Pensions (continued)

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Equities	4,995	5,306
Corporate bonds	468	461
Property	9,377	10,382
Alternatives	8,806	6,460
Cash and other	1,462	461
	<u>25,108</u>	<u>23,070</u>
Actual return on plan assets	1,190	679

### 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

Mark Keane

Bryan Pitladdo

Transactions and arrear balances outstanding at 31 March 2020, are as follows:

	<b>2020</b>
	<b>£'000</b>
Rent charged during the year	15
Arrears balances outstanding at 31 March 2020	-

### Other related parties

Related party interests and transactions during the year are as follows:

	<b>Paid in the year</b>	<b>Year end balance</b>
	<b>£'000</b>	<b>£'000</b>
<b>2020</b>		
Pensions Trust Scottish Housing Association Pension Scheme	1,558	-

All transactions were on commercial terms and at arm's length.

There were no other related party transactions during the year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (continued)

### 26. Cash Flow Analysis

Cash flow from operating activities	2020 £'000	2019 £'000
Surplus for the year	15,624	9,568
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets	9,652	20,507
Increase in stock	(108)	(48)
Increase in trade and other debtors	(1,895)	(411)
Increase in trade and other creditors	871	1,271
Pension costs less contribution payments	(1,536)	(717)
<u>Adjustments for investing or financing activities:</u>		
(Gain)/ loss on disposal of tangible fixed assets	(403)	221
Government grants utilised in the year	(10,069)	(13,099)
Interest payable	7,529	8,565
Interest received	(6)	(12)
Movement in fair value of financial instruments	-	17
Loss on investment activities	2,705	10,980
Release of grant on disposal of properties to Lowther	-	12,600
Reversal of previous decrease in the valuation of housing properties	(9,192)	(32,088)
Reversal of previous decrease in the valuation of office properties	(109)	(978)
<b>Net cash inflow from operating activities</b>	<b>13,063</b>	<b>16,376</b>

### 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**

### **Secretary and Registered Office**

Anthony Allison  
Dunedin Canmore Housing Limited  
8 New Mart road  
Edinburgh  
EH14 1RL

### **Independent auditor**

KPMG LLP  
319 St Vincent Street  
Glasgow G2 5AS

### **Banker**

Royal Bank of Scotland  
Glasgow Corporate Office  
Kirkstane House  
139 St Vincent Street  
Glasgow G2 5JF