



Working with our Tenants

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

Report and Financial Statements for the year ended
31 March 2018

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
YEAR ENDED 31 MARCH 2018

CONTENTS

	Page
Board members	2
Executive Management Team	2
Registration Details	2
Advisor Details	3
Report of the Board	4 – 11
Statement of the Board’s Responsibilities	12
Board Statement on Internal Financial Control	13 - 15
Auditors’ Report on Corporate Governance Matters	16
Auditors’ Report to the Members	17 - 19
Group Statement of Comprehensive Income	20
Company Statement of Comprehensive Income	21
Group Statement of Financial Position	22
Company Statement of Financial Position	23
Group Statement of Changes in Equity	24
Company Statement of Changes in Equity	24
Group Statement of Cashflows	25
Company Statement of Cashflows	26
Notes to the financial statements	27 - 52

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
YEAR ENDED 31 MARCH 2018

Board Members

Robert Higgins (Chair)	David McMillan
Robert Carnochan	George McBurnie
Beryl Castle	Heather Macnaughton (co-opted 28 March 2018)
Maureen Dowden (co-opted 28 March 2018)	Stella Milsom (resigned 26 April 2017)
Rose Gowan (appointed 28 September 2017)	Annie Murray
Michael Greaves-Mackintosh (appointed 28 September 2017)	Fred Murray
John Hay	Bill Robertson (Vice Chair)
Robert Love (resigned 28 September 2017)	Jim Steen (Chair of Audit Committee)
Michael Lyons (resigned 25 April 2018)	Elaine Tyler

Executive Management Team

Chief Executive and Company Secretary	Zoe Forster
Director of Finance	Hugh Carr
Director of Housing Services	Jayne Moore

Registration Particulars

Register of Companies	Companies Act 2006 Registered Number: SC220297
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: 315
Office of the Scottish Charity Regulator	Charities and Trustee Investment (Scotland) Act 2005 Charity No. SC039896
Property Factors (Scotland) Act 2011	Property Factor Registered Number PF000358

Registered Office

Grierson House
The Crichton
Bankend Road
Dumfries
DG1 4ZS

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

YEAR ENDED 31 MARCH 2018

Auditors	Armstrong Watson Audit Limited 1st Floor, 24 Blythswood Square Glasgow G2 4BG	
Lenders	Dexia Public Finance Bank 6th Floor, Suite 820 Salisbury House London Wall London EC2M 5QQ	The Housing Finance Corporation plc 4th Floor, 107 Cannon Street London EC4 5AF
	Allia Ltd Future Business Centre King's Hedges Road Cambridge CB4 2HY	
Bankers	Royal Bank of Scotland plc Kirkstane House 139 St Vincent Street Glasgow G2 5JF	Nationwide International Ltd 5-11 St Georges Street Douglas Isle of Man IM99 1RN
	Handelsbanken Lower Ground Floor 206 St Vincent Street Glasgow G2 5SG	Barclays Bank plc 1st Floor Aurora House 120 Bothwell Street Glasgow G2 7JT
	Santander UK plc Customer Service Centre Bootle L30 4GB	Bank of Scotland 6th Floor, 33 Old Broad Street London EC2N 1HZ
Solicitors	Harper MacLeod LLP The Ca'd'oro 45 Gordon Street Glasgow G1 3PE	Clyde and Co 144 West George Street Glasgow G2 2HG
Internal Auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE	

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2018

The Board presents its Strategic Report together with the audited accounts for the year to 31 March 2018.

Legal Status

Dumfries and Galloway Housing Partnership Limited (DGHP) is incorporated in Scotland as a company limited by guarantee under the Companies Act 2006. It is registered with the Scottish Housing Regulator as a Registered Social Landlord under the Housing (Scotland) Act 2010. It is also a Scottish charity, registered with the Office of the Scottish Charity Regulator (OSCR), under the Charities and Trustee Investment (Scotland) Act 2005.

DGHP has two subsidiary companies; Novantie Limited provides commercial and mid market rented properties, and DGHP 3 Limited acts as development agent for the group. These consolidated accounts include the results of all three Group companies.

Memorandum and Articles

DGHP is a Company Limited by Guarantee and does not have a share capital. The liability of the members is limited to £1 each. At 31 March 2018, there were approximately 1,600 members.

Registered Office

The Registered Office of the Company and its subsidiary companies is Grierson House, The Crichton, Bankend Road, Dumfries, DG1 4ZS.

Governance

DGHP is governed by a voluntary Board of upto 15 members. The DGHP Board is elected by the members of the Company. It is the responsibility of the Board to determine the strategy, policy and overall direction of the Company. It also monitors the operational activities of the Company. Board members are unpaid.

At 31 March 2018, there were 13 members. Six of the Board members are tenants of DGHP. The Board meets monthly and is supported by an Audit Committee comprising seven Board members.

The members of the Board are directors for the purposes of company law and each of those members who have served during the year are noted on page 2.

The Boards of Novantie Limited and of DGHP 3 Limited comprise three members appointed by DGHP, who select two further members of each subsidiary's Board. The DGHP Board oversees the activities of Novantie and DGHP 3 within the Group Business Plan.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

Executive Management Team

The Executive Management Team is responsible for achieving the strategy, through undertaking the operational activities in line with the policies and standards set by the Board, and reports to the Board through the Chief Executive.

Strategic Objectives and Activity

DGHP was established in 2003 to receive a transfer of the housing stock of Dumfries and Galloway Council. At March 2018, it owns and manages 10,300 homes across Dumfries and Galloway, of which approximately 800 have been built by DGHP since 2008.

DGHP has set itself the following strategic objectives:

1. To provide good quality and cost effective services to our customers;
2. To improve the quality and sustainability of our housing stock, communities and the environment in a cost-effective way, for the benefit of our customers;
3. To build new affordable housing, to strengthen our communities throughout Dumfries and Galloway;
4. To maximise DGHP's accountability to our customers, and to work effectively with all of our stakeholders and partners for the benefit of local communities;
5. To strive in all areas of management to be a cost effective and well-managed organisation, achieving the highest standards of governance and financial management; and
6. To develop the capacity of our organisation and our people, to achieve continuous improvement in efficiency and in the end results experienced by customers and service users.

The delivery of these objectives is set out annually in the Group's Business Plan, which sets out in detail the environment in which DGHP operates, the demands and risks it faces and how these will be managed.

Key Achievements

Since 2003, DGHP has:

- Invested more than £160 million in our tenants' homes
- Built over 800 new homes across Dumfries and Galloway, as part of mixed tenure regeneration and development programmes
- Achieved the Scottish Housing Quality Standard (SHQS)
- Attracted high levels of investment to the region, benefiting Dumfries and Galloway's economy as well as the tenants and local communities we serve
- Incorporated innovative energy efficiency solutions in our investment and development work, to reduce fuel poverty and reduce carbon emissions
- Provided housing support services to assist our more vulnerable tenants

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

- Taken a sector-leading approach to community involvement in DGHP's activities
- Continuously improved our housing services, resulting in 95% of tenants expressing satisfaction with our services in a large-scale tenant survey in spring 2018
- Embedded a new organisational culture that focuses on the development of our people and on meeting the needs of our customers

Key Priorities

DGHP, like all social landlords, will be working in an environment characterised by risk and uncertainty in the coming years, due to factors such as the prevailing economic climate, uncertainties caused by Brexit and the challenges presented by Welfare Reform. DGHP will continue to be proactive in identifying the risks to our strategic objectives and, where feasible, in taking action to manage and mitigate the risks involved.

In 2018/19, DGHP will focus on the following:

- Continuing to support our tenants and protect DGHP's future income streams, as Universal Credit and other Welfare Reform measures are rolled out at local level
- Maintain rents at affordable and sustainable levels
- Implementing a new Digital Strategy to bring about long-term changes to our tenant communication and customer care
- Improving access to our housing and the sustainability of new tenancies
- Complete the committed development programme which will see another 287 homes completed, across a range of tenures, by 2021
- Implement the investment priorities described in the Plan, which represent a £76million investment in our tenants' homes over the next five years
- Implement DGHP's next generation Asset Management Strategy, and in particular, complete option appraisals on our poorer performing properties
- Maintain our housing at the level set by the SHQS and work towards the new Scottish Government Energy Efficiency for Social Housing (EESH) Standard for 2020
- Maintain the excellent customer satisfaction levels we are currently achieving for our housing and repairs services, and target our improvement our current performance in completing repairs right first time
- Improving customer satisfaction with re-let standards for empty houses; continuing to improve our performance in keeping repairs appointments and achieving first time fixes; while also continuing to run and improve a number of repairs pilot projects in rural areas
- Continue to work towards achieving and demonstrating improved value for money in all our activities, through improved performance reporting, use of benchmarking and new procurement processes

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

None of DGHP's achievements and ambitions would be possible without a strong and supportive corporate function. That strength comes from quality, in financial resources, governance standards, staff skills and development and operational infrastructure. These will all be maintained and developed.

Above all, DGHP is in a healthy financial position, and the Business Plan puts the maintenance of that at the centre of every activity. The quality of our financial performance is evidenced by strong cash collection; good cost control through flexible best value procurement; rigorous scrutiny of regeneration and investment costs, benefits and risks; proactive risk management and planning; strong financial controls and reporting; and committed lenders behind strong funding agreements.

Treasury Management

DGHP has a long term funding agreement with Dexia Public Finance Bank, which provides the funding required to meet investment and regeneration commitments entered into before 2011. At 31 March 2018, total loan commitments to Dexia were £110m (2017 - £110m), from a total facility of £130m. The Company's policy is to manage debt in a prudent and non-speculative manner, and therefore at 31 March 2018 £85m of this loan is subject to interest rates fixed until various dates up to 2030.

DGHP also has a 30 year fixed rate loan with The Housing Finance Corporation plc of £40m. This loan was drawn down in March 2012, and provides sufficient funds for the new build developments currently being delivered with Scottish Government and Dumfries and Galloway Council grant support.

During 2017/18, DGHP negotiated a loan of £5m from Allia Limited, as part of the Scottish Government's Charitable Bonds programme. This loan is for 10 years at a fixed rate of interest, and is additional to a similar loan of £5m negotiated in 2016/17. These funds will be used to fund the development of a further 80 homes for social and mid-market rent.

Business Plan Process

Each year the Board approves the 30 year Business Plan, annual budget and rolling three year Internal Management Plan. Key risk areas are identified and risk management processes implemented. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Board of variances from the budget, updated forecasts for the year, information on the key risk areas and service and performance standards. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Housing Services

DGHP is committed to a high standard of customer service in all its activities. Key to this is the Customer Service Centre, which is the principal point of contact for all customer enquiries, and locally based neighbourhood management and technical staff. The quality and customer satisfaction of these services is closely monitored, and steps are taken to improve them further on an ongoing basis.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

Asset Management and Investment

Since acquiring the housing stock of Dumfries and Galloway Council in 2003, DGHP has invested approximately £160m in bringing its tenants homes to the Scottish Housing Quality Standard, which was achieved at the Scottish Government's deadline of March 2015. The major elements of this programme were the installation of

- modern secure front and rear doors
- modern kitchens and bathrooms, including a significant number of bathrooms adapted for people with mobility needs
- affordable and effective heating systems, including many state of the art low carbon systems to bring affordable heating to all its tenants.

DGHP is now working on achieving the new Energy Efficiency Standard for Social Housing, which the Scottish Government requires RSLs to meet by 2020.

DGHP has developed an asset management strategy that seeks to:

- develop a strategic approach to investing in and restructuring the housing stock
- use DGHP's assets and resources to build stronger communities
- provide housing in line with need across Dumfries and Galloway
- build asset value.

DGHP will therefore continue to improve the quality of its stock through active asset management, which may include demolitions, selective market sales of stock no longer fit for its original purpose, improvements where economically justifiable and new build where the appropriate funding is available.

On a routine basis, DGHP is committed to maintaining its properties to the highest standard. Programmes of cyclical repairs are therefore carried out to deal with the gradual and predictable deterioration of building components, and a comprehensive responsive maintenance service is provided.

Of the total expenditure on works to existing properties in the year, £5,680k (2017: £4,361k) were capitalised, relating to replacement of components. A further £7,128k (2017: £8,455k) was capitalised relating to new built properties.

Regeneration and Development

DGHP, in conjunction with Dumfries and Galloway Council and the Scottish Government, has an ambitious programme of regeneration and new build housing development to meet the high levels of demand for new affordable homes across the region, and will continue to explore opportunities for the provision of new housing in other parts of the region. Full financial appraisals are conducted on each potential development to ensure its viability and affordability before DGHP commits to a development.

During 2017/18, DGHP completed 24 new build properties for rent, plus 9 for sale under the Scottish Government's New Supply Shared Equity scheme.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT OF THE BOARD
YEAR ENDED 31 MARCH 2018

Risk Management

The Board has developed, with advice from internal auditors and insurers, a formal risk management process to identify and assess business risks and implement appropriate risk management strategies. This involved identifying the types of risks the Company faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Board has reviewed the adequacy of the Partnership's current internal controls.

Accordingly the Board has set policies on internal controls which cover the following:

- consideration of the type of risks the Company faces
- the level of risks regarded as acceptable
- the likelihood of risks occurring
- the Company's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained
- defining the appropriate responsibilities of management to implement the Board's policies and to identify and evaluate risks for the Board's consideration
- embedding risk management and effective control systems in the Company's operations
- developing systems to identify, assess and respond quickly to evolving risks in the Company and in the external environment
- including procedures for reporting failings immediately to appropriate levels of management and the Board together with details of corrective action being undertaken

Financial Summary

In the year to 31 March 2018, DGHP generated a surplus of £6,121k (2017 : £5,910k) before tax.

Turnover

Turnover was £46m (2017: £44m). Of this, £40m was the income from the letting of properties at affordable rents. DGHP's policy is to set rents at affordable levels. DGHP also sold 34 properties (2017: 115 properties) under the Scottish Government's New Supply Shared Equity scheme

Operating Costs

Operating costs totalled £33m (2017: £31m). This includes responsive and void repairs of £6.8m (2017: £7.5m); gas and other heating servicing and repairs of £1.3m (2017: £1.4m); staff costs of £7.4m (2017: £8.3m) and overheads of £3.7m (2017: £3.2m).

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

Internal Financial Control

The Board is responsible for establishing and maintaining the Company's system of internal control. Internal control systems are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Board has established with a view to providing effective internal financial control are outlined on page 13.

Big Lottery

During 2011/12, DGHP completed the development of 10 flats in Dumfries for young people leaving care and setting up their own home for the first time, supported by DGHP staff living in the same accommodation. This important project has been supported by the Scottish Government and by the Big Lottery Fund. The Big Lottery Fund is funding the costs of staff, other administration costs and the capital costs of fittings and equipment.

Sales of housing properties

When tenants exercise their Right to Buy, the largest part of the sale proceeds are passed to Dumfries and Galloway Council under the terms of the stock transfer agreement; DGHP retains only a small amount from each sale.

Going Concern

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

Employee Involvement and Health & Safety

The Company encourages employee involvement in all initiatives and holds annual conferences for staff and the Board to agree its objectives. A health and safety report is regularly reviewed by the Board.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training. High quality personnel are seen as an essential part of the control environment and the standards of integrity expected are communicated directly through the Chief Executive.

Employees with disabilities

Applications for employment by people with disabilities are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with DGHP may continue. DGHP's policy is that training, career development and promotion opportunities should be available to all employees.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

REPORT OF THE BOARD

YEAR ENDED 31 MARCH 2018

Charitable Donations and Community Involvement

The Company made no charitable donations in the year (2017: £3,800). DGHP also part funds the Dumfries and Galloway Tenants Federation.

Credit Payment Policy

The Company's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is 26 days. The Company seeks to pay all suppliers within 30 days, subject to the need to ensure costs are properly incurred and invoiced.

Other Information

The directors have included other information, in accordance with s414(C) of the Companies Act 2006, within the strategic report, being information on the future development of the company.

Information for auditors

As far as the Board members are aware there is no relevant audit information of which the auditors are unaware and the Board members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Armstrong Watson Audit Limited has indicated its willingness to continue in office.

Signed by order of the Board



Secretary – Zoe Forster

Date: 15/08/18

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
STATEMENT OF THE BOARD'S RESPONSIBILITIES
YEAR ENDED 31 MARCH 2018

Company law requires the Board to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014. The Board is responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL
YEAR ENDED 31 MARCH 2018

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial operational information and the safeguarding of the Group's assets and interest.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with the Turnbull principles as incorporated in the GPN15: demonstrating internal controls assurance in housing associations.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. The Executive Management Team (EMT) regularly considers and receives reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Documentation of Controls

Written policies and procedures, including Standing Orders and Financial Regulations, cover all key areas, setting out the authority delegated by the Board to the Chief Executive, EMT and staff.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

Environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational and financial and compliance issues including treasury strategy and new investment projects. The Board has adopted and disseminated to all employees a Code of Conduct for Employees. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and deterrence of fraud and corruption (including anti-bribery policy).

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL
YEAR ENDED 31 MARCH 2018

Information and financial reporting systems

The company uses integrated accounting systems, with specialist sub-modules for key activity areas including rent accounting, purchasing and payroll. It has strong procedures for investment and development appraisal and project management, and for procurement of contracts

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and quarterly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the EMT and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Fraud Assurance

As part of its system of internal control the Board has a well-defined and clear policy on fraud. It covers the specific responsibilities all employees and Board Members must adopt in preventing, detecting and reporting fraudulent activity. In addition, a clearly established whistleblowing policy is in place for all staff.

Staffing

All staff are trained in fraud awareness, data protection and anti-bribery processes annually. Staff with financial management and reporting duties are recruited and trained on the basis of job descriptions and person specifications that require the appropriate skills and experience. Processes and systems are designed to ensure that appropriate segregation of duties is in place.

Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Executive directors and report to the Audit Committee. The Audit Committee considers internal control and risk at each of its meetings during the year. The annual Internal Audit programme is informed by an analysis of the risks facing the company, and the programme is approved annually by the Audit Committee.

Role of the Audit Committee

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board. The Board has received this report.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and accounts and is regularly reviewed by the Board.

On behalf of the Group, the Audit Committee has reviewed the effectiveness of the systems of internal financial control in existence for the year ended 31 March 2018.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2018

The Board has reviewed the effectiveness of the system of internal control and is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and that those systems were aligned to an on-going process for the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

By order of the Board

A handwritten signature in black ink, appearing to read 'Zoe Forster', written in a cursive style.

Secretary: Zoe Forster

Date : 15/08/18

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT BY THE AUDITORS TO THE MEMBERS ON CORPORATE GOVERNANCE MATTERS
YEAR ENDED 31 MARCH 2018

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on pages 15 to 17 concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the statement on internal financial control on pages 10 and 11 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls, and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of the Board of Management and Officers of the Company and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Controls contained within the publication "Our Regulatory Framework", and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Armstrong Watson Audit Limited
1st Floor, 24 Blythswood Square
Glasgow
G2 4BG

Date: 23/08/18

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT BY THE AUDITORS TO THE MEMBERS ON CORPORATE GOVERNANCE MATTERS
YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Dumfries and Galloway Housing Partnership (the 'association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 87 of the Co-Operative Community Benefits Society Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Schedule 7 of Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014.

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
REPORT BY THE AUDITORS TO THE MEMBERS ON CORPORATE GOVERNANCE MATTERS
YEAR ENDED 31 MARCH 2018

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Overview of Business and Activities, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Overview of Business and Activities.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED
YEAR ENDED 31 MARCH 2018

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.



Richard Gibson BAcc CA CF
For and on behalf of Armstrong Watson Audit Limited
Chartered Accountants & Statutory Auditors
Floor 1
24 Blythswood Square
Glasgow
G2 4BG

Date: 23/08/18.....

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	46,041	44,050
Operating Costs	2	(33,070)	(31,414)
Operating surplus		<u>12,971</u>	<u>12,636</u>
Loss on disposal of fixed assets		(451)	(531)
Finance income		194	190
Finance charges	5	(7,413)	(7,190)
Other finance (costs)/income		(164)	(127)
Movement in Fair Value of Financial Instruments	25	1,063	968
Surplus on ordinary activities before		<u>6,200</u>	<u>5,946</u>
Taxation	6	(30)	(35)
Surplus for the year		<u>6,170</u>	<u>5,911</u>
Actuarial gain (loss) on pension scheme	20	4,452	(2,297)
Total comprehensive income for the year		<u>10,622</u>	<u>3,614</u>

The results for the year relate wholly to continuing activities.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	2	45,996	43,999
Operating costs	2	(33,104)	(31,424)
Operating surplus		<u>12,892</u>	<u>12,575</u>
Loss on disposal of fixed assets		(451)	(506)
Finance income		194	190
Finance charges	5	(7,413)	(7,190)
Other finance (costs)/income		(164)	(127)
Movement in Fair Value of Financial Instruments	25	1,063	968
Surplus on ordinary activities before tax		<u>6,121</u>	<u>5,910</u>
Taxation	6	0	0
Surplus for the year		<u>6,121</u>	<u>5,910</u>
Actuarial gain (loss) on pension scheme	20	4,452	(2,297)
Total comprehensive income for the year		<u>10,573</u>	<u>3,613</u>

The results for the year relate wholly to continuing activities.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Property, plant & equipment					
Housing properties	7		211,383		208,151
Other Fixed Assets	7		377		412
			<u>211,760</u>		<u>208,563</u>
Investment Properties	8		595		595
Total Fixed Assets			<u>212,355</u>		<u>209,158</u>
Current Assets					
Work in Progress	10		2,776		5,738
Debtors	11		3,689		4,316
Cash in bank and on hand			42,091		32,635
			<u>48,556</u>		<u>42,689</u>
Creditors: Amounts falling due within one year	12		(7,632)		(10,714)
Net current assets			<u>40,924</u>		<u>31,975</u>
Total assets less current liabilities			<u>253,279</u>		<u>241,133</u>
Creditors: Amounts falling due after more than one year	13		(234,266)		(228,795)
Pension liability	20		(2,205)		(6,152)
			<u>(236,471)</u>		<u>(234,947)</u>
Provision for Liabilities			(125)		(125)
Net Assets			<u>16,683</u>		<u>6,061</u>
Reserves					
Revenue reserve			16,088		5,466
Revaluation Reserve			595		595
Total Funds			<u>16,683</u>		<u>6,061</u>

These financial statements were approved by the Board and authorised for issue on and signed on its behalf by:

15/08/18

Secretary – Zoe Forster

Director – Robert Higgins

Company registration number: SC220297

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Property, plant & equipment					
Housing properties	7		212,384		209,055
Other Fixed Assets	7		<u>359</u>		<u>393</u>
			212,743		209,448
Current Assets					
Work in Progress	10		2,776		5,738
Debtors	11		3,686		4,427
Cash in bank and on hand			41,148		31,661
			<u>47,610</u>		<u>41,826</u>
Creditors: Amounts falling due within one year	12		(7,649)		(10,668)
Net current assets			<u>39,961</u>		<u>31,158</u>
Total assets less current liabilities			<u>252,704</u>		<u>240,606</u>
Creditors: Amounts falling due after more than one year	13		(234,247)		(228,775)
Pension liability	20		(2,205)		(6,152)
			<u>(236,452)</u>		<u>(234,927)</u>
Net Assets			<u>16,252</u>		<u>5,679</u>
Reserves					
Revenue reserve			16,252		5,679
Total Funds			<u>16,252</u>		<u>5,679</u>

These financial statements were approved by the Board and authorised for issue on 15/08/18 and signed on its behalf by:

Secretary – Zoe Forster

Director – Robert Higgins

**DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018**

	Revenue reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2017	5,466	595	6,061
Total comprehensive income	10,622		10,622
Released from Revaluation Reserve			0
Balance at 31 March 2018	<u>16,088</u>	<u>595</u>	<u>16,683</u>

**COMPANY STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2018**

	Revenue reserve £'000	Total £'000
Balance at 31 March 2017	5,679	5,679
Total comprehensive income	10,573	10,573
Balance at 31 March 2018	<u>16,252</u>	<u>16,252</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
GROUP STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2018

	Notes	2018		2017	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	18		25,339		18,090
Tax paid			(43)		(28)
Net cash from operating activities			<u>25,296</u>		<u>18,062</u>
Cash flow from investing activities					
Improvement of properties		(6,899)		(5,595)	
Construction of new properties		(7,160)		(8,850)	
Purchase of other fixed assets		(22)		(11)	
Right-to-buy proceeds		114		4,200	
Government grants received		2,655		6,468	
Repayment of RTB proceeds to council		(2,309)		(3,676)	
Net cash from investing activities			<u>(13,621)</u>		<u>(7,464)</u>
Cash flow from financing activities					
Finance income		194		189	
Finance charges		(7,413)		(7,189)	
Bank loans drawn down		5,000		5,000	
Bank loans repaid					
Net cash from financing			<u>(2,219)</u>		<u>(2,000)</u>
Increase/(decrease) in cash and cash equivalents			<u>9,456</u>		<u>8,598</u>
Cash and cash equivalents at the start of year			32,635		24,037
Cash and cash equivalents at end of year			<u>42,091</u>		<u>32,635</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2018

	Notes	2017		2017	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	19		25,287		17,103
Tax paid					0
Net cash from operating			<u>25,287</u>		<u>17,103</u>
Cash flow from investing					
Improvement of properties		(6,899)		(5,620)	
Construction of new properties		(7,128)		(8,455)	
Purchase of other fixed assets		(14)		(11)	
Right-to-buy proceeds		114		4,207	
Government grants received		2,655		6,468	
Repayment of proceeds to council		(2,309)		(3,676)	
Net cash from investing activities			<u>(13,581)</u>		<u>(7,087)</u>
Cash flow from financing					
Finance income		194		190	
Finance charges		(7,413)		(7,190)	
Bank loans drawn down		5,000		5,000	
Bank loans repaid					
Net cash from financing			<u>(2,219)</u>		<u>(2,000)</u>
Increase/(decrease) in cash and cash equivalents			9,487		8,016
Cash and cash equivalents at the start of year			31,661		23,645
Cash and cash equivalents at end of year			<u>41,148</u>		<u>31,661</u>

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

1 Statement of Principal Accounting Policies

- 1.1. The Company is incorporated under the Companies Act 2006 and is registered as a company limited by guarantee with Companies House in Scotland.
- 1.2. The financial statements of the company are prepared in accordance with the Companies Act 2006, the Determination of Accounting Requirements 2014 and in compliance with the Statement of Recommended Practice (SORP), "Accounting by Registered Social Housing Providers 2014" and in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102).

Basis of Preparation

- 1.3. The financial statements are prepared under the historical cost convention and on a going concern basis. To support its operation the Company has in place loan facilities totalling £180m. The Company's activities are based on a long term business plan, which anticipates that it will continue to generate the cashflow required to support and repay its borrowings. The Board believes that with the continuing support of its lenders it is proper to continue to prepare the financial statements on a going concern basis.

Consolidation

- 1.4. In accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the financial statements show the consolidated position of Dumfries & Galloway Housing Partnership Limited and its subsidiaries Novantie Limited and DGHP 3 Limited.

Turnover

- 1.5. Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from the Scottish Ministers and others, and sales of shared equity properties.

Sale of housing properties

- 1.6. Properties are disposed of under the relevant legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.
- 1.7. Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

Improvements

1.8. Improvements are capitalised where they result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- An increase in rental income or
- A material reduction in future maintenance costs or
- A significant extension of the life of the property

1.9. Works to existing properties, which fail to meet the above criteria, are charged to the Comprehensive Statement of Income.

Housing, land and buildings – depreciation

1.10. Housing Properties are stated at cost, less accumulated depreciation.

1.11. Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 75 years
Kitchen	Over 20 years
Bathroom	Over 30 years
Windows	Over 30 years
Rewiring	Over 30 years
Heating-Radiators	Over 25 years
Boiler	Over 10 years
Heating - Green	Over 20 years
Roofs (pitched)	Over 45 years
Roofs (flat)	Over 15 years
Extensions	Over 55 years
Garages	Over 20 years
Aids and Adaptations	Over 20 years

Investment Properties

1.12. Investment properties are accounted for at valuation.

Other fixed assets

1.13. All other fixed assets are initially recorded at cost. Depreciation is charged on a straight line basis at rates estimated to write off costs less any residual value over expected useful lives:

Fixtures, fittings & equipment	over 3 or 5 years
Office property	over 75 years

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

Housing Association Grants (HAG) & Mortgage to Rent Grants (MTR)

- 1.14. HAG and MTR grants are receivable from the Scottish Government and are used to reduce the capital costs of housing properties. Grants received in respect of capital expenditure are credited to the Comprehensive Statement of Income under the accruals method in line with the depreciation rates adopted for the underlying asset to which the expenditure relates. Where following the sale of a property, HAG or MTR grant becomes repayable subject to abatement, it is included as a current liability until repaid. HAG is subordinated in respect of loans by agreement with the Scottish Government. HAG is repayable under certain circumstances.

Other Grants

- 1.15. These include grants from local authorities and other organisations. The capital costs of housing properties are stated net of grants receivable on these properties. Grants in respect of revenue expenditure are credited to the Comprehensive Statement of Income in the same period as the expenditure to which they relate.

Work in Progress

- 1.16. Work in progress relates to New Supply Shared Equity (NSSE) properties and is valued at the lower of cost and net realisable value. Cost comprises the cost of land, development. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.
- 1.17. Grants received for NSSE properties are held as deferred income and released to the Comprehensive Statement of Income in line with the costs incurred.

Investments

- 1.18. Investments in unlisted investments are held at cost.

Financial Instruments

- 1.19. Financial Instruments are classified as basic or non-basic as set out in the SORP and FRS102.
- 1.20. Basic loans are accounted for at amortised cost applying the effective interest method.
- 1.21. Non-basic financial instruments are accounted for at fair value with changes to the fair value taken through the Comprehensive Statement of Income.

Value Added Tax

- 1.22. The Company is VAT registered. Minimal recovery of input VAT is made, and as a result expenditure is shown inclusive of irrecoverable VAT.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

Deferred Taxation

- 1.23. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the Statement of Financial Position where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.
- 1.24. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases and hire purchase contracts – operating leases

- 1.25. Rentals paid under operating leases are charged to income as incurred.

Capitalisation of development overheads.

- 1.26. Directly attributable external development costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice. The Company does not capitalise internal costs.

Development Interest

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

Retirement benefits

- 1.28. Retirement benefits to employees of the Company recruited after October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions are made by DGHP of 10% of salary, and by the employee. Contributions charged to the Comprehensive Statement of Income represent the contributions payable by the company in the year.
- 1.29. Retirement benefits to employees of the Company recruited before October 2003 are provided by the Local Government Pension Scheme (LGPS). This is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.
- 1.30. The Company has fully adopted the defined benefit pension requirements of accounting standard FRS102. The impact of this standard has been reflected throughout the financial statements. For defined benefit schemes the amount charged to the Comprehensive Statement of Income in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

- 1.31. Actuarial gains and losses arising from new valuations and from updating valuations to the date of the Statement of Financial Position are recognised in the Comprehensive Statement of Income.
- 1.32. Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

Estimation and Uncertainty

- 1.33. The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board to exercise judgement in applying the company's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Rent Arrears - Bad Debt Provision

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

Life Cycle of Components

- 1.35. The Company estimates the useful lives of major components of its housing property with reference to surveys carried out by qualified surveyors and specialist advice.

Useful life of properties, plant and equipment

- 1.36. The Company assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

Key Judgements made in the application of Accounting Policies

The Categorisation of Housing Properties

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

Identification of cash generating units

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

DUMFRIES & GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

Financial Instruments

- 1.39. Following guidance from the Financial Reporting Council, the Group and Company and its Board of Management are of the view that the clauses held within the loan agreements do not require these financial instruments, other than the 'non-cancellable call option', to be classified as 'non-basic' financial instruments.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

2 Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business

	GROUP		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Affordable lettings	41,881	(29,196)	12,685
Other Activities	4,160	(3,874)	286
Total	46,041	(33,070)	12,971
2017	44,050	(31,414)	12,636

	COMPANY		
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Affordable lettings	41,876	(29,196)	12,680
Other Activities	4,120	(3,908)	212
Total	45,996	(33,104)	12,892
2017	43,999	(31,424)	12,575

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities - Group

	General Needs Housing	Supported Housing	Other	Total	2017
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of service charges	38,398	1,480	443	40,321	38,983
Service charges	99	96	0	195	176
Gross income from rents and service charges	38,497	1,576	443	40,516	39,159
Less voids	(493)	(55)	(87)	(635)	(588)
Net income from rents and service charges	38,004	1,521	356	39,881	38,571
Revenue grants from the Scottish Ministers	215			215	361
Other revenue grants		734		734	752
Grants released from deferred income	1,034	17	0	1,051	956
Total turnover from social letting activities	39,253	2,272	356	41,881	40,640
Management and maintenance administration costs	10,306	796		11,102	11,350
Service Costs	137	65		202	182
Planned and cyclical maintenance including major repairs costs	3,410			3,410	2,981
Reactive maintenance costs	6,535	195	29	6,759	6,374
Bad debts – rents and service charges	478			478	513
Depreciation of social housing	7,006	226	13	7,245	6,904
Operating costs for social letting activities	27,872	1,282	42	29,196	28,304
Operating surplus for social lettings	11,381	990	314	12,685	12,336
Operating surplus for social lettings for previous period of account	11,083	972	281	12,336	

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities - Company

	General Needs Housing	Supported Housing	Other	Total	2017
	£'000	£'000	£'000	£'000	£'000
Rents receivable net of service charges	38,393	1,480	443	40,316	38,983
Service charges	99	96	0	195	176
Gross income from rents and service charges	38,492	1,576	443	40,511	39,159
Less voids	(493)	(55)	(87)	(635)	(588)
Net income from rents and service charges	37,999	1,521	356	39,876	39,747
Revenue grants from the Scottish Ministers	215			215	361
Other revenue grants	0	734		734	752
Grants released from deferred income	1,034	17	0	1,051	956
Total turnover from social letting activities	39,248	2,272	356	41,876	41,816
Management and maintenance administration costs	10,306	796		11,102	11,350
Service Costs	137	65		202	182
Planned and cyclical maintenance including major repairs costs	3,410			3,410	2,981
Reactive maintenance costs	6,535	195	29	6,759	6,374
Bad debts – rents and service charges	478			478	513
Depreciation of social housing	7,006	226	13	7,245	6,919
Operating costs for social letting activities	27,872	1,282	42	29,196	28,319
Operating surplus for social lettings	11,376	990	314	12,680	13,497
Operating surplus for social lettings for previous period of account	11,068	972	281	12,321	

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

4 Particulars of turnover, operating costs and operating surplus or deficit from other activities - Group

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	2017 Operating surplus / (deficit)
Wider action	0	0	0	0	0	0	(102)	(102)	(65)
Factoring	0	0	0	135	135	8	(243)	(100)	(79)
Development activities	0	0	0	0	0	0	0	0	0
Support activities	0	0	176	0	176	0	(148)	28	(34)
Care activities	0	0	0	0	0	0	0	0	0
Agency/management services	0	0	0	110	110	0	(199)	(89)	(112)
Developments and improvements for sale to non-registered social landlords	0	0	0	3,059	3,059	0	(3,125)	(66)	(88)
Environmental Grants	0	0	0	420	420	0	0	420	419
Commercial Rent	0	0	0	45	45	0	(64)	(19)	31
Other activities	0	0	0	215	215	0	(1)	214	228
Total from other activities	0	0	176	3,984	4,160	8	(3,882)	286	300
2017	0	0	176	3,234	3,410	14	(3,124)	300	

Included in other activities is income in relation to cost recovery e.g. legal costs and staff telephone costs.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

Particulars of turnover, operating costs and operating surplus or deficit from other activities - Company

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	2017 Operating surplus / (deficit)
Wider action	0	0	0	0	0	0	(102)	(102)	(65)
Factoring	0	0	0	135	135	8	(243)	(100)	(79)
Development activities	0	0	0	0	0	0	0	0	0
Support activities	0	0	176	0	176	0	(246)	(70)	0
Care activities	0	0	0	0	0	0	0	0	(49)
Agency/management services	0	0	0	115	115	0	(199)	(84)	(112)
Developments and improvements for sale to non-registered social landlords	0	0	0	3,059	3,059	0	(3,125)	(66)	(88)
Environmental Grants	0	0	0	420	420	0	0	420	419
Other activities	0	0	0	215	215	0	(1)	214	228
Total from other activities	0	0	176	3,944	4,120	8	(3,916)	212	254
2017	0	0	176	3,183	3,359	14	(3,119)	254	

**DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018**

5 Finance charges

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest payable in period	7,413	7,190	7,413	7,190
	<u>7,413</u>	<u>7,190</u>	<u>7,413</u>	<u>7,190</u>

6 Taxation

DGHP has charitable status and its charitable activities are therefore exempt from corporation tax.

Novantie is subject to UK Corporation Tax and was charged £19k current taxation less £6k deferred taxation credit (2017 - £12k current taxation, £6k deferred taxation charge) in the year.

DGHP 3 is subject to UK Corporation Tax and was charged £17k (2017 – £28k) in the year

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

7 Property, plant & equipment – Group – Social Housing Properties

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross Cost			
At 1 April 2017	13,270	249,863	263,133
Additions	4,699	6,535	11,234
Disposals in year	(2)	(1,382)	(1,384)
Transfers	(4,689)	4,689	0
At 31 March 2018	<u>13,278</u>	<u>259,705</u>	<u>272,983</u>
Depreciation			
At 1 April 2017	0	54,982	54,982
Charge for year	0	7,241	7,241
Disposals	0	(623)	(623)
Transfer	0	0	0
At 31 March 2018	<u>0</u>	<u>61,600</u>	<u>61,600</u>
Net book value			
31 March 2018	<u>13,278</u>	<u>198,105</u>	<u>211,383</u>
1 April 2017	<u>13,270</u>	<u>194,881</u>	<u>208,151</u>

Property, plant & equipment – Company – Social Housing Properties

	Housing Properties Under Construction £'000	Housing Properties Held for Letting £'000	Total £'000
Gross Cost			
At 1 April 2017	13,526	250,517	264,043
Additions	4,800	6,535	11,335
Disposals in year	(2)	(1,382)	(1,384)
Transfers	(4,689)	4,689	0
At 31 March 2018	<u>13,635</u>	<u>260,359</u>	<u>273,994</u>
Depreciation			
At 1 April 2017	0	54,988	54,988
Charge for year	0	7,245	7,245
Disposals	0	(623)	(623)
Transfer	0	0	0
At 31 March 2018	<u>0</u>	<u>61,610</u>	<u>61,610</u>
Net book value			
31 March 2018	<u>13,635</u>	<u>198,749</u>	<u>212,384</u>
1 April 2017	<u>13,526</u>	<u>195,529</u>	<u>209,055</u>

None of the Company's properties are held under lease agreements. No material impairment of the Company's housing stock was identified at the year end.

A valuation of 9,139 units of the housing stock secured to Dexia Credit Local London Branch was carried out as at 31 March 2018 for security purposes by Savills (L&P) Limited, which placed the value of the properties on an EUV-SH basis at £276m, which is significantly in excess of the carrying value of the housing property.

A valuation of 1,141 units of the housing stock secured to The Housing Finance Corporation was carried out as at 31 January 2017 for security purposes by Savills (L&P) Limited, which placed the value of the properties on an MV-T basis at £73.6m, which is significantly in excess of the carrying value of the housing property.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

7 Property, plant & equipment – Group – Other Fixed Assets

	Office Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost			
At 1 April 2017	390	2,963	3,353
Additions	0	22	22
Disposals	0	(37)	(37)
At 31 March 2018	390	2,948	3,338
Depreciation			
At 1 April 2017	51	2,890	2,941
Charge for year	5	49	54
Disposals	0	(34)	(34)
At 31 March 2018	56	2,905	2,961
Net book value			
31 March 2018	334	43	377
1 April 2017	339	73	412

Property, plant & equipment – Company – Other Fixed Assets

	Office Property £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost			
At 1 April 2017	390	2,907	3,297
Additions		14	14
Disposals		(37)	(37)
At 31 March 2018	390	2,884	3,274
Depreciation			
At 1 April 2017	51	2,853	2,904
Charge for year	5	40	45
Disposals		(34)	(34)
At 31 March 2018	56	2,859	2,915
Net book value			
31 March 2018	334	25	359
1 April 2017	339	54	393

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

8 Investment Properties

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Property held at Valuation	595	595	-	-

Novantie Ltd owns 16 shops which are held to generate rental income. These properties are stated at valuation. Investment property was valued on an open market basis at 31 May 2016 by MR Rodgers and Partners an independent firms of Chartered Quantity Surveyors.

9 Investments

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Investment in Subsidiary Companies	-	-	4	4

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in Novantie Limited, representing a 100% shareholding. Novantie's principal activity is management of commercial property. At 31 March 2018, the capital and reserves of Novantie Ltd were £719k (2017: £639k), with a profit after taxation for the period of £82k (2017: £33k).

Dumfries and Galloway Housing Partnership Ltd owns 2 ordinary shares of £1 each in DGHP 3 Limited, representing a 100% shareholding. DGHP 3 Ltd's principal activity is to perform design and build contracts. At 31 March 2018, the capital and reserves of DGHP 3 Ltd were £780k (2017: £709k), with a profit after taxation for the period of £71k (2017: £110k).

10 Stock and Work in Progress

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cost of developing shared equity properties	0	2,077	0	2,077
Properties held for sale	2,776	3,661	2,776	3,661
	2,776	5,738	2,776	5,738

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

11 Debtors

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rent arrears	2,196	2,394	2,195	2,388
Less: bad debt provision	(993)	(1,204)	(993)	(1,199)
	1,203	1,190	1,202	1,189
Prepayments and accrued income	421	384	421	384
Amounts owed by group cos			144	169
Other debtors	2,065	2,742	1,919	2,685
	3,689	4,316	3,686	4,427

There are no amounts included in Debtors which are receivable after more than 12 months (2017 - NIL).

12 Creditors – Amounts falling due within one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	2,005	2,310	1,092	1,176
Other tax and social security	178	163	157	163
Accruals and deferred income	259	56	259	56
Rent in advance	393	304	393	304
Amounts owed to Group cos		0	982	1,136
Corporation tax creditor	0	43		0
Other creditors	2,556	4,447	2,525	4,443
NSSE Grant	1,153	2,382	1,153	2,382
Deferred Capital Grant	1,088	1,009	1,088	1,008
	7,632	10,714	7,649	10,668

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

13 Creditors – Amounts falling due after one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loans	161,423	157,486	161,423	157,486
Deferred capital grant	72,843	71,309	72,824	71,289
	<u>234,266</u>	<u>228,795</u>	<u>234,247</u>	<u>228,775</u>

Dexia Credit Local London Branch holds a standard security and floating charge over approximately 9,200 of the company's properties. Interest is payable at rates of 1.45% to 5.46% (2017 1.45% to 5.46%). The loan is repayable in instalments due as follows:

	2018 £'000	2017 £'000
Within 2 - 5 years	0	10,000
In five years or more	110,000	100,000
	<u>110,000</u>	<u>110,000</u>

The Housing Finance Corporation plc holds a standard security over 1,141 of the company's properties. The loan of £40m is repayable in full in October 2043 and interest is fixed at 4.948%. The loan premium of £1.602m received on drawdown in 2012 is being amortised over the life of the loan and at the balance sheet date stood at £Xm (2017 - £1.395m).

The company has borrowed £10m from Allia Ltd (2017 - £5m) under ten year fixed rate loan agreements which form part of the Scottish Government Charity Bonds programme. The loans are unsecured. £5m of principal is repayable in December 2026 and £5m in March 2028. Interest accrues at 3.32% - 3.81% per year and is payable on maturity.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

14 Deferred capital grant

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April 2017	72,318	66,792	72,297	66,770
Grant Received	2,655	6,468	2,655	6,468
Grant Released	(1,042)	(942)	(1,040)	(941)
At 31 March 2018	73,931	72,318	73,912	72,297
Projected Amortisation of Grant				
Amounts to be released in one year	1,090	1,009	1,088	1,008
Amounts to be released in more than one year	72,841	71,309	72,824	71,289
	73,931	72,318	73,912	72,297
Housing Association Grant				
	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April 2017	71,983	66,413	71,982	66,411
Grant Received	2,658	6,475	2,658	6,475
Grant Released	(1,004)	(905)	(1,003)	(904)
At 31 March 2018	73,637	71,983	73,637	71,982
Projected Amortisation of Grant				
Amounts to be released in one year	1,054	969	1,053	968
Amounts to be released in more than one year	72,583	71,014	72,584	71,014
	73,637	71,983	73,637	71,982
Other Grant				
	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 April 2017	335	379	315	359
Grant Received	(3)	(7)	(3)	(7)
Grant Released	(38)	(37)	(37)	(37)
At 31 March 2018	294	335	275	315
Projected Amortisation of Grant				
Amounts to be released in one year	36	40	35	40
Amounts to be released in more than one year	258	295	240	275
	294	335	275	315

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

15 Employees

	Group	
	2018	2017
	£'000	£'000
Staff costs during year		
Wages and salaries	5,837	6,602
Social security costs	600	660
Other pension costs	1,184	1,114
	<u>7,621</u>	<u>8,376</u>

The average full time equivalent number of persons employed during the year was as follows:

	2018	2017
	No	No
Administration and Leasing services	187	202

No member of the Board received any emoluments in respect of their services to the Company or the subsidiary companies.

The Directors are defined as the members of the Board, the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments exceed £60,000 (2016: £60,000 per year).

All the Directors emoluments were paid through the parent company.

	2018	2017
	£'000	£'000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	389	464
Emoluments payable to Highest Paid Director (excluding pension contributions)	116	114

The number of Directors, excluding the highest paid Director, who received emoluments (excluding pension contributions) in the following ranges were:-

	No	No
£90,001 - £100,000	2	3

The Company's pension contributions for the Chief Executive in the year amounted to £25k (2016 £25k).

	2018	2017
	£'000	£'000
Total Board Members' expenses reimbursed insofar as not chargeable to UK Income Tax	<u>12</u>	<u>12</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

16 Auditors' Remuneration

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
The remuneration of the external auditors for the year	31	30	20	19
Auditors' remuneration for non-audit services:				
- Taxation	3	3	1	1
	<u>34</u>	<u>33</u>	<u>21</u>	<u>20</u>

17 Big Lottery

During the year, the company received £84,535 (2017: £161,962) from the Big Lottery Fund in respect of the company's Supported Housing Pathway to Independence project.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

18 Group Statement of Cash Flows

	2018 £'000	2017 £'000
Reconciliation of operating surplus to net cash outflow from operating activities		
Operating surplus	12,971	12,636
Depreciation charges	7,295	6,904
Amortisation of Capital Grants	(1,042)	(956)
Pension adjustment		574
(Increase)/decrease in work in progress	2,962	93
(Increase)/decrease in debtors	721	(560)
(Decrease)/increase in creditors	2,432	(601)
Net cash inflow from operating activities	<u>25,339</u>	<u>18,090</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash for the year	9,456	8,598
Loans received	(5,000)	(5,000)
Loan repayments	0	
Loan amortisation	1,063	968
Change in net debt	<u>5,519</u>	<u>4,566</u>
Net debt as at 1 April 2017	(124,851)	(129,417)
Net debt as at 31 March 2018	<u>(119,332)</u>	<u>(124,851)</u>

Analysis of Changes in net debt

	At 1 April 2017	Cash Flow	Other Items	At 31 March 2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	32,635	9,456		42,091
Debt due within one year				0
Debt due after one year	(157,486)	(5,000)	1,063	(161,423)
	<u>(124,851)</u>	<u>4,456</u>	<u>1,063</u>	<u>(119,332)</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

19 Company Statement of Cash Flows

	2018	2017
	£'000	£'000
Reconciliation of operating surplus to net cash outflow from operating activities		
Operating surplus	12,892	12,575
Depreciation charges	7,290	6,919
Amortisation of Capital Grants	(1,051)	(956)
Pension adjustment	0	0
(Increase)/decrease in work in progress	2,962	63
(Increase)/decrease in debtors	741	(489)
(Decrease)/increase in creditors	2,453	(1,009)
Net cash inflow from operating activities	<u>25,287</u>	<u>17,103</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash for the year	9,487	8,016
Loans received	(5,000)	(5,000)
Loan repayments	0	0
Loan amortisation	1,063	967
Change in net debt	<u>5,550</u>	<u>3,983</u>
Net debt as at 1 April 2017	(125,825)	(129,808)
Net debt as at 31 March 2018	<u>(120,275)</u>	<u>(125,825)</u>

Analysis of Changes in net debt

	At 1 April	Cash Flow	Other	At 31
	£'000	£'000	£'000	£'000
Cash at bank and in hand	31,661	9,487	0	41,148
Debt due within one year	0	0	0	0
Debt due after one year	(157,486)	(5,000)	1,063	(161,423)
	<u>(125,825)</u>	<u>4,487</u>	<u>1,063</u>	<u>(120,275)</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

20 Pension Funds

The Company operates two different pension schemes for its employees. Retirement benefits for employees of the Company recruited since 10 October 2003 are provided by a defined contribution scheme provided by Scottish Widows. Contributions of 10% of salary are made by the employer, and employees may make voluntary contributions. Contributions charged to the Income and Expenditure account represent the contributions payable by the Company in the year.

At 31 March 2018, £NIL was due to be paid over to the defined contribution pension scheme (2017: £40k).

Employees who transferred to or joined the Company before 10 October 2003 belong to the Dumfries and Galloway Council Pension Fund which is part of the Local Government Pension Scheme (LGPS), which is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. In 2017/18, the employer's contribution was 22.8% of pensionable salary (2016/17: 22.8%).

The amounts recognised in the balance sheet are as follows:

	2017 £'000	2016 £'000
Present value of funded obligations	15,911	21,171
Fair value of plan assets	13,706	15,019
(Deficit)	<u>(2,205)</u>	<u>(6,152)</u>
Related deferred tax		
Net (Liability)	<u>(2,205)</u>	<u>(6,152)</u>

Actuarial assumptions

	2017	2016
Rate of increase in salaries	3.20%	4.40%
Rate of limited price indexation increases in pension in payment	2.40%	2.40%
Discount rate	2.70%	2.60%
Expected long rate return on scheme assets		
Post retirement mortality	Based on PFA92 and PMA 92 'year of	

Changes in the present value of the defined benefit obligation are as follows:

	2017 £'000	2016 £'000
Opening defined benefit obligation	21,171	15,587
Current Service cost	807	685
Past Service Cost	16	59
Member Contributions	134	158
Interest cost	560	554
Actuarial (gains) / losses	(6,589)	4,526
Benefits paid	(188)	(398)
Closing defined benefit obligation	<u>15,911</u>	<u>21,171</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

Changes in the fair value of plan assets are as follows:

	2017 £'000	2016 £'000
Opening plan assets	15,019	12,029
Expected return	396	427
Actuarial gains/(losses)	(2,137)	2,229
Contributions by employer	482	574
Contributions by members	134	158
Benefits paid	(188)	(398)
Closing plan assets	<u>13,706</u>	<u>15,019</u>

The amounts recognised in income and expenditure account are as follows:

	2017 £'000	2016 £'000
Current service cost	807	685
Net interest on obligation	164	127
Past service cost	16	59
Total	<u>987</u>	<u>871</u>

Total remeasurements recognised in Other Comprehensive Income:

	2017 £'000	2016 £'000
Actuarial gains / (losses)	<u>2,137</u>	<u>(2,297)</u>

The major categories of plan assets as a percentage of total plan assets are as follows:

	2017	2016
Equities	75%	76%
Bonds	15%	15%
Property	10%	9%
Other	0%	0%
	<u>100%</u>	<u>100%</u>

The company expects to contribute £453k to the scheme in the year to March 2017. The company expects to contribute £375k to its defined contribution scheme in the year to March 2017.

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

21 Commitments – Group and Company

	2018	2017
	£'000	£'000
Expenditure authorised by the Board contracted less certified	<u>17,347</u>	<u>23,713</u>

The commitments include both the costs for long term contracts for major repairs and contracts for the acquisition and construction of new housing developments.

These commitments will be financed by a combination of Housing Association Grants and Other Grants of £5m with the balance to be funded by private finance arranged by DGHP and secured on specific properties, which is already in place.

22 Housing Stock

The number of units in management at 31 March 2017 was as follows:-

	2018	2017
General Needs	9,994	10,001
Supported Housing	303	303
	<u>10,297</u>	<u>10,304</u>

All housing units are owned and managed by the Company.

23 Related Parties

The Company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions with group companies.

Some Board members and some relations of Board members are tenants of the Company. Their transactions with the Company are all conducted on standard terms, as applicable to all tenants. In aggregate, board members and their immediate family were charged rent of £71k in 2017/18 and had arrears of £1,561 at 31 March 2018 (2016:£1,656)

24 Leasing Commitments

At 31 March 2018 the Group and Company had total commitments under non-cancellable operating leases as set out below.

Land and buildings

	2018	2017
	£'000	£'000
Operating leases which expire:		
Within 1 year	135	381
Within 2 to 5 years	10	908
After more than 5 years	2,945	2,247
	<u>3,090</u>	<u>3,536</u>

DUMFRIES AND GALLOWAY HOUSING PARTNERSHIP LIMITED AND SUBSIDIARIES
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2018

25 Financial instruments

The carrying amounts of the Group's financial instruments are as follows:

	2018 £'000	2017 £'000
Financial assets		
Debt instruments measured at amortised cost:		
Trade debtors (note 9)	1,203	1,190
Other debtors (note 9)	2,486	3,126
	<u>3,689</u>	<u>4,316</u>
Financial liabilities		
Measured at fair value through the Statement of Comprehensive Income:		
Derivative financial instruments (note 12)	1,423	2,486
	<u>1,423</u>	<u>2,486</u>
Measured at amortised cost:		
Bank loans (note 11)	160,000	155,000
Trade creditors (note 10)	2,005	2,310
Other creditors (note 10)	5,627	8,404
	<u>167,632</u>	<u>165,714</u>

The income, expenses, net gains and net losses attributable to the Group's financial instruments are summarised as follows:

	2018 £'000	2017 £'000
Net gains (losses) including changes in fair value		
Financial assets measured at fair value	<u>1,063</u>	<u>968</u>

The total interest income and interest expense for financial assets and financial liabilities that are not measured at fair value through profit or loss was £NIL (2017 - £NIL) and £XK (2017 - £5,864K) respectively.

The Group uses derivative financial instruments to manage interest rate risk on borrowings. The fair value of these instruments is determined by reference to the equivalent market rate at the accounting date.

26 Company limited by guarantee

The Company is a company limited by guarantee and does not have a share capital. The liability of the members is limited to £1 each.