LAR Housing Trust

Report and Consolidated Financial Statements

Year Ended: 31st March 2018

LAR Housing Trust is a Scottish Charitable Incorporated Organisation (Charity number SC044825)

Contents

	Page
Trustees' Report	3
Trustees' Responsibilities in Relation to the Financial Statements	7
Independent Auditors' Report to the Trustees of LAR Housing Trust	8
Consolidated Statement of Financial Activities	11
Statement of Financial Activities	12
Consolidated Balance Sheet	13
Balance Sheet	14
Consolidated Statement of Cash Flows	15
Statement of Cash Flows	16
Notes to the Accounts	17

Trustees' Report

The Trustees present their annual report and financial statements for LAR for the year ended 31st March 2018. The financial statements have been prepared in accordance with the accounting policies set out in note 1 of the accounts and comply with LAR's constitution, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014.

Objectives and Activities

LAR's Charitable Objective, as established in its Constitution, is:

- the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage;
  and (as ancillary to that purpose)

- the advancement of community development;

through providing and/or assisting in the provision of housing for rent at affordable levels and (as ancillary to those primary activities) assisting (whether financially or otherwise) with the development or improvement of public open space, and/or other public amenities or facilities, to help to create sustainable and balanced communities in the areas where such affordable housing is located.

It is the aim that LAR provides homes in areas of high demand, to tenants who fall within LAR's target tenant group, at rent levels which sit below those of other properties of equivalent size and quality, in the same or similar geographical areas.

Achievements and Performance

Financial year 2017-18 has been one of substantial growth, with LAR moving from start-up phase to becoming a fully operational charitable enterprise, consolidating its position as a developer and provider of affordable, mid market rental homes. Key achievements include:

- £65M of additional financing agreed with Scottish Widows and Bank of Scotland in July;
- £15.3m invested in new properties during the year, supporting 190 jobs in the Scottish economy;
- 457 homes completed, under construction or under missive with negotiations well underway to achieve our target of 1000 homes by 2022;
- The purchase of LAR's first property within the City of Edinburgh in December, for which LAR has already applied for (and received) planning permission for conversion of an unoccupied office building into 47 spacious apartments. Construction is already in progress;
- LAR's first directly designed and contracted development procured and under construction at Cockenzie;
- All housing and tenant management services migrating to LAR during the financial year and since February 2018, these have been provided internally by LAR to all of LAR's properties;
- LAR's first subsidiary being formed and used to purchase the office building within which LAR's head office is situated, thus allowing LAR the opportunity to expand in the future without the need for costly and disruptive moves;
- staff numbers increasing to ten people, including LAR's first Modern Apprentice and first Trainee Property Manager; and
- LAR gaining accreditation as a Living Wage Employer.

Trustees' Report *(continued)*

Achievements and Performance *(continued)*

These highlights are particularly significant as they not only bring a new funder into the frame for LAR, but also provide confirmation that all key objectives under LAR's current funding have been achieved.

In the past year, LAR has provided new housing opportunities for 127 households. As LAR continues to grow, it will continue to work towards being a landlord and employer of choice and to be recognised as an innovative organisation contributing to increasing affordable housing supply in Scotland with a flexible model which is not dependent on grant or planning gain.

Financial Review

For the year ended 31st March 2018, LAR posted a surplus of £365,000 (2017: surplus of £114,000). Despite the drawdown of additional funding from the new facility during financial year 2018-19 resulting in significant additional outgoings in increased interest payments, the continued addition of new operational properties will allow LAR to continue to remain in good financial health, while meeting its key charitable objectives.

Risk Management

LAR places great importance and priority to ensuring that all aspects of daily operations are conducted within LAR's established risk parameters through the active maintenance of LAR's risk register. The risk register is reviewed on a weekly basis at an operational level and updated to reflect the changing nature of LAR's business as more properties and sites come on stream. The risk register is also reviewed by the board at each quarterly board meeting where existing, new and mitigation of said risks are considered. The risk register, in concert with detailed weekly team meetings, where all aspects of LAR's business are reviewed, are used to gauge and effectively manage risks. Key risks identified include: delay in acquisitions due to build times for new homes, the on-going financial viability of homes purchased, LAR's ability to deliver the required number of homes due to lack of available homes or excessive costs and (in relation to future acquisitions) lack of (or expense of) further funding to increase LAR's portfolio above the initial target level. At a more granular level, key risks include: the security of sites purchased but not yet under construction; the on-going statutory compliance testing of homes under operation and the increase in risk costings for homes in construction.

These risks have been considered by the management team and by Trustees and are being mitigated and reduced by employing the following actions: benchmarking and revising assumptions used in assessing viability and, thereafter, fixing costs going forward, where practicable; setting aside reserves to enable LAR to maintain the attractiveness of its properties; engaging with local authorities and the market at regular intervals to ensure that sufficient purchases can be made; diversifying the routes by which LAR will acquire homes by consideration of LAR developing sites itself; employing specialist security companies to secure sites; carrying out regular monitoring and reviewing of monthly tenant and property data; and working pro-actively with colleagues in the affordable sector to ensure that there is appropriate sharing and use of letting data and other marketing and repair activities.

Plans for Future Periods

The key aim for future periods is to continue to build up LAR's portfolio across Scotland, with desirable, energy efficient homes for the mid-market rental arena in line with its charitable objectives and to become a landlord of choice across Scotland. Geographical areas to be targeted continue to follow high demand, where there is the greatest difference between social and private rent levels, and hence a shortage of appropriate homes for people within LAR's target tenant group. LAR is also looking to build on its current developments to offer a wider range of properties, thus giving tenants whose family size increases/decreases an alternative type and size of home to choose from.

Trustees' Report *(continued)*

Reserves Policy

At the year end, the Trust held £8,884,000 (2017: £2,827,000) of unrestricted reserves. Of these, £459,000 (2017: £371,000) were designated: these funds relate to amounts to cover forecast future maintenance and lifecycle costs which are reserved on a quarterly basis from rental income, following professional advice on lifecycle replacement. Reserving policy will be reviewed and refined in future financial years, once empirical evidence is available as LAR builds up its portfolio of properties.

LAR's Reserving policy will be considered further during the course of this year and developed in subsequent years as LAR's operational experience grows.

Structure, Governance and Management

LAR is a registered Scottish Charitable Incorporated Organisation ('**SCIO**'), charity number SC044825.

The Charities and Trustee Investment (Scotland) Act 2005 bestows a duty on each Trustee, in exercising functions as a charity trustee, to act in the interests of LAR, and, in particular, must:

- seek, in good faith, to ensure that LAR acts in a manner which is in accordance with its purposes;
- act with the care and diligence which it is reasonable to expect of a person who is managing the affairs of another person; and
- ensure that LAR complies with any direction, requirement, notice or duty imposed under or by virtue of the Charities and Trustee Investment (Scotland) Act 2005.

During the year the need for additional Trustees was identified, reflecting LAR's increased areas of growth. Following open advertisement, a large number of applications were considered by LAR's Nomination Committee (which comprises 1 Trustee (Andrew Robertson) and 3 independent, unpaid advisers, in accordance with LAR's constitution). After due consideration the Nomination recommended the appointment of Alister Steele and Rani Dhir to the Board. Alister and Rani were duly appointed as new Trustees at the beginning of the financial year, bringing the number of Independent Trustees up to five Trustees. In addition, Andrew Bruce replaced Barry White as the Partner Trustee appointed by SFTI, and the final Trustee post is filled by the Chief Executive in accordance with the Constitution. All new Trustees received an Induction pack and induction training upon appointment and in addition have visited a number of LAR's developments, meeting some of LAR's tenants.

Key Management Personnel Remuneration

The Trustees consider the Board of Trustees as comprising the key management personnel of the charity in charge of directing and controlling the charity, with the executive team and staff running and operating the charity on a day to day basis. The executive team have delegated authority from the Trustees to operate the day to day management of LAR in accordance with LAR's updated policy on Internal Controls and Delegated Authority. All Trustees give of their time freely and no trustee remuneration (other than a salary to the Chief Executive) was paid in the year. Details of trustee expenses and related party transactions are disclosed in Note 2 to the accounts.

Trustees are required to disclose all relevant interests and register them in the Register of Interests and, in accordance with LAR's policy, withdraw from decisions where a conflict of interest arises.

The pay of the Chief Executive is reviewed annually by the Board of Trustees (excluding the Chief Executive).

Trustees' Report *(continued)*

Reference and Administrative Information

Trustees

Andrew Robertson, Chair
Ann Leslie, Chief Executive
Andrew Bruce, Partner Trustee (appointed 29th December 2017)
Uilleam Cameron
Pamela Woodburn
Alister Steele,
Rani Dhir

Chief Executive

Ann Leslie

Principal Office

Unit F3,
Buchan House
Enterprise Way
Carnegie Campus
Dunfermline
KY11 8PL

Charity Number

SC044825

Auditors

Henderson Loggie
11-15 Thistle Street
Edinburgh
EH2 1DF

Bankers

Bank of Scotland
110 St Vincent Street,
Glasgow
G2 5ER

Solicitors

Corporate:
Burness Paull
120 Bothwell Street
Glasgow
G2 7JL

Conveyancing:
Brodies
110 Queen Street
Glasgow
G1 3BX

Trustees' Report *(continued)*

Trustees' Responsibilities in Relation to the Financial Statements

The Trustees are responsible for preparing a Trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland requires the charity trustees to prepare financial statements for each period which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, of the charity for that period. In preparing the financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the applicable Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006 (as amended), and the provisions of LAR's Constitution They are also responsible for safeguarding the assets of the charity and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

At the time of approving this report, the Trustees are aware of no relevant audit information of which the charity's auditors are unaware and have taken all steps that they ought to have taken, as a Trustee, in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Approved by the Trustees on 27 July 2018 and signed on their behalf by:

[redacted]

Andrew Robertson
Chairman

Independent Auditor's Report to the Trustees of LAR Housing Trust

Opinion

We have audited the financial statements of LAR Housing Trust (the 'group) for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities, the Statement of Financial Activities, the Consolidated Balance Sheet, the Balance Sheet, the Consolidated Statement of Cash Flows, the Statement of Cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 the provisions available for small entities, in the circumstances set out in note 12 to the financial statements. 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 Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group'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 other information comprises the information included in the Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Trustees of LAR Housing Trust *(continued)*

Opinions on other matters prescribed by the Charities Accounts (Scotland) Regulations 2006 (as amended)

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- proper 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.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' responsibilities the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Trustees of LAR Housing Trust *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

This report is made solely to the trustees, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the trustees 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 group and its trustees as a body for our audit work, for this report, or for the opinions we have formed.

[redacted]

Henderson Loggie
Statutory Auditors
(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)
Edinburgh

27 July 2018

LAR Housing Trust

Consolidated Statement of Financial Activities
For the Year ending 31 March 2018

	Note	Unrestricted Funds General £'000	Unrestricted Funds Designated £'000	Total Funds 2018 £'000	Total Funds (Unrestricted) 31 March 2017 £'000
Income from:					
Charitable activities:					
Donations		3	-	3	-
Rental properties		1,177	-	1,177	657
Investments – Bank interest		2	-	2	-
Total income	11	1,182	-	1,182	657
Expenditure on:					
Charitable activities	3	793	24	817	543
Total expenditure	11	793	24	817	543
Net Income/(Expenditure)		389	(24)	365	114
Transfers between funds	11	(112)	112	-	-
Other recognised gains					
Net gains on fixed asset revaluation	11	5,630	-	5,630	2,022
Net movement in funds		5,907	88	5,995	2,136
Total funds brought forward		2,456	371	2,827	691
Total funds carried forward		8,363	459	8,822	2,827

Statement of Financial Activities
For the Year ending 31 March 2018

	Note	Unrestricted Funds General £'000	Unrestricted Funds Designated £'000	Total Funds 2018 £'000	Total Funds (Unrestricted) 31 March 2017 £'000
Income from:					
Charitable activities:					
Donations		3	-	3	-
Rental properties		1,177	-	1,177	657
Investments – Bank interest		2	-	2	-
Total income	11	1,182	-	1,182	657
Expenditure on:					
Charitable activities	3	793	24	817	543
Total expenditure	11	793	24	817	543
Net Income/(Expenditure)		389	(24)	365	114
Transfers between funds	11	(112)	112	-	-
Other recognised gains					
Net gains on fixed asset revaluation	11	5,692	-	5,692	2,022
Net movement in funds		5,969	88	6,057	2,136
Total funds brought forward		2,456	371	2,827	691
Total funds carried forward		8,425	459	8,884	2,827

LAR Housing Trust

Consolidated Balance Sheet
as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets – Housing properties	6	**41,443**	19,596
Tangible assets – Others	7	**34**	6
Total fixed assets		**41,477**	19,602
Current assets			
Cash at bank and in hand		**14,705**	1,432
Debtors	9	**1,526**	6,553
Total current assets		**16,231**	7,985
Liabilities			
Creditors falling due within one year	10	**204**	78
Total current liabilities		**(204)**	(78)
Net current assets		**16,027**	7,907
Total assets less current liabilities		**57,504**	27,509
Creditors: Amounts falling due after more than one year	10	**(48,682)**	(24,682)
Net assets		**8,822**	2,827
The Funds of the Trust			
Unrestricted funds			
General funds	11	**(143)**	(420)
Designated funds	11	**459**	371
Property revaluation reserve	11	**8,506**	2,876
Net assets		**8,822**	2,827

The notes on pages 17 to 30 form part of these accounts.

Approved by the Trustees on 27 July 2018 and signed on their behalf by:

[redacted]

Andrew Robertson
Chairman

Balance Sheet
as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets – Housing properties	6	**40,593**	19,596
Tangible assets – Others	7	**34**	6
Total fixed assets		**40,627**	19,602
Current assets			
Cash at bank and in hand		**14,705**	1,432
Debtors	9	**2,427**	6,553
Total current assets		**17,132**	7,985
Liabilities			
Creditors falling due within one year	10	**193**	78
Total current liabilities		**(193)**	(78)
Net current assets		**16,939**	7,907
Total assets less current liabilities		**57,566**	27,509
Creditors: Amounts falling due after more than one year	10	**(48,682)**	(24,682)
Net assets		**8,884**	2,827
The Funds of the Trust			
Unrestricted funds			
General funds	11	**(143)**	(420)
Designated funds	11	**459**	371
Property revaluation reserve	11	**8,568**	2,876
Net assets		**8,884**	2,827

The notes on pages 17 to 30 form part of these accounts.

Approved by the Trustees on 27 July 2018 and signed on their behalf by:

[redacted]

Andrew Robertson
Chairman

LAR HOUSING TRUST

LAR Housing Trust

Consolidated Statement of Cash Flows as at 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash provided by/(used in) operating activities	12	**5,523**	(6,383)
Cash flows from investing activities			
Purchase of property tangible fixed assets		**(16,217)**	(14,748)
Purchase of other tangible fixed assets		**(33)**	(3)
Net cash used in investing activities		**(16,250)**	(14,751)
Cash flows from financing activities			
Loans		**24,000**	18,832
Net cash provided by financing activities		**24,000**	18,832
Change in cash and cash equivalents in the year		**13,273**	(2,302)
Cash and cash equivalents brought forward		**1,432**	3,734
Cash and cash equivalents carried forward		**14,705**	1,432

Statement of Cash Flows
as at 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash provided by/(used in) operating activities	12	**4,611**	(6,383)
Cash flows from investing activities			
Purchase of property tangible fixed assets		**(15,305)**	(14,748)
Purchase of other tangible fixed assets		**(33)**	(3)
Net cash used in investing activities		**(15,338)**	(14,751)
Cash flows from financing activities			
Loans		**24,000**	18,832
Net cash provided by financing activities		**24,000**	18,832
Change in cash and cash equivalents in the year		**13,273**	(2,302)
Cash and cash equivalents brought forward		**1,432**	3,734
Cash and cash equivalents carried forward		**14,705**	1,432

LAR HOUSING TRUST

LAR Housing Trust

Notes to the Accounts
for the year ended 31 March 2018

1. Accounting Policies

(a) Basis of Preparation and Assessment of Going Concern

The financial statements have been prepared under the historical cost convention with items recognised at historic cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with and comply with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Trust is a Scottish Charitable Incorporated Organisation and constitutes a public benefit entity as defined by FRS 102. The principal office is Buchan House, Carnegie Campus, Enterprise Way, Dunfermline, Fife KY11 8DL

The financial statements have been prepared in Sterling. Monetary amounts in the financial statements are to the nearest £1,000 unless otherwise stated.

The Trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern. The Trust has an active capital programme that will see its operations increase rapidly over the next two years, with new developments being added to LAR's expanding development pipeline on a regular basis. New developments will be fully funded from existing borrowing facilities and the addition of these new units will further strengthen LAR's overall financial position.

(b) Group financial statements

These financial statements consolidate on a line by line basis, the results of the charity and the results of the wholly owned subsidiary, LAR Property Management C.I.C. which was incorporated on 16 March 2018.

(c) Funds structure

Unrestricted funds comprise those funds which the Trustees are free to use for any purpose in furtherance of the charitable objects. These include designated funds where the Trustees, at their discretion, have created a fund for a specific purpose.

(d) Income recognition

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Rental income is recognised from the point when properties become available for letting and is stated net of any voids. The Trust does not currently levy service charges to its tenants. Any service charges levied by the Group, are calculated and administered by managing agents on behalf of the Group to its commercial tenants.

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.

Notes to the Accounts *(continued)*
for the year ended 31 March 2018

1. Accounting policies *(continued)*

(d) **Income recognition** *(continued)*

Bad and doubtful debts (continued)
Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Trust to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings. For more information on this attribution refer to note (g) below.

(e) **Irrecoverable VAT**

Irrecoverable VAT is charged against the expenditure heading for which it was included.

(f) **Allocation of support and governance cost**

Support costs have been allocated between governance costs and other support costs. Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs.

(g) **Charitable activities**

Costs of charitable activities include governance costs and support costs.

(h) **Tangible fixed assets – Housing units**

Housing units are split between:

Completed Properties

Properties under Construction

Properties under construction are recognised at historic cost.

Following practical completion, properties under construction are transferred to completed properties.

Completed properties are initially recognised at market value based on a professional valuation of the market value of the units (with vacant possession) or where any affordable housing obligations apply to any particular units, with a restricted value which takes account of those affordable restrictions and are then professionally valued biennial thereafter. Any uplift above historic cost is recognised through the Statement of Financial Activities as Gains on Valuation and shown as Property Revaluation Reserve within the Funds of the Trust.

Impairment reviews are undertaken whenever there are indications that an issue may materially reduce the valuation. Any identified reductions in valuations are first charged against any prior valuation uplift for the properties in question held within the Property Revaluation Reserve and then directly to the Statement of Financial Activity.

Completed properties and properties under construction are not depreciated.

1. Accounting policies *(continued)*

(i) Tangible fixed assets – Other

Other tangible fixed assets are stated at historic cost less accumulated depreciation. Depreciation is provided on a straight line basis to write off the cost of assets, less any residual value, over the expected economic useful life of each asset class:

Other fixed Assets	Depreciation rate
Computer equipment	33.34%

The estimated useful lives, residual values and depreciation methods are reviewed by class of asset at each year end, with any changes in estimate accounted for on a prospective basis.

(j) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(k) Debtors

Short term debtors are measured at transactional price less any impairment.

(l) Creditors

Short term creditors are measured at transactional price. Other financial liabilities, including loans, are measured at fair value, net of transaction costs, and are measured subsequently using the effective interest method.

(m) Pensions

Employees of the Trust are entitled to join a non-contributory defined contribution scheme. There were £3,637 outstanding contributions at the year end. The costs of the defined contribution scheme are included within support and governance costs and charged to the unrestricted funds of the Trust using the methodology set out in note 4.

The defined contribution plan is managed by Argyle Consulting Limited on behalf of the Trust and the pension contributions made are invested in a Standard Life plc investment fund to build up over the term of the plan.

(n) Leases

Rentals payable under operating leases are charged to the Statement of Financial Activity on a straight-line basis over the lease term.

(o) Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans, which are subsequently measured at amortised cost using the effective interest method.

Notes to the Accounts *(continued)*
for the year ended 31 March 2018

1. Accounting policies *(continued)*

(p) Accounting judgements and estimations

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

Judgments have been made in:

- Determining the appropriate discount rates used in the valuation of housing and investment properties;
- Component accounting and the assessments of useful lives.

2. Related party transactions and Trustees' expenses and remuneration

The Trustees (with the exception of the Chief Executive who is an employee of the Trust) give freely their time and expertise without any form of remuneration or other benefit in cash or kind. Details of the remuneration made to the Chief Executive as an employee of the Trust can be found in Note 4. The Chief Executive receives no additional remuneration by virtue of her position as a Trustee. Expenses were paid to the Trustees in the year totaling £1,559 *(2017: £3,237 and to 3 trustees)*. These expenses were made up of 5 trustees reimbursed for their travel expenses.

The Trust made £34,714 *(2017: £21,602)* contributions to the pension plan operated by Standard Life plc during the year on behalf of the employees. For more information about the pension contributions refer to note 1(n) above.

Scottish Futures Trust Investments Limited ('SFTi') has the right to appoint a Partner Trustee to the Board of Trustees. Andrew Bruce is the nominated Partner Trustee.

The Trust is a member of Our Power to which it pays an annual subscription of £252. One of its Trustees, Alister Steele is also the current chair of Our Power.

3. Charitable activities.

	Activities undertaken currently £000	**Support costs £000**	**2018 £000**	2017 £000
Housing provision	**600**	**119**	**719**	424
Governance costs	**40**	**58**	**98**	119
Total	**640**	**177**	**817**	543

The breakdown of support costs and how these were allocated between governance and other support costs is shown in the table below:

	Allocation basis	**Total £000**	**Governance related £'000**	**Other support £'000**
Staff costs	Staff time	**123**	**41**	**82**
Property costs	Staff time	**7**	**2**	**5**
Finance costs	Staff time	**38**	**12**	**26**
Other cost	Staff time	**9**	**3**	**6**
Total		**177**	**58**	**119**

3. Charitable activities *(continued)*

Governance cost:

	2018 £'000	2017 £'000
Trustee expenses	**2**	3
Auditors' remuneration	**12**	6
Legal and professional	**26**	27
Support costs	**58**	83
	98	119

4. Analysis of staff costs and remuneration of key management personnel

	2018 £'000	2017 £'000
Salaries and wages	**308**	208
Social Security costs	**30**	20
Pension contributions	**35**	22
Total	**373**	250

The average number of employees during the year was 6 (*2017: 4*).

The Trust considers its key management personnel comprise the trustees (including the Chief Executive) and an executive team which comprises of the Director for Finance and Corporate Services and the Operations Director. The total employment benefits including employer pension contributions of the key executive team were £204,011 (*2017: £121,511*).

	2018 No	2017 No
£90,000 - £99,999	**1**	1

5. Auditors' remuneration

The auditors' remuneration constituted an audit fee of £12,000 incl VAT (*2017: £5,886*).

Notes to the Accounts *(continued)* for the year ended 31 March 2018

6. Tangible fixed assets – Housing properties

GROUP	Completed Properties £'000	Properties Under Construction £'000	Total £'000
Cost or valuation			
At 1 April 2017	**19,487**	**109**	**19,596**
Additions	**11,340**	**4,877**	**16,217**
Transfers	**17**	**(17)**	**-**
Revaluation	**3,170**	**2,460**	**5,630**
At 31 March 2018	**34,014**	**7,429**	**41,443**
Depreciation			
At 1 April 2017	-	-	-
Depreciation			
At 31 March 2018			
Net book value at 31 March 2017	19,487	109	19,596
Net book value at 31 March 2018	**34,014**	**7,429**	**41,443**

Standard Securities exists over the completed housing properties and development sites of the Trust in favour of the Security Trustee in relation to the Scottish Ministers' and Scottish Widows loans (see Note 9). A Standard Security has been granted by LAR Property Management C.I.C. in favour of the Trust in respect of a loan provided to the C.I.C by the Trust.

The sites included within completed properties (and the Bonnyrigg and Cockenzie sites within properties under construction) were subject to valuations undertaken by independent professional valuers in line with the Royal Institute of Chartered Surveyors Valuation guidance.

The original cost of these properties is £32,937,000 (*2017: £16,720,000*).

6. Tangible fixed assets – Housing properties *(continued)*

TRUST	Completed Properties £'000	Properties Under Construction £'000	Total £'000
Cost or valuation			
At 1 April 2017	**19,487**	**109**	**19,596**
Additions	**10,429**	**4,876**	**15,305**
Transfers	**17**	**(17)**	**-**
Revaluation	**3,231**	**2,461**	**5,692**
At 31 March 2018	**33,164**	**7,429**	**40,593**
Depreciation			
At 1 April 2017	-	-	-
Depreciation	-	-	-
At 31 March 2018	-	-	-
Net book value at 31 March 2017	19,487	109	19,596
Net book value at 31 March 2018	**33,164**	**7,429**	**40,593**

Standard Securities exist over the completed housing properties and development sites of the Trust in favour of a security trustee in relation to the Scottish Ministers' and Scottish Widows loans (see Note 10).

All the sites included within completed properties (and the Bonnyrigg and Cockenzie sites within properties under construction), were subject to valuations undertaken by professional valuers in line with the Royal Institute of Chartered Surveyors Valuation guidance.

The original cost of these properties is £32,025,000 (*2017: £16,720,000*).

Notes to the Accounts *(continued)* for the year ended 31 March 2018

7. Tangible fixed assets - Others

GROUP	Computer Equipment
	£'000
Cost	
At 1 April 2017	10
Additions	33
At 31 March 2018	**43**
Depreciation	
At 1 April 2017	4
Depreciation	5
At 31 March 2018	**9**
Net book value at 31 March 2017	6
Net book value at 31 March 2018	**34**

TRUST	Computer Equipment
	£'000
Cost	
At 1 April 2017	10
Additions	33
At 31 March 2018	**43**
Depreciation	
At 1 April 2017	4
Depreciation	5
At 31 March 2018	**9**
Net book value at 31 March 2017	6
Net book value at 31 March 2018	**34**

8. Investments

LAR Housing Trust has 100% investment in LAR Property Management CIC, SC591592, a CIC registered in Scotland. The value of the share capital is £100.

LAR Property Management C.I.C. has been established to own and operate the commercial property in which the Trust's offices are also located and to provide factoring and property management services to the Trust in respect of properties held by the Trust that share comment parts with third parties,

9. Debtors

	Group 2018 £'000	Trust 2018 £'000	Group 2017 £'000	Trust 2017 £'000
Trade debtors	58	66	92	92
Other debtors	1,268	1,256	6,445	6,445
Prepayments	41	41	16	16
Amount owned by subsidiary	-	1,064	-	-
Taxation	159	-	-	-
Total	**1,526**	**2,427**	6,553	6,553

10. Analysis of Current Liabilities and Long Term Creditors

Creditors under one year	Group 2018 £'000	Trust 2018 £'000	Group 2017 £'000	Trust 2017 £'000
Trade creditors	171	160	35	35
Accruals	29	29	32	32
Taxation and Social Security costs	4	4	11	11
Total	**204**	**193**	78	78

Creditors over one year	Group and Trust 2018 £'000	Group and Trust 2017 £'000
Loan	**48,682**	24,682
Total	**48,682**	24,682

The Scottish Ministers have provided a 25 year £55m funding facility. Principal is repaid based on the trading performance of the Trust and must be repaid in full by 1st September 2040. Interest is charged at a concessionary rate and is paid semi-annually in arrears.

Scottish Widows have provided a £65m funding facility, also fully repayable by September 2040. Principal is repaid in set installments over the life of the loan and interest is payable semi annually in arrears. The funding is secured by Standard Securities over the housing properties of the Trust, as referred to above.

Notes to the Accounts *(continued)* for the year ended 31 March 2018

11. Analysis of Trust Funds

GROUP Analysis of fund movements	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation gains £'000	Fund c/fwd £'000
Unrestricted funds						
General funds	(420)	1,182	(793)	112	-	81
Designated funds	371	-	(24)	(112)	-	235
Property revaluation reserve	2,876	-	-	-	5,630	8,506
Total	2,827	1,182	(817)	-	5,630	8,822

Analysis of fund movements - 2017	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation gains £'000	Fund c/fwd £'000
Unrestricted funds						
General funds	(169)	657	(543)	(365)	-	(420)
Designated funds	6	-	-	365	-	371
Property revaluation reserve	854	-	-	-	2,022	2,876
Total	691	657	(543)	-	2,022	2,827

11. Analysis of Trust Funds *(continued)*

TRUST Analysis of fund movements	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation gains £'000	Fund c/fwd £'000
Unrestricted funds						
General funds	(420)	1,182	(793)	112	-	81
Designated funds	371	-	(24)	(112)	-	235
Property revaluation reserve	2,875	-	-	-	5,692	8,568
Total	2,827	1,182	(817)	-	5,692	8,68

Analysis of fund movements - 2017	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation gains £'000	Fund c/fwd £'000
Unrestricted funds						
General funds	(169)	657	(543)	(365)	-	(420)
Designated funds	6	-	-	365	-	371
Property revaluation reserve	854	-	-	-	2,022	2,876
Total	691	657	(543)	-	2,022	2,827

The unrestricted funds are available to be spent for any of the purposes of the charity. The designated fund relates to forecast life cycle maintenance costs of properties where funds are set side in accordance with technical advice received from Arcadis.

Notes to the Accounts *(continued)* for the year ended 31 March 2018

11. Analysis of Trust Funds *(continued)*

Analysis of net asset between funds

GROUP	Unrestricted Funds (including Property Revaluation Reserve) 2018 £'000	Unrestricted Funds (including Property Revaluation Reserve) 2017 £'000
Tangible fixed assets	**41,477**	19,602
Net current assets	**16,027**	7,907
Creditors: Amounts falling due after more than one year	**(48,682)**	(24,682)
Net cash used in operating activities	**8,822**	2,827

Analysis of net asset between funds

TRUST	Unrestricted Funds (including Property Revaluation Reserve) 2018 £'000	Unrestricted Funds (including Property Revaluation Reserve) 2017 £'000
Tangible fixed assets	**40,627**	19,602
Net current assets	**16,939**	7,907
Creditors: Amounts falling due after more than one year	**(48,682)**	(24,682)
Net cash used in operating activities	**8,884**	2,827

12. Reconciliation of net movement in funds to net cash flow from operating activities

GROUP	2018 £'000	2017 £'000
Net movement in funds	**5,995**	2,136
Add back: Depreciation charge	**5**	3
Deduct: Gains on tangible fixed asset valuation	**(5,630)**	(2,022)
(Increase) in debtors	**5,027**	(6,542)
Increase in creditors	**126**	42
Net cash used in operating activities	**5,523**	(6,383)

12. Reconciliation of net movement in funds to net cash flow from operating activities *(continued)*

TRUST	2018 £'000	2017 £'000
Net movement in funds	**6,057**	2,136
Add back: Depreciation charge	**5**	3
Deduct: Gains on tangible fixed asset valuation	**(5,692)**	(2,022)
(Increase) in debtors	**4,126**	(6,542)
Increase in creditors	**115**	42
Net cash used in operating activities	**4,611**	(6,383)

13 Financial instruments

GROUP	2018 £'000	2017 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	**1,326**	6,537
Carrying amount of financial liabilities		
Measured at amortised cost	**48,882**	24,749

TRUST	2018 £'000	2017 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	**2,386**	6,537
Carrying amount of financial liabilities		
Measured at amortised cost	**48,871**	24,749

Debt instruments measured at amortised cost comprises trade debtors.

Liabilities measured at amortised cost comprises trade creditors, accruals and loans.

Notes to the Accounts *(continued)* for the year ended 31 March 2018

14 Capital commitments

	2018 £'000	2017 £'000
Capital commitments	**23,439**	6,709

These capital commitments are based on the Trust's current confirmed pipeline of developments in respect of which contracts or missives have been concluded.

15. Leasing commitments

The Trust's future minimum operating lease payments are as follows:

	2018 £'000	2017 £'000
Within one year	**15**	5
Between 1 and 5 years	**14**	-
	29	5
Lease payments recognized as an expense	**15**	10

16 Rental income from operating leases

LAR owns housing properties as disclosed in note 7 that are let to third parties

Non-cancellable leases are in place with these third parties that entitles LAR to the following future minimum rentals:

	2018 £'000	2017 £'000
Not later than one year	**128**	110