

LAR Housing Trust

Report and Consolidated Financial Statements

Year Ended: 31st March 2019



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

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Trustees' Report

The Trustees present their annual report and financial statements for LAR for the year ended 31st March 2019. 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

2018-2019 was a year of consolidation for LAR, with a strong focus on working with LAR's tenants and contractors to optimise performance and lay the groundwork for the considerable increase in unit numbers which will come through the planning and construction cycle in financial year 2019-20. Highlights for the year include:

- completion of LAR's first design and build project at Cockenzie – a fabulous development which has drawn compliments from every quarter. This development has changed the landscape of the community in which it is situated, giving a real sense of arrival for those entering the village and joining up an important section of the John Muir Way, at the mouth of the harbour. We are very grateful to the Minister for Housing and Planning, Kevin Stewart for opening this development for LAR in October;
- LAR's second own build project and first conversion of an existing commercial building, Westwood House, commenced construction during the year following a competitive tender process and is due to complete in summer 2019
- The pipeline for future projects is also looking very healthy, allowing much of the focus for 2019-20 to be on delivery of the current pipeline, given the considerable number of homes completing during the year;
- On the finance side, drawdown of the first £32,500,000 tranche of private finance occurred smoothly in July and Bank of Scotland and Scottish Widows continue to provide strong support for LAR. A strong surplus for the year was returned, despite making payment of interest on this private finance, prior to its utilization;

Trustees' Report *(continued)*

Achievements and Performance *(continued)*

- On operations, all properties reverted to LAR for internal management shortly before the beginning of the financial year. This has enabled LAR to learn a lot about its tenants, their housing preferences and plans for the future. As such, this has enabled LAR to re-assess housing need and demand across the country, re-focusing its efforts on constructing homes in the areas and of the types that tenants most wish to live in. This information is now instrumental in informing LAR's building and buying choices for the remainder of its current funding availability;
- Operationally LAR has also carried out improvements to some of the 274 homes in operation, with better outside space being provided for families thanks to private garden areas being created around individual homes where voted for by tenants;
- 137 new tenancies have been created through the year, with many tenants recommending LAR to others or returning to us, as their geographical locations change; and
- LAR has also struck up good working relationships with others in the charitable sector, with regular dialogue now being carried out with organisations such as Carr Gomm, whose caring approach to people in need of care dovetails perfectly with LAR's approach in providing new good quality homes.

Financial Review

For the year ended 31st March 2019, LAR posted a surplus of £416,000 (2018: surplus of £365,000). 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.

Throughout the year LAR has continued to deliver charitable benefit to its tenants and whilst it is worth noting that the primary reason that many tenants apply for a LAR home is related to the quality and suitability of the home and security in tenure that LAR provides, in central belt areas LAR's tenants have received an average saving of an additional 21.23% or £1,784 per annum in comparison to median market rents.

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 and the number of tenants grows. 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 completions of new homes, the on-going financial viability of homes purchased, 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 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 an increase in LAR developing sites itself; carrying out regular monitoring and reviewing of monthly tenant and property data; and working pro-actively with colleagues in the affordable and charitable sector to ensure that there is appropriate sharing and use of letting data and other marketing and repair activities.

Trustees' Report *(continued)*

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.

Reserves Policy

At the year end, the Trust held £7,036,000 (2018: £8,884,000) of unrestricted reserves. Of these, £653,000 (2018: £459,000) 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.

There were no changes to the Trust board during the year. It is noted however that several Trustees are due to retire from the board at the AGM to be held during 2019 as their four year term will expire. As such the nominations committee was re-formed shortly after the year end and one new Trustee, Philip Rodney was appointed to the Board on 26th April 2019. Uilleam Cameron also stepped down from the board on 26th April 2019, at the final board meeting prior to the expiry of his four year term and is gratefully thanked by the Board for all his services to LAR during his tenure as Trustee.

It is expected that several new appointments will be made during the year 2019-20. All new Trustees receive an Induction Pack and induction training (including meeting with some of LAR's beneficiaries and visiting LAR's developments) upon appointment. During the year, several of LAR's Trustees have visited a number of LAR's developments (both during construction and once they are operational), meeting some of LAR's partners in building and tenants.

Trustees' Report *(continued)*

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).

Reference and Administrative Information

Trustees

Andrew Robertson, Chair
Ann Leslie, Chief Executive
Andrew Bruce, Partner Trustee
Uilleam Cameron (resigned 26th April 2019)
Pamela Woodburn
Alister Steele
Rani Dhir
Philip Rodney (appointed 26th April 2019)

Chief Executive

Ann Leslie

Principal Office

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

Charity Number

SC044825

Auditors

MHA Henderson Loggie
11-15 Thistle Street
Edinburgh
EH2 1DF

Bankers

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

Trustees' Report *(continued)*

Reference and Administrative Information *(continued)*

Solicitors

Corporate:

Burness Paull
50 Lothian Road
Festival Square
Edinburgh
EH3 9WJ

Conveyancing:

Brodies
110 Queen Street
Glasgow
G1 3BX

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 15th July 2019 and signed on their behalf by:

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 2019 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 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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 18 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.



Andrew Niblock (Senior Statutory Auditor)
for and on behalf of MHA Henderson Loggie
Chartered Accountants
Statutory Auditor

(Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006)

MHA Henderson Loggie is a trading name of Henderson Loggie LLP

15th July 2019

Ground Floor
11-15 Thistle Street
Edinburgh
EH2 1DF

LAR Housing Trust

Consolidated Statement of Financial Activities For the Year ending 31 March 2019

	Note	Unrestricted Funds General £'000	Designated £'000	Total Funds 2019 £'000	Total Funds (Unrestricted) 31 March 2018 £'000
Income from:					
Charitable activities:					
Donations		-	-	-	3
Rental properties		1,628	-	1,628	1,177
Other trading activities					
- Trading subsidiary income		95	-	95	-
Investments – Bank interest		295	-	295	2
Other income		3	-	3	-
Total income	12	2,021	-	2,021	1,182
Expenditure on:					
Raising funds – Trading subsidiary costs	3	(89)	-	(89)	-
Charitable activities	3	(1,470)	(68)	(1,538)	817
Total expenditure	12	(1,559)	(68)	(1,627)	817
Net Income/(expenditure)		462	(68)	394	365
Transfers between funds	12	(262)	262	-	-
Other recognised gains/(losses)					
Net gains/(losses) on fixed asset revaluation	12	(2,148)	-	(2,148)	5,630
Net movement in funds		(1,948)	194	(1,754)	5,995
Total funds brought forward		8,363	459	8,822	2,827
Total funds carried forward		6,415	653	7,068	8,822

LAR Housing Trust

Statement of Financial Activities For the Year ending 31 March 2019

		Unrestricted Funds		Total Funds	Total Funds (Unrestricted)
	Note	General £'000	Designated £'000	2019 £'000	31 March 2018 £'000
Income from:					
Charitable activities:					
Donations		-	-	-	3
Rental properties		1,628	-	1,628	1,177
Investments:					
Bank interest		294	-	294	2
Interest on loan to subsidiary		37	-	37	-
Other income					
Management recharge from subsidiary		5	-	5	-
Other		3	-	3	-
Total income	12	1,967	-	1,967	1,182
Expenditure on:					
Charitable activities	3	(1,483)	(68)	(1,551)	817
Total expenditure	12	(1,483)	(68)	(1,551)	817
Net Income/(Expenditure)		484	(68)	416	365
Transfers between funds	12	(262)	262	-	-
Other recognised gains/(losses)					
Net gains/(losses) on fixed asset revaluation	12	(2,264)	-	(2,264)	5,692
Net movement in funds		(2,042)	194	(1,848)	6,057
Total funds brought forward		8,425	459	8,884	2,827
Total funds carried forward		6,383	653	7,036	8,884

LAR Housing Trust
Consolidated Balance Sheet
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets – Housing properties	6	51,646	41,443
Tangible assets – Others	7	16	34
Total fixed assets		<u>51,662</u>	<u>41,477</u>
Current assets			
Cash at bank and in hand		43,110	14,705
Debtors	9	886	1,526
Total current assets		<u>43,996</u>	<u>16,231</u>
Liabilities			
Creditors falling due within one year	10	(1,069)	(204)
Total current liabilities		<u>(1,069)</u>	<u>(204)</u>
Net current assets		<u>42,927</u>	<u>16,027</u>
Total assets less current liabilities		<u>94,589</u>	<u>57,504</u>
Creditors: Amounts falling due after more than one year	10	(87,500)	(48,682)
Provisions	11	(21)	-
Net assets		<u>7,068</u>	<u>8,822</u>
Funds			
Unrestricted funds			
General funds	12	57	(143)
Designated funds	12	653	459
Property revaluation reserve	12	6,358	8,506
Total funds		<u>7,068</u>	<u>8,822</u>

The notes on pages 17 to 33 form part of these accounts.

Approved by the Trustees on 15th July 2019 and signed on their behalf by:

Andrew Robertson
Chairman

LAR Housing Trust

Balance Sheet as at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets – Housing properties	6	50,645	40,593
Tangible assets – Others	7	16	34
Total fixed assets	8	50,661	40,627
Investments		-	-
Current assets			
Cash at bank and in hand		43,008	14,705
Debtors	9	1,895	2,427
Total current assets		44,903	17,132
Liabilities			
Creditors falling due within one year	10	(1,028)	193
Total current liabilities		(1,028)	(193)
Net current assets		43,875	16,939
Total assets less current liabilities		94,536	57,566
Creditors: Amounts falling due after more than one year	10	(87,500)	(48,682)
Net assets		7,036	8,884
Funds			
Unrestricted funds			
General funds	12	79	(143)
Designated funds	12	653	459
Property revaluation reserve	12	6,304	8,568
Total funds		7,036	8,884

The notes on pages 17 to 33 form part of these accounts.

Approved by the Trustees on 15th July 2019, and signed on their behalf by:

Andrew Robertson
Chairman



LAR Housing Trust
Consolidated Statement of Cash Flows
as at 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash provided by/(used in) operating activities	13	2,330	5,554
Cash flows from investing activities			
Purchase of property tangible fixed assets		(12,397)	(16,217)
Purchase of other tangible fixed assets		(9)	(33)
Investment income		295	2
Net cash used in investing activities		(12,111)	(16,248)
Cash flows from financing activities			
Loans received		38,818	24,000
Interest paid		(632)	(33)
Net cash provided by financing activities		38,186	23,967
Change in cash and cash equivalents in the year		28,405	13,273
Cash and cash equivalents brought forward		14,705	1,432
Cash and cash equivalents carried forward		43,110	14,705

LAR Housing Trust

**Statement of Cash Flows
as at 31 March 2019**

	Note	2019 £'000	2018 £'000
Net cash provided by/(used in) operating activities	13	2,066	5,706
Cash flows from investing activities			
Purchase of property tangible fixed assets		(12,316)	(15,305)
Purchase of other tangible fixed assets		(9)	(33)
Investment income		331	2
Movements on capital element of loan to subsidiary		45	(1,064)
Net cash used in investing activities		(11,949)	(16,400)
Cash flows from financing activities			
Loans received		38,818	24,000
Interest paid		(632)	(33)
Net cash provided by financing activities		38,186	23,967
Change in cash and cash equivalents in the year		28,303	13,273
Cash and cash equivalents brought forward		14,705	1,432
Cash and cash equivalents carried forward		43,008	14,705

LAR Housing Trust
Notes to the Accounts
for the year ended 31 March 2019

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) 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 2019.

(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.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

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 as the trustees believe their residual values exceed their carrying values.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

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
Fixtures, fittings and computer equipment	20% - 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 £4,557 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.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

1. Accounting policies *(continued)*

(p) Accounting judgements and estimations

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

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.

(q) Taxation

The Trust is recognized by the Office of the Scottish Charity Regulator as a charity and is approved as such by HM Revenue and Customs for Taxation purposes. As such, there is no liability to taxation on any of its income.

The Trust's subsidiary is subject to taxation. The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

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. The Chief Executive receives no additional remuneration by virtue of her position as a Trustee. The Chief Executive, Ann Leslie, was paid gross salary of £94,186 (2018: £91,800), car allowance of £9,419 (2018: 7,999) and employer pension contributions of £10,360 (2018: £10,098). Expenses were paid to the Trustees in the year totaling £964 (2018: £1,559). These expenses were made up of 3 trustees (2018: 5 trustees) reimbursed for their travel expenses.

The Trust made £44,387 (2018: £34,714) 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 Community Benefit Society which appointed joint administrators on 19 February 2019. Our Power Energy Supply Ltd, a trading society of the community benefit society provided LAR with energy supply in void properties and appointed joint administrators on 31 January 2019. During the year £158 was paid to Our Power in respect of void property power consumption. One of its Trustees, Alister Steele is also the current chair of both Our Power companies.

The following transactions took place during the year with LAR Property Management C.I.C., wholly owned subsidiary of the Trust:

	2019	2018
	£	£
Rent and service charges paid	(15,883)	-
Management recharge	5,000	-
Interest on inter company loan	36,853	-

At 31 March 2019 £1,025,426 is included in Trust's debtors (2018: £1,064,084) in relation to inter company loan and trading balance due from the subsidiary. All inter company transactions and balances are eliminated on consolidation.

3 Expenditure analysis

3.1 Raising funds – Trading subsidiary costs

	2019	2018
	£'000	£'000
GROUP		
Direct expenses	20	-
Administrative expenses	3	-
Amounts written off tangible fixed assets	57	-
Corporation tax charge	8	-
	88	-

3 Expenditure analysis (continued)

3.2 Charitable activities

GROUP	Allocation Basis	Housing provision £'000	Support – Governance £'000	Other support £'000	Total Support £'000	Total 2019 £'000	Total 2018 £'000
Properties costs	Direct	288	-	-	-	288	619
Depreciation	Staff time	4	-	3	3	7	5
Other costs	Mixed	84	37	39	76	160	9
Finance costs	Staff time	50	-	28	28	78	28
Interest on borrowings	Direct	632	-	-	-	632	33
Staff costs	Staff time	185	43	145	188	373	123
Total 2019		1,243	80	442	295	1,538	817
Total 2018		640	58	149	177	817	
TRUST	Allocation Basis	Housing provision £'000	Support – Governance £'000	Other support £'000	Total Support £'000	Total 2019 £'000	Total 2018 £'000
Properties costs	Direct	288	-	-	-	288	619
Depreciation	Staff time	4	-	3	3	7	5
Other costs	Mixed	94	34	45	79	173	9
Finance costs	Staff time	50	-	28	28	78	28
Interest on borrowings	Direct	632	-	-	-	632	33
Staff costs	Staff time	185	43	145	188	373	123
Total 2019		1,253	77	221	298	1,551	817
Total 2018		640	58	119	177	817	

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

3 Expenditure analysis *(continued)*

3.3 Governance cost:

	Group 2019 £'000	Trust 2019 £'000	Group and Trust 2018 £'000
Trustee expenses	1	1	2
Auditors' remuneration	12	9	12
Legal and professional	23	23	26
Support costs	44	44	58
	<u>80</u>	<u>77</u>	<u>98</u>

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

	2019 £'000	2018 £'000
Salaries and wages	424	308
Social Security costs	42	30
Pension contributions	41	35
Total	<u>507</u>	<u>373</u>

The average number of employees during the year was 10 (2018: 6).

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 £257,933 (2018: £204,011).

The number of employees earning more than £60,000 per annum were as follows:

	2019 No	2018 No
£100,000 - £109,999	1	-
£90,000 - £99,999	-	1
£70,000 - £79,999	1	-

5. Auditors' remuneration

	Group 2019 £'000	Trust 2019 £'000	Group 2018 £'000	Trust 2018 £'000
Audit fee	<u>12</u>	<u>9</u>	<u>12</u>	<u>12</u>

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

6. Tangible fixed assets – Properties

GROUP	Completed Properties £'000	Properties Under Construction £'000	Total £'000
Cost or valuation			
At 1 April 2018	34,014	7,429	41,443
Additions	258	12,139	12,397
Transfers	8,128	(8,128)	-
Revaluation	(2,855)	661	(2,194)
At 31 March 2019	39,545	12,101	51,646
Depreciation			
At 1 April 2018 and 31 March 2019	-	-	-
Net book value at 31 March 2018	34,014	7,429	41,443
Net book value at 31 March 2019	39,545	12,101	51,646

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 10). A Standard Security over Buchan House 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 Westwood House 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 £45,453,000 (2018: £32,937,000).

The amounts above include £278,000 of borrowing costs capitalised at a weighted average cost of capital of 1.61%.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

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

TRUST	Completed Properties £'000	Properties Under Construction £'000	Total £'000
Cost or valuation			
At 1 April 2018	33,164	7,429	40,593
Additions	177	12,139	12,316
Transfers	8,128	(8,128)	-
Revaluation	(2,925)	661	(2,264)
At 31 March 2019	38,544	12,101	50,645
Depreciation			
At 1 April 2018 and 31 March 2019	-	-	-
Net book value at 31 March 2018	33,164	7,429	40,593
Net book value at 31 March 2019	38,544	11,440	50,645

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 Westwood House 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 £44,470,000 (2018: £32,025,000).

The amounts above include £278,000 of borrowing costs capitalised at a weighted average cost of capital of 1.61%.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

7. Tangible fixed assets - Others

GROUP

Fixtures, fittings and computer equipment £'000

Cost

At 1 April 2018

43

Additions

9

Disposals

(20)

At 31 March 2019

32

Depreciation

At 1 April 2018

9

Depreciation

7

At 31 March 2019

16

Net book value at 31 March 2018

34

Net book value at 31 March 2019

16

TRUST

Fixtures, fittings and computer equipment £'000

Cost

At 1 April 2018

43

Additions

9

Disposals

(20)

At 31 March 2019

32

Depreciation

At 1 April 2018

9

Depreciation

7

At 31 March 2019

16

Net book value at 31 March 2018

34

Net book value at 31 March 2019

16

8. Investments

LAR Housing Trust has 100% investment in LAR Property Management CIC, SC591592, a Community Interest Company 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 common parts with third parties.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

8. Investments

LAR Property Management C.I.C.'s results and net assets for the period to 31 March were as follows:

	2019 £'000	2018 £'000
Sales	112	N/A
Expenditure	(88)	N/A
Net interest	(37)	N/A
Tax	(8)	N/A
Profit/(loss) for the period	(21)	N/A
Comprehensive income	31	N/A
Net assets/(liabilities)	32	N/A

9. Debtors

	Group 2019 £'000	Trust 2019 £'000	Group 2018 £'000	Trust 2018 £'000
Trade debtors	35	35	58	66
Other debtors	13	-	1,268	1,256
Prepayments	838	835	41	41
Amount owed by subsidiary - loan	-	1,019	-	1,064
Amount owed by subsidiary - other	-	6	-	-
VAT recoverable	-	-	159	-
Total	885	1,895	1,526	2,427

Amounts owed by subsidiary include £804,676 due in more than one year.

10. Analysis of Current Liabilities and Long Term Creditors

	Group 2019 £'000	Trust 2019 £'000	Group 2018 £'000	Trust 2018 £'000
Creditors under one year				
Trade creditors	959	945	171	160
Other creditors	15	5	-	-
Accruals	68	64	29	29
Taxation and Social Security costs	27	14	4	4
Total	1,069	1,028	204	193

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

10. Analysis of Current Liabilities and Long Term Creditors *(continued)*

	Group and Trust 2019 £'000	Group and Trust 2018 £'000
Creditors over one year		
Concessionary loan	55,000	48,682
Bank loan	32,500	-
	87,500	48,682

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 with first repayment due by 30 September 2022. Interest is charged quarterly in arrears at a commercial rate. The funding is secured by Standard Securities over the housing properties of the Trust, as referred to above.

11 Provisions for liabilities

GROUP	Deferred taxation £'000	Other provisions £'000	Total £'000
2019			
Balance at 1 April 2018	-	-	-
Charge for the year	11	10	21
Balance at 31 March 2019	11	10	21
	Deferred taxation £'000	Other provisions £'000	Total £'000
2018			
Balance at 1 April 2017	-	-	-
Charge for the year	-	-	-
Balance at 31 March 2018	-	-	-

Deferred tax relates to revaluation gain on a commercial property held by the subsidiary.

On purchase of Buchan House the company undertook to contribute up to a maximum of £10,000 towards costs of any future fitting out works undertaken by one of the tenants.

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

12. Analysis of Trust Funds

GROUP	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation movement (net of tax) £'000	Fund c/fwd £'000
Analysis of fund movements - 2019						
Unrestricted funds						
General funds	(143)	2,021	(1,502)	(262)	(57)	57
Designated funds	459	-	(68)	262	-	653
Property revaluation reserve	8,506	-	-	-	(2,148)	6,358
Total	8,822	2,021	(1,570)	-	(2,205)	7,068

Analysis of fund movements - 2018	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)	-	(143)
Designated funds	371	-	(24)	112	-	459
Property revaluation reserve	2,876	-	-	-	5,630	8,506
Total	2,827	1,182	(817)	-	5,630	8,822

TRUST	Balance b/fwd £'000	Income £'000	Expenditure £'000	Transfers £'000	Valuation gains £'000	Fund c/fwd £'000
Analysis of fund movements						
Unrestricted funds						
General funds	(143)	1,967	(1,483)	(262)	-	79
Designated funds	459	-	(68)	262	-	653
Property revaluation reserve	8,568	-	-	-	(2,264)	6,304
Total	8,884	1,967	(1,551)	-	(2,264)	7,036

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

12. Analysis of Trust Funds (continued)

Analysis of fund movements - 2018	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)	-	(143)
Designated funds	371	-	(24)	112	-	459
Property revaluation reserve	2,876	-	-	-	5,692	8,568
Total	2,827	1,182	(817)	-	5,692	8,884

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 aside in accordance with technical advice received from Arcadis who are a leading global Design & Consultancy firm for natural and built assets.

Analysis of net asset between funds

	Unrestricted Funds (including Property Revaluation Reserve) 2019 £'000	Unrestricted Funds (including Property Revaluation Reserve) 2018 £'000
GROUP		
Tangible fixed assets	51,662	41,477
Net current assets	42,927	16,027
Creditors: Amounts falling due after more than one year	(87,500)	(48,682)
Provisions	(21)	-
Total funds	7,068	8,822

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

12. Analysis of Trust Funds *(continued)*

Analysis of net asset between funds

	Unrestricted Funds (including Property Revaluation Reserve) 2019 £'000	Unrestricted Funds (including Property Revaluation Reserve) 2018 £'000
TRUST		
Tangible fixed assets	50,661	40,627
Net current assets	43,875	16,939
Creditors: Amounts falling due after more than one year	(87,500)	(48,682)
Total funds	7,036	8,884

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

	2019 £'000	2018 £'000
GROUP		
Net movement in funds	(1,754)	5,995
Less: Investment income	(295)	(2)
Add back: Depreciation charge	7	5
Add back: Loss on fixed assets disposal	20	-
Add back: Interest paid	632	33
Add: Gains/(losses) on tangible fixed asset valuation	2,194	(5,630)
Decrease in debtors	640	5,027
Increase in creditors	865	126
Increase in provisions	21	-
Net cash provided by operating activities	2,330	5,554

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

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

TRUST	2019 £'000	2018 £'000
Net movement in funds	(1,848)	6,057
Less: Investment income	(331)	(2)
Add back: Depreciation charge	7	5
Add back: Loss on fixed assets disposal	20	-
Add back: Interest paid	632	33
Add: Gains/(losses) on tangible fixed asset valuation	2,264	(5,692)
Decrease in debtors	487	4,126
Increase in creditors	835	115
Net cash provided by operating activities	2,066	5,706

14. Financial instruments

GROUP	2019 £'000	2018 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	48	1,326
Carrying amount of financial liabilities		
Measured at amortised cost	(88,542)	(48,882)
TRUST	2019 £'000	2018 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,060	2,386
Carrying amount of financial liabilities		
Measured at amortised cost	(88,514)	(48,871)

Debt instruments measured at amortised cost comprises trade and other debtors and amounts owed by the subsidiary.

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

LAR Housing Trust

Notes to the Accounts *(continued)* for the year ended 31 March 2019

15 Capital commitments

	2019 £'000	2018 £'000
Capital commitments	23,605	23,439

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

16 Leasing commitments

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

	Group 2019 £'000	Trust 2019 £'000	Group 2018 £'000	Trust 2018 £'000
No later than one year	6	21	5	15
Between 1 and 5 years	14	46	1	14
	20	67	6	29
Lease payments recognised as an expense	5	19	4	15

17 Rental income from operating leases

The Group owns housing and commercial 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:

	Group 2019 £'000	Trust 2019 £'000	Group 2018 £'000	Trust 2018 £'000
No later than one year	246	157	128	128
Between 1 and 5 years	120	-	-	-
	366	157	128	128

18 Non-audit services provided by auditors

In common with many organisations of our size and nature, we use our auditor to assist with the preparation of the financial statements.

