



LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2014

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Report and Financial Statements

For the year ended 31 March 2014

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Registration information

Financial Conduct Authority

Industrial and Provident Societies 1965
Registered number 1941 R (S)

The Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered number HAL202

Office of the Scottish Charity Regulator

Scottish Charity number SC042523

Members, Executive and Advisers

Management Committee

Catriona Blyth – Chair
Charles Millar – Vice Chair
Fiona Tonner – Secretary
John Glenny – Treasurer
William Jeffrey
Gordon Heng
Shirley Killeen
John McNally
Jessie Mitchell
Alex Paton
Mary Tougher

Executive Officers

James Stevenson – Chief Executive
Teresa Ward – Housing Services Director
Simon McManus – Corporate Services Director
Gavin Young – Technical Services Manager
Tracey Winters – Development Manager
Alice McLean – Maintenance Manager
Anne Marie Collins – Business Manager
Irene Savage – Housing Manager

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditor

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Bank of Scotland
Bellshill Branch
207 Main Street
Bellshill
Lanarkshire
ML4 1AL

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

Brodies
28 Blythswood Square
Glasgow
G2 4AD

Marshall Ross & Munro
106 Hamilton Road
Motherwell
ML1 3DG

**Report of the Management Committee
For the year ended 31 March 2014**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2014.

Principal activity

The principal activity of the Association is the provision of social rented accommodation.

Review of operations and future developments

Housing Management

The Association has a proven history of partnership working with tenants, other service users and partner agencies which allows us to continue responding to their changing needs and expectations.

Although it was a very challenging year as a result of the economic climate and major changes to the welfare system, the Association still managed to meet its benchmark targets for both rent collection and void rent loss. The Association's performance in allocating void properties also exceeded our benchmark target.

Benchmark	Performance 31 March 2014	Benchmark Target	Variance from Benchmark Target
Current tenant arrears	2.06%	2.25%	(9%)
Former tenant arrears	0.45%	0.75%	(40%)
Housing benefit arrears	0.44%	0.50%	(12%)
Average re-let time	17 days	18 days	(6%)
Void loss	£13,281	£28,369	(53%)
Void loss as a % of rents receivable	0.38%	0.80%	(54%)

Welfare Reform and Universal Credit

Welfare Reform remains a key priority for us and we will continue to engage with tenants to ensure they receive the support required to deal with the wide ranging impacts of welfare reform.

Universal credit has only been introduced in one Scottish local authority area at present and the UK rollout of this new benefit is scheduled to be completed by the end of 2017. We will provide on-going assistance to our tenants during this migration process and ensure that they are able to deal with the changes in benefit payments.

Financial inclusion

We continue to work with both North and South Lanarkshire Councils to address housing benefit issues and to ensure that discretionary housing payments are made where appropriate. Tenants receive support from our staff and are also urged to utilise the AFTAR project for advice and assistance on a range of issues including benefits, debts and fuel poverty.

The AFTAR project received additional funding during the last year to allow the service to return to two full-time advisors on a twice weekly basis and further external funding has been applied for which will allow the service to continue until 2017 if awarded.

Adaptations

Scottish Government funding of £36,000 facilitated a total of 19 adaptations to our housing stock, which allowed tenants with changing needs to remain in their home. Requests for adaptations are referred to us by the local authority Social Work Departments, on a priority scoring basis.

**Report of the Management Committee
For the year ended 31 March 2014*****Asset Management***

We continue to provide tenants with a first class repairs service, setting ourselves challenging response times and targets. In monitoring these response times we have attained a high level of performance across all categories of repairs.

Most of our properties meet the Scottish Housing Quality Standards (SHQS) with all properties scheduled to comply with the requirements by the specified date in 2015.

The long planned heating and kitchen replacements to our stock of tenement flats in Bellshill Town Centre had previously been delayed while options to deal with other owners were explored. A solution ensuring that properties would meet the Scottish Housing Quality Standard was developed, and after consultation with individual Tenants in the area we successfully completed improvement work in the majority of our flats.

During 2013/14, we made a substantial investment of £334,333 to our housing stock as part of our planned maintenance and improvement programme which included:

- Kitchen and Heating renewals to Cairn Court, Oates Gardens and Stirling Street, Motherwell and Hamilton Road and Main Street, Bellshill; and
- Kitchen renewals to Stevenston Court and South Calder, Motherwell

This work carried on into April 2014.

Development

With no development projects on site, the focus for our work during the year was completing the various post-handover activities at the Liberty Road and Rooney Way developments in Bellshill; particularly the adoption of infrastructure by Scottish Water, which was finally agreed.

At the end of the year we welcomed the Scottish Government's publication of its new Energy Efficiency Standard for Social Housing, and started our assessment of the implications that this higher requirement will have for our medium and longer term plans.

Future Development Prospects

In common with many other Scottish housing associations, our development programme remains halted at present, following concerns over reduced public funding levels. Whilst the subsidy benchmark level rose in 2013 from £42k to £58k per unit; this still falls considerably short of the prior levels, which averaged at £67k per unit.

The Association had previously anticipated an involvement at the former Ravenscraig site in Motherwell, where a developer owns the land. However, following legal advice, the Association withdrew from the project as a result of uncertainty over the proposed 'Off the Shelf' acquisitions in relation to European Union regulations.

The Association's other potential future project, which was previously included within North Lanarkshire Council's Strategic Housing Investment Plan, is the Kirklee Road site at Mossend and the Association hopes to progress this and other future developments as circumstances and resources permit.

**Report of the Management Committee
For the year ended 31 March 2014*****Finance Review***

The main objective of the financial planning process is to maximize the resources available to invest in both the housing stock and also the quality of service being provided to tenants. This planning process for 2013/14 identified the resources required to meet the immediate business priorities, the principal financial highlights of the year are detailed below:-

- A total investment package of £696,400 (of which £334,333 was capitalised) was approved for investment in the maintenance and improvement of the housing stock. The largest element of this investment package was the planned replacement of kitchens and upgrading central heating systems in our developments at Bellshill Town Centre and New Stevenston.
- Support to the local housing market was provided through our acquisition programme. Our continued participation in the Mortgage to Rent Scheme resulted in 6 properties being added to our rental stock at a total cost less grant of £205,481.
- After a number of years of stagnation, the local housing market showed early signs of recovery, with 2 shared ownership units being disposed of and 1 further unit being acquired by the tenant through Right to Buy legislation. These sales produced a surplus on disposal of £44,074.
- A rent increase of 3.0% was applied in April 2013, the first above inflation rent increase for 3 years.

Financial Performance

Financial results for 2013/14 have once again been adversely affected by the continuing costs being incurred in defending the alleged land contamination case at the Watling Street, Motherwell development. With little prospect of an early resolution to this case, these costs will continue to accrue into the current financial year.

Whilst such significant additional costs are being incurred by the business, it is essential that the financial management framework continues to work effectively, and this continues to be the case. The risks of increased rental arrears resulting from welfare reform have been managed well, resulting in an excellent rental income collection rate. In addition to this debt servicing costs were reduced resulting in a saving as some loans matured and average interest rates remained at historically low levels. These savings allowed additional essential maintenance and investment to be made in a number of properties which had fallen below the standard required for letting.

Changes in fixed assets

Details of fixed assets are set out in Note 12 on page 19.

The Management Committee and executive officers

The Management Committee and executive officers of the Association are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the Committee.

Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

**Report of the Management Committee
For the year ended 31 March 2014****Internal Financial Controls (continued)**

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Any significant variance from budget is investigated as appropriate;
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Corporate Governance and Finance Sub-Committee;
- (f) The Management Committee reviews reports from the external auditors to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2014. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their position to their personal advantage.

Related party transactions with Lanarkshire Initiatives Limited, the Association's fully owned subsidiary, can be found at note 31.

Auditor

A resolution to re-appoint the auditor will be put to the members at the annual general meeting.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself / herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

**Report of the Management Committee
For the year ended 31 March 2014**

Statement of Management Committee's Responsibilities

Housing Association legislation requires the Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Committee are required to:-

- * Select suitable accounting policies and then apply them consistently;
- * 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; and
- * Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Committee



Fiona Tonner
Secretary

Dated: 17 June 2014

Report of the Auditor to the Members of Lanarkshire Housing Association Limited

We have audited the financial statements of Lanarkshire Housing Association Limited for the year ended 31 March 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Management Committee and Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 6, the Management Committee is responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2014, because of the immaterial nature of the subsidiary's transactions in the year.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts, 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002, require us to report to you if, in our opinion:

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



SCOTT-MONCRIEFF
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Date: 17 June 2014

Report of the Auditor to the Management Committee of Lanarkshire Housing Association Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your Statement in the Report of the Management Committee concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 17 June 2014

Income and Expenditure Account
For the year ended 31 March 2014

	Note	2014 £	2013 £
Turnover	2	3,554,649	3,477,335
Less: Operating costs	2	(3,142,831)	(2,850,774)
Operating surplus	2	411,818	626,561
Surplus on sale of properties		44,074	873
Interest receivable	9	12,991	23,515
Interest payable and similar charges	10	(454,280)	(451,906)
Surplus on ordinary activities before taxation		14,603	199,043
Taxation on profit on ordinary activities	11	-	(5,004)
Surplus on ordinary activities after taxation		<u>14,603</u>	<u>194,039</u>

The results for the year relate wholly to continuing activities.

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2014**

	2014 £	2013 £
Retained surplus for the year	14,603	194,039
Actuarial loss recognised in the retirement benefit scheme (Note 19)	<u>(202,000)</u>	<u>(378,000)</u>
Total recognised gains and losses relating to the year	<u><u>(187,397)</u></u>	<u><u>(183,961)</u></u>

The notes form part of these financial statements

Balance Sheet
As at 31 March 2014

	Note	2014 £	2013 £
Tangible fixed assets			
Housing properties – gross cost		66,435,902	66,218,713
Less: HAG, other grants and depreciation		(50,876,966)	(50,183,881)
		<u>15,558,936</u>	<u>16,034,832</u>
Other fixed assets		893,795	908,982
		<u>16,452,731</u>	<u>16,943,814</u>
Investments	12 13	2	2
		<u>16,452,733</u>	<u>16,943,816</u>
Current assets			
Stocks		5,110	4,143
Debtors	14	161,040	110,925
Cash at bank and in hand		2,304,095	2,429,851
		<u>2,470,245</u>	<u>2,544,919</u>
Creditors: amounts falling due within one year	15	(1,582,275)	(1,576,330)
Net current assets		<u>887,970</u>	<u>968,589</u>
Total assets less current liabilities		<u>17,340,703</u>	<u>17,912,405</u>
Creditors: amounts falling due after more than one year	16	(12,070,235)	(12,729,535)
Retirement benefit scheme deficit	19	(1,480,000)	(1,205,000)
Net assets		<u>3,790,468</u>	<u>3,977,870</u>
Capital and reserves			
Share capital	17	116	121
Designated reserves	18	1,715,918	1,715,918
Revenue reserve	18	3,554,434	3,466,831
Pension reserve	18	(1,480,000)	(1,205,000)
		<u>3,790,468</u>	<u>3,977,870</u>

The financial statements were authorised for issue by the Management Committee on 17 June 2014 and signed on its behalf by:

Catriona Blyth

Chair



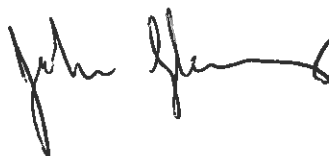
Fiona Tonner

Secretary



John Glenny

Treasurer



The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	23	<u>1,432,067</u>	<u>1,481,231</u>
Returns on investments and servicing of finance			
Interest received		12,991	23,515
Interest paid		<u>(425,280)</u>	<u>(445,906)</u>
		<u>(412,289)</u>	<u>(422,391)</u>
Taxation			
Corporation tax paid			(93,239)
Capital expenditure			
Expenditure on housing properties		(707,986)	(654,767)
Purchase of other fixed assets		(7,381)	(1,064)
Receipts from sale of housing properties		114,991	48,330
Receipts from sale of other fixed assets		-	-
Housing Association Grant repaid		(73,376)	(19,263)
Housing Association Grant received		147,331	110,948
Other grants received		20,841	-
		<u>(505,580)</u>	<u>(515,816)</u>
Cash inflow before financing		<u>514,198</u>	<u>449,785</u>
Financing			
Issue of share capital		2	2
New loans drawn down		-	800,000
Loans drawn repaid		<u>(639,956)</u>	<u>(574,672)</u>
		<u>(639,954)</u>	<u>225,330</u>
Increase in cash		<u><u>(125,756)</u></u>	<u><u>675,115</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2014**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (l) below.

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers in 2010.

(b) Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2015 and the year to 31 March 2016. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(e) Social housing grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to the net proceeds of sale.

SHG received as a contribution towards the capital cost of a housing development is deducted from the cost of the development. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements
For the year ended 31 March 2014**

1. Accounting policies (continued)

(f) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings.
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

(g) Depreciation

Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:-

Land - not depreciated
 Structure – over 60 years
 Roof – over 60 years
 Windows – over 20 years
 Kitchen – over 20 years
 Central Heating – over 20 years
 Bathroom – over 20 years

As the structure and roof are both depreciated over a period in excess of 50 years, potential impairment is considered by the Management Committee each year. It is the Management Committee's view that the structure and roof will have an expected economic useful life of 60 years and consequently impairment is not an issue.

Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Computer Equipment	- 20% on cost
Office Equipment	- 20% on cost
Furniture and Fittings	- 10% on cost
Office Premises	- 2% on cost
Motor Vehicles	- 25% on cost

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Commercial properties are accounted for as investment properties and thus are not depreciated.

**Notes to the Financial Statements
For the year ended 31 March 2014**

1. Accounting policies (continued)

(h) Designated Reserves (Note 18)

(i) Cyclical maintenance

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

(ii) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to the revenue reserve as appropriate.

(i) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(j) Pensions (Note 19)

The Association operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Total Statement of Recognised Gains and Losses.

(k) Financial Commitments

Assets held under finance leases, where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the Income and Expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

(l) Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Conduct Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes to the financial statements
For the year ended 31 March 2014

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2014		2013	
	Turnover	Operating Costs	Operating Costs	Operating Surplus
	£	£	£	£
Income and Expenditure From lettings				
Social Lettings (Note 3)	3,505,655	(3,137,560)	(2,821,562)	618,438
Other activities (Note 4)	48,994	(5,271)	(29,212)	8,123
	<u>3,554,649</u>	<u>(3,142,831)</u>	<u>(2,850,774)</u>	<u>626,561</u>

Notes to the financial statements
For the year ended 31 March 2014

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2014 Total £	2013 Total £
Income from rent and service charges					
Rent receivable net of service charges	2,592,390	380,217	483,913	3,456,520	3,392,018
Service charges	54,302	8,114	-	62,416	60,104
Gross income from rents and service charges	2,646,692	388,331	483,913	3,518,936	3,452,122
Less voids	(13,281)	-	-	(13,281)	(12,122)
Net income from rents and service charges	2,633,411	388,331	483,913	3,505,655	3,440,000
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	2,633,411	388,331	483,913	3,505,655	3,440,000
Expenditure					
Management and maintenance administration costs	(1,101,962)	(161,621)	(205,700)	(1,469,283)	(1,356,760)
Service charges	(71,408)	(10,473)	(13,330)	(95,211)	(94,247)
Planned cyclical maintenance including major repairs	(94,027)	(14,050)	-	(108,077)	(75,493)
Reactive maintenance costs	(257,400)	(38,462)	-	(295,862)	(251,412)
Bad debts – rents and service charges	(37,106)	-	-	(37,106)	(8,876)
Depreciation of social housing	(901,061)	(100,118)	(16,990)	(1,018,169)	(858,498)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(113,852)	-	-	(113,852)	(176,276)
Operating costs for social letting activities	(2,576,816)	(324,724)	(236,020)	(3,137,560)	(2,821,562)
Operating Surplus on letting activities, 2014	56,595	63,607	247,893	368,095	
Operating Surplus on letting activities, 2013	418,186	(9,726)	209,978		618,438

* These exceptional costs are legal fees incurred in regard to the ongoing legal case in respect of Watling Street – please see note 32.

Notes to the financial statements for the year ended 31 March 2014

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs - bad debts	Other operating costs	Operating surplus or (deficit)
	£	£	£	£	2014 £	£	£	2014 £
Wider role activities #	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,938	5,938	-	3,518	2,420
Development and construction of property activities	-	-	-	-	5,819	-	-	(6,454)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	4,096	4,096	-	483	3,613
Agency/management services for RSLs	-	-	-	-	2,609	-	-	(5,376)
Other agency / management services	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	38,960	38,960	-	1,270	37,690
Total from other activities, 2014	-	-	-	48,994	48,994	-	5,271	43,723
Total from other activities, 2013	-	-	-	37,335	37,335	-	(29,212)	8,123

Undertaken to support the community, other than the provision, construction, improvement and management of housing

Notes to the Financial Statements
For the year ended 31 March 2014

5. Capitalised development costs

	2014 £	2013 £
Development administration and other indirect costs capitalised	<u> </u>	<u>(23,020)</u>

6. Employees

	2014 £	2013 £
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	781,472	768,085
Social security costs	67,953	66,903
Pension costs	142,391	139,160
FRS17 adjustment (Note 19)	44,000	3,000
	<u>1,035,816</u>	<u>977,148</u>
	2014 Number	2013 Number
The number of full time equivalents employed by the Association during the year was:	<u>20</u>	<u>20</u>

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year.

	2014 £	2013 £
Emoluments (excluding pension contributions) of Chief Executive	<u>83,003</u>	<u>82,425</u>
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-	2014 Number	2013 Number
£80,000 - £84,999	1	1
£75,000 - £79,999	-	-
£65,000 - £69,999	1	1
£60,000 - £64,999	<u>1</u>	<u>1</u>
Total Expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the year ended 31 March 2014

7. Directors' emoluments (continued)

The chief executive is an ordinary member of the Association's pension scheme described in note 19. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £14,813 (2013: £14,494).

8. Auditor's remuneration

The remuneration of the auditor for the year (including expenses, but excluding VAT), in respect of audit services

2014
£

2013
£

10,000

9,950

Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)

-

-

9. Interest receivable

2014
£

2013
£

Bank interest

12,991

23,515

10. Interest payable and similar charges

2014
£

2013
£

Bank loans

425,280

445,906

FRS 17 adjustment (Note 19)

29,000

6,000

454,280

451,906

11. Taxation

2014
£

2013
£

Provision has been made for corporation tax at 20% (2013: 24%) as follows:

UK corporation tax

-

-

Adjustment in respect of prior year

-

5,004

Deferred tax

-

-

-

5,004

The Association is a registered charity and as a result no corporation tax is due on any surplus generated from charitable activities.

Notes to the Financial Statements
For the year ended 31 March 2014

12. Tangible fixed assets

	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed shared ownership housing properties £	Office premises £	Motor vehicles £	Computer equipment, office equipment & furniture and fittings £	Investment properties - Commercial properties £	Total £
Cost (net of grants) or valuation								
At 1 April 2013	18,847,081	-	930,922	607,534	14,136	293,379	450,000	21,143,052
Additions – housing units	205,481	-	-	-	-	7,381	-	212,862
Additions – components	334,333	-	-	-	-	-	-	334,333
Disposals – housing units	(9,201)	-	9,214	-	-	(240,131)	-	(240,118)
Disposals - components	(408,179)	-	-	-	-	-	-	(408,179)
At 31 March 2014	18,969,515	-	940,136	607,534	14,136	60,629	450,000	21,041,950
Depreciation								
At 1 April 2013	3,542,564	-	200,607	179,314	7,757	268,996	-	4,199,238
Provided for year	691,265	-	16,990	11,390	3,879	7,299	-	730,823
Disposals – housing units	(2,446)	-	-	-	-	(240,131)	-	(242,577)
Disposals -components	(98,265)	-	-	-	-	-	-	(98,265)
At 31 March 2014	4,133,118	-	217,597	190,704	11,636	36,164	-	4,589,219
Net Book Value								
At 31 March 2014	14,836,397	-	722,539	416,830	2,500	24,465	450,000	16,452,731
At 31 March 2013	15,304,517	-	730,315	428,220	6,379	24,383	450,000	16,943,814
Cost of valuation at 31 March 2014 is represented by:								
Gross cost or valuation	64,101,326	-	2,334,576	619,094	14,136	60,629	450,000	67,579,761
Less: HAG	(41,865,094)	-	(1,378,113)	-	-	-	-	(43,243,207)
Other grants	(3,266,717)	-	(16,327)	(11,560)	-	-	-	(3,294,604)
	18,969,515	-	940,136	607,534	14,136	60,629	450,000	21,041,950

The depreciation charge for housing stock in the year was £708,255. The net book value of disposed components was £309,914 and has been included in depreciation of social Housing in note 3 in accordance with the SORP giving a total depreciation of £1,018,169.

Notes to the Financial Statements
For the year ended 31 March 2014

13. Investments

	2014 £	2013 £
Investment in subsidiary undertaking	2	2

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited, a company registered in Scotland, whose principal activity is that of general construction of buildings and civil engineering works.

For the year ended 31 March 2014, Lanarkshire Initiatives Limited made a loss after taxation of £830 (2013: loss of £532). At 31 March 2014, Lanarkshire Initiatives Limited had net assets of £7,700 (2013: £8,530).

14. Debtors

	2014 £	2013 £
Gross Rent and service charges	103,624	92,096
Less: Bad debt provision	(55,600)	(55,600)
	<u>48,024</u>	<u>36,496</u>
Other debtors	66,023	15,889
Prepayments and accrued income	46,993	58,540
	<u>161,040</u>	<u>110,925</u>

All amounts shown under debtors fall due for payment within one year.

15. Creditors: amounts falling due within one year

	2014 £	2013 £
Bank loans	639,956	620,612
Trade creditors	110,756	119,772
Rental advances	76,180	71,497
Other taxes and social security	21,676	21,353
Contract retentions	9,076	124,724
Accruals and deferred income	83,200	53,199
Other creditors	90,240	84,630
Amounts due to subsidiary	8,170	8,968
Amounts due to Scottish Government	543,021	471,575
	<u>1,582,275</u>	<u>1,576,330</u>

The bank overdraft and loans are secured as detailed in note 16.

Notes to the Financial Statements
For the year ended 31 March 2014

16. Creditors: amounts falling due after more than one year	2014	2013
	£	£
Loans	12,070,235	12,729,535
	<u> </u>	<u> </u>

The Association's loans and mortgages from The Scottish Government, of which £243,505 (2013: £249,143) remains outstanding, are secured on the fixed assets. The loans from the Bank of Scotland together with any bank overdraft are secured by standard securities over the properties on which the loans were granted. The loans from Lloyds Bank plc and The Royal Bank of Scotland plc are secured by standard securities over the properties on which the loans were granted.

	2014	2013
	£	£
Due between one and two years	639,956	620,612
Due between two and five years	1,919,869	1,861,835
Due in five years or more	9,510,410	10,247,088
	<u> </u>	<u> </u>
	<u>12,070,235</u>	<u>12,729,535</u>

The loans and mortgages from The Scottish Government are repayable on a six monthly basis over 30 or 60 years inclusive of interest at fixed rates varying from 9.25% per annum to 13% per annum.

Loans from the Bank of Scotland are repayable on a monthly basis over 25, 30 or 35 years inclusive of interest at rates equivalent to the Bank of Scotland Home Loan rates in force at each repayment date. Six of the loans from the Bank of Scotland were converted in 2007 to fixed rate loans. These loans have the interest rate fixed at 6.8% for a three year period.

Loans from the Lloyds Bank plc are repayable on a monthly basis over 30 years inclusive of interest at a rate of 1.25% above bank base rate per annum.

The loans from The Royal Bank of Scotland plc are repayable on a monthly basis over 25 years following a 5 year initial period in which no capital repayments will be made. Interest will be charged at a rate of 1.25% above bank base rate per annum.

17. Share Capital	2014	2013
	£	£
At start of year	121	121
Issued in year	2	2
Redeemed in year	(7)	(2)
	<u> </u>	<u> </u>
At end of year	<u>116</u>	<u>121</u>

Notes to the Financial Statements
For the year ended 31 March 2014

18. Reserves	Major Repairs £	Cyclical maintenance £	Total £
Designated reserves			
At 1 April 2013	602,329	1,113,589	1,715,918
Transfer (to)/from revenue reserve	-	-	-
At 31 March 2014	<u>602,329</u>	<u>1,113,589</u>	<u>1,715,918</u>
Revenue Reserves			
		2014 £	2013 £
At 1 April 2013		2,261,831	(1,218,720)
Statement of Total Recognised Gains and Losses		(187,397)	(183,961)
		<u>2,074,434</u>	<u>(1,402,681)</u>
Transfer from designated reserves		-	3,664,512
At 31 March 2014		<u>2,074,434</u>	<u>2,261,831</u>
Split as:			
		2014 £	2013 £
Revenue reserve (excluding pension reserve)		3,554,434	3,466,831
Pension reserve		(1,480,000)	(1,205,000)
		<u>2,074,434</u>	<u>2,261,831</u>

Notes to the Financial Statements
For the year ended 31 March 2014

19. Pensions

Lanarkshire Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

An updated FRS 17 valuation of the Strathclyde Pension Fund was performed as at 31 March 2014. The next formal triennial valuation due is for 31 March 2014 but this is still outstanding.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

Assumptions as at	31 March 2014	31 March 2013
Pension increases	2.5%	2.8%
Salary increases	5.1%	5.1%
Expected return on assets	6.0%	5.2%
Discount rate	4.3%	4.5%

The following details relate to Lanarkshire Housing Association Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Assets (Whole Fund)	Long Term Return % per annum	Fund Value at 31 March 2014 £000	Expected Return £000 per annum
Equities	6.6%	3,157	208
Bonds	3.7%	498	18
Property	4.8%	291	14
Cash	3.7%	208	8
Total	6.0%	4,154	248

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

Net Pension Liability as at	31 March 2014 £000	31 March 2013 £000
Estimated Employer Assets (A)	4,154	3,857
Present Value of Scheme Liabilities	5,634	5,062
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	5,634	5,062
Net Pension Liability (A) – (B)	(1,480)	(1,205)

Notes to the Financial Statements
For the year ended 31 March 2014

19. Pensions (continued)

Analysis of the amount charged to operating profit

	Year to 31 March 2014 £'000	Year to 31 March 2013 £'000
Service cost	186	142
Contributions	(142)	(139)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge (A)	<u>44</u>	<u>3</u>
Expected Return on Employer Assets	(201)	(191)
Interest on Pension Scheme Liabilities	230	197
Net Deficit (B)	<u>29</u>	<u>6</u>
Net Revenue Account Cost (A)+(B)	<u>73</u>	<u>9</u>

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL).

	Year to 31 March 2014 £ 000	Year to 31 March 2013 £ 000
Actual return less expected return on pension scheme assets	61	296
Changes in financial assumptions underlying the present value of scheme liabilities	(263)	(674)
Actuarial loss recognised in STRGL	<u>(202)</u>	<u>(378)</u>

Notes to the Financial Statements
For the year ended 31 March 2014

19. Pensions (continued)

Movement in pension deficit during the year

	Year to 31 March 2014 £ 000	Year to 31 March 2013 £ 000
Deficit in scheme at beginning of year	(1,205)	(818)
Current service cost	(186)	(142)
Employer contributions	142	139
Other income	-	-
Other outgoings (e.g. expenses, etc)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net return on assets	(29)	(6)
Actuarial losses	(202)	(378)
Deficit at end of year	<u>(1,480)</u>	<u>(1,205)</u>

History of experience gains and losses

	Year to 31 March 2014 £ 000	Year to 31 March 2013 £ 000
Difference between expected and actual return on assets	61	296
Value of assets	4,154	3,857
Percentage of assets	1.5%	7.7%
Experience gains/(losses) on liabilities	-	-
Actuarial (losses) recognised in STRGL	(202)	(378)
Present Value of Liabilities	(5,634)	(5,062)
Percentage of the present value of liabilities	3.6%	7.5%

20. Establishment of Association

The Association is established under the Industrial and Provident Societies Act 1965.

21. Commitments – capital and repairs

As at 31 March 2014, the Association had commitments in respect of capital and repairs work of:

	2014 £	2013 £
Commitment	<u>361,753</u>	<u>299,768</u>
To be funded by:		
The Association's reserves	<u>361,753</u>	<u>299,768</u>
Approved but not contracted for	<u>Nil</u>	<u>Nil</u>

Notes to the Financial Statements
For the year ended 31 March 2014

22. Commitments under operating leases

As at 31 March 2014 the Association had annual commitments under non-cancellable operating leases as set out below:-

	2014 £	2013 £
Operating leases which expire:		
Within one year	38,785	11,066
Between one and two years	16,163	28,989
In two to five years	5,999	19,534
	<u>60,947</u>	<u>59,589</u>

23. Reconciliation of operating surplus to net cash inflow from operating activities

	2014 £	2013 £
Operating surplus	411,818	626,561
Depreciation of tangible fixed assets	1,040,737	889,891
(Increase) / decrease in stocks	(967)	50
Decrease / (increase) in debtors	(50,115)	1,594
Decrease in creditors	(13,399)	(39,863)
Forfeited share capital	(7)	(2)
Non cash movement relating to pension liability	44,000	3,000
Net cash inflow from operating activities	<u>1,432,067</u>	<u>1,481,231</u>

24. Analysis of changes in financing during the year

	Loans and finance lease obligations	
	2014 £	2013 £
Balance at start of year	13,350,147	13,124,819
Cashflow from financing	(639,956)	225,328
Balance at end of year	<u>12,710,191</u>	<u>13,350,147</u>

25. Analysis of changes in cash and cash equivalents

	2014 £	2013 £
Balance at start of year	2,429,851	1,754,736
Increase in cash and cash equivalents	(125,756)	675,115
Balance at end of year	<u>2,304,095</u>	<u>2,429,851</u>

Cash and cash equivalents represents cash at bank and in hand

Notes to the Financial Statements
For the year ended 31 March 2014

26. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank £	Overdrafts £	Total £
<i>Movements in 2013</i>			
Balance at 1 April 2012	1,754,736	-	1,754,736
Net cash inflow	675,115	-	675,115
Balance at 31 March 2013	<u>2,429,851</u>	<u>-</u>	<u>2,429,851</u>
<i>Movements in 2014</i>			
Balance at 1 April 2013	2,429,851	-	2,429,851
Net cash inflow	(125,756)	-	(125,756)
Balance at 31 March 2014	<u>2,304,095</u>	<u>-</u>	<u>2,304,095</u>

27. Reconciliation of net cashflow to movement in net debt

	2014 £	2013 £
Increase in cash in the year	(125,756)	675,115
Cashflow from change in debt	639,956	(225,328)
Change in net debt	514,200	449,787
Opening net debt	(10,920,296)	(11,370,083)
Closing net debt	<u>(10,406,096)</u>	<u>(10,920,296)</u>

28. Analysis of changes in net debt

	At 1 April 2013 £	Cash Flows £	At 31 March 2014 £
Cash at bank and in hand	2,429,851	(125,756)	2,304,095
Overdrafts	-	-	-
	<u>2,429,851</u>	<u>(125,756)</u>	<u>2,304,095</u>
Debt due within one year	(620,612)	(19,344)	(639,956)
Debt due after one year	(12,729,535)	659,300	(12,070,235)
	<u>(13,350,147)</u>	<u>639,956</u>	<u>(12,710,191)</u>
	<u>(10,920,296)</u>	<u>514,200</u>	<u>(10,406,096)</u>

**Notes to the Financial Statements
For the year ended 31 March 2014**

29. Housing Stock

The number of units of accommodation owned by the Association was as follows:-

	2014	2013
General Needs Housing	826	821
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	56	58
	<u>975</u>	<u>972</u>

30. Commercial units

The number of commercial units owned and rented out by the Association was as follows:-

	2014	2013
Commercial Units	<u>7</u>	<u>7</u>

31. Related parties

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited.

Lanarkshire Housing Association Limited reclaimed £182 (2013: £140) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £980 (2013: £840) on behalf of Lanarkshire Initiatives Limited in the year which was recharged via the intercompany account.

The balance owed to Lanarkshire Initiatives Limited by Lanarkshire Housing Association Limited at 31 March 2014 was £8,170 (2013: £8,968) and is included in creditors.

32. Contingent liability

A number of residents at the Watling Street, Motherwell development, raised court proceedings against the Association and four other co-defendants. The basis of their claim is that the Association has breached tenancy agreements in that the homes are not fit for habitation. It is claimed that there is a presence of toxic compounds in the indoor air due to inadequate remediation of the site prior to development.

The Management Committee have noted the extensive site investigations conducted by North Lanarkshire Council throughout 2011 to 2014 over such claims of contaminated land at Watling Street, which concluded that the open space and garden soils were safe. The Management Committee have appointed legal representatives and are rigorously defending this action. During the course of 2013, one of the defendants, North Lanarkshire Council was released from the action by the pursuers and North Lanarkshire Council have no further plans to revisit the conclusions from the site investigation reports.