



LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2016

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Registration information

Financial Conduct Authority

Co-operative and Community Benefit Societies
Act 2014
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

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

Executive Officers

James Stevenson – Chief Executive (retired 1 June 2016)
Teresa Ward – Housing Services Director
Simon McManus – Corporate Services Director
Interim Chief Executive (from 1 June 2016)
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
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 (incorporating the Strategic Report)
For year ended 31 March 2016**

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2016.

Objectives and Strategy

One of the year's highlights was the completion of a strategic planning review where we sought to analyse our core services and the issues that are likely to influence their delivery over the next five years. The publication of strategy plans for Corporate, Housing and Capital Investment detail our aims, objectives and priorities over this five year period and redefine our overall mission and corporate ethos. These plans also demonstrate that our investment plans and priorities are affordable and achievable and will ensure that the business remains viable.

In relation to our performance, once again an extremely positive Landlord Report was published about us by the Scottish Housing Regulator, summarising how we fared against the Scottish Government's Social Housing Charter.

This year also saw the publication of our new style Annual Performance Charter Report and updated independent Tenant Satisfaction Survey; both confirming that we continue to provide excellent services to our tenants and other stakeholders.

Some of our other notable achievements during the year were as follows:

- The launch of our Tenant Focus Group in recognition of our commitment to engage with tenants;
- Restriction of the 2015/16 rent increase, as a result of tenant feedback, to 2.0%;
- Partnership working with a range of organisations to help the most vulnerable cope with the impact of welfare reform;
- A continuing programme of planned maintenance and improvements in over 200 dwellings, of which over £440,111 has been capitalised and £152,718 has been expensed; and
- Increasing turnover to almost £4.0m and a retained surplus in excess of £400,000.

Despite this year's success, it has signalled the end of an era for us as the Association's first Chief Executive, Jim Stevenson, approaches retirement after a period of 33 years working for the Association with 24 of these as the Association's chief officer. Simon McManus, current Corporate Services Director, will be appointed as Interim Chief Executive until such a time as the Management Committee recruit a replacement.

Progress Reports 2015-2016**Housing Management**

A number of standards have been introduced by the Scottish Social Housing Charter in terms of the housing services we provide. They include:

2015-2016 Performance Report

One of the significant milestones for the year was the publication of a revised Annual Performance Report. This new format received positive feedback from customers and allows a fuller consideration of our performance.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Housing Management (cont'd)

The undernoted table shows how our performance in several areas compares to the previous year as well as providing a comparison with the Scottish average in relation to the Scottish Government's Social Housing Charter (the Charter). The Charter came into force in 2012 and it sets out the standards and outcomes that social landlords should achieve, with social landlords required to submit performance information to the Scottish Housing Regulator via an Annual Return on the Charter (ARC).

ARC Performance Indicators	31 March 2015	31 March 2016	RSL Average*	Performance Outcome
Average re-let time	24.4 days	11.8 days	32.0 days	✓
% of rent lost through properties being empty	0.5%	0.4%	1.1%	✓
Rent collected as % of total rent due	98.3%	97.7%	99.7%	X
Average weekly rent rise	2.0%	1.5%	2.5%	✓

* Source - The Scottish Housing Regulator's 2nd National Report on the Scottish Social Housing Charter, February 2016 (2014/15 annual returns).

It can be seen from the table that the Association performed better than the Scottish average in many areas. However, one aspect of under-performance is rent collection, and we will focus on improving this indicator in the coming year.

Welfare Reform

The challenges posed by the Government's Welfare Reform agenda are being addressed by the Association through positive communication and engagement with tenants. The transition to date has been fairly smooth and we will continue to assist tenants throughout this process.

Success for the AFTAR Project

Funding from The Big Lottery Fund was awarded to a partnership consortium of local housing associations and the Citizens Advice Bureau, allowing expansion of the service with the appointment of a digital inclusion coach and an energy advisor. This enhanced service provides invaluable assistance and substantial savings for tenants through energy, financial and welfare advice; whilst supporting our goal to help customers cope with the impact of welfare reform. Appointments for the AFTAR service are made by contacting a member of the housing team at the Association's office.

Value for Money - Rent and Service Charges

Providing value for money is one of our primary objectives and we try to strike a balance between quality service provision and affordability for our customers.

The Charter requires landlords to seek feedback from our tenants on their rent and we gather this information both in our three yearly Tenant Satisfaction Survey and in the annual rent review consultation process.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Housing Management (cont'd)

As part of our 2015 Tenant Satisfaction Survey, tenants were asked:

"Taking into account the accommodation and the services Lanarkshire HA provides, do you think that the rent for this property represents good or poor value for money?"

In response to this question, **67%** of tenants felt the rent for their property represents good value for money compared to the Scottish average of **76.8%**.

Additionally, our annual rent review consultation process seeks tenants' views on the proposed rent. Of those responding, **71%** considered this to be value for money.

Following an appraisal of the situation, including this feedback, our governing body decided to restrict the rent increase to **1.5%** for 2016/17; significantly lower than the Scottish average of **2.5%**.

Re-let Performance

Empty homes do not generate rental income and we therefore aim to minimise the time between a tenancy ending and a new tenant moving in. We set a target of 18 days to re-let a void property and seek to lose less than 0.80% of our expected rental income as a result of empty homes. Most of our properties are in high demand and this year an exceptional performance in turning around void properties was recorded at 11.75 days, some 35% below our internal benchmark target.

Tenant Satisfaction

We are required by the Scottish Housing Regulator to have robust systems in place to test the delivery of service to our customers and identify any areas which do not achieve our high standards. Against this background, we commissioned an independent Tenant Satisfaction Survey in June 2015, to establish tenant views in a number of areas.

Some key aspects of the Tenant Satisfaction Survey results were as noted below:

- **94%** of tenants are satisfied with the overall service provided, compared to the Scottish average of **89%**.
- **98%** of tenants think we are good at keeping them informed about our services & decisions, compared to the Scottish average of **91%**.
- **92%** are satisfied with opportunities given to participate in our decision making processes, compared to the Scottish average of **81%** .
- **81%** are satisfied with the quality of their home overall, compared to the Scottish average of **86%**.
- **84%** are satisfied with the management of the neighbourhood they live in, compared to the Scottish average of **86%**.

Whilst we were generally happy with the overall results, again we will continue to achieve improvements, particularly where these are below the Scottish average.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Housing Management (cont'd)

Owners Survey

As a Registered Factor, we seek owners' views on their satisfaction with the factoring service provided and our 2015 survey allows us to identify areas of strong performance, as well as those needing improvement.

The survey asked:

"Taking everything into account, how satisfied or dissatisfied are you with the factoring service provided by Lanarkshire Housing Association?"

77% of owners are satisfied with the property management service provided, which compares well to the Scottish average of 64%.

Modernising our Information and Communication Technology (ICT) System

We were delighted to commence the modernisation process of our ICT system, which will improve communication with customers by introducing an automated text messaging system and provide staff with access to information whilst working in the community.

Maintenance and Repairs

Repair Service

Throughout the year we aimed to provide tenants with a first class repairs service by setting challenging response times and targets. Tenants' homes are well maintained, with repairs and improvements carried out as required and our customers are given reasonable choice about when work is done.

Performance Report

During 2015/16 we completed **2,478** reactive repairs.

In monitoring our response times across categories of repairs, we achieved an excellent level of performance as outlined in the table below:

Repair Category	Average Response Times Achieved	Scottish average*	Performance Outcome
Emergency	1.25 Hours	4.60 Hours	✓
Non-Emergency	3.15 Days	5.80 Hours	✓
Repairs Completed 'Right First Time'	97.86%	91.20%	✓

* Source - The Scottish Housing Regulator's 2nd National Report on the Scottish Social Housing Charter, February 2016 (2014/15 annual returns).

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Maintenance and Repairs (cont'd)

Customer Satisfaction with our Repair Service

To ensure compliance with the Scottish Social Housing Charter, (the Charter), we consistently check the quality of the repairs and maintenance service provided to tenants. An independent Tenant Satisfaction Survey was undertaken in June 2015, with the survey assessing customer satisfaction in key service areas in order to identify our strengths and weaknesses.

Tenants were asked:

"Thinking about the LAST time you had repairs or maintenance carried out, how satisfied or dissatisfied were you with the repairs and maintenance service provided by your landlord?"

90% of tenants said they were satisfied with the last repair to their home (this is the same as the Scottish average).

Throughout the year we also asked tenants to provide feedback on each reactive repair carried out, using a freepost repairs satisfaction feedback postcard. This year 97.42% of tenants were satisfied with the repair service.

Furthermore, we also received the following results when we asked:

"How satisfied or dissatisfied are you with our Repair Appointment System?"

100% of tenants were satisfied with our appointment system for repairs.

"Have you used our out of hours emergency repair service in the last year?"

50% confirmed they had used the service, with 98% of tenants happy with the service provided.

Annual Gas Safety Checks

To make sure that our properties are safe and comply with legislation, a 10 monthly cycle of Gas Safety servicing was undertaken to our 754 gas properties. The most recent programme had 100% of the scheduled work to the properties completed within the required timescale.

Capital Investment and Future Prospects

Our ability to deliver services for our customers and provide a sound base for improvement depends on making the most of our housing stock. Historically we have had plans in place ensuring that our housing and neighbourhoods are well maintained and remain so. We are committed to a continuing programme of planned maintenance and improvements, requiring significant levels of annual expenditure. These well-defined plans address investment over the medium and long terms, and should allow work to be carried out as efficiently and economically as possible.

Having already achieved the *Scottish Housing Quality Standard*, the Scottish Government's main measure of housing quality, our focus during the year was on a significant planned maintenance programme covering more than 200 flats and houses in Motherwell and Bellshill. This work mainly involved kitchen replacements, but also upgraded fire and carbon monoxide detection and alarm systems to meet current standards. Customer surveys carried out to date show continuing improvement following last year's review of tenant liaison procedures; achieving our highest ever measure of satisfaction with the completed work.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Capital Investment and Future Prospects (cont'd)

We had not planned to start improvements to meet the *Energy Efficiency Standard for Social Housing*, which aims to reduce energy consumption, fuel poverty and the emission of greenhouse gases in Scotland, as soon as 2015/16. However a successful application for grant funding under the Scottish Government HEEPS: Cashback Scheme for Social Housing Providers allowed us to complete internal wall insulation to 60 of our older tenement flats in Motherwell and Mossend. This work brought at least 19 of those that had previously failed, up to the Standard required by 2020.

While cavity fill is generally the most cost effective way to improve wall insulation, it is not suitable for many of the solid-walled buildings in Lanarkshire. In these cases insulation can be upgraded most economically by installing an additional internal lining. Internal wall insulation also avoids disruption to other owners in developments where we do not own all the individual flats, and maintains the building's external appearance.

Since the *Energy Efficiency Standard for Social Housing* was published in 2014 we have worked on assessing the performance of individual buildings in relation to it. This will allow us to organise a programme of work over the next 3 years to ensure that we are able to fully attain the Standard. The end of the year also saw us preparing for a range of other planned maintenance work that will be carried out in parallel; anticipated to start with the replacement of electric heating systems at School View, Motherwell during 2016/17.

With respect to growth opportunities, the Association has not significantly grown in recent years as a result of low subsidy levels and the high cost of defending a legal case. Despite this, we have a modest purchasing strategy for open market and Mortgage to Rent properties which resulted in two properties being acquired at the year end and a target set for the new financial year.

Financial Performance

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 2015/16 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 £745,000 was approved for investment in the maintenance and improvement of the housing stock. The largest element of this investment package was the replacement and improvement of kitchens throughout our Jewel and Forgewood estates. A further 60 units benefitted from the installation of cavity wall insulation, a programme which was grant funded by the Scottish Government.
- Activity in our property acquisition strategy decreased last year with only two further units being added to our rented stock. Property sales through the Right to Buy saw seven units disposed of and one shared ownership sold on an outright basis.
- Investment in the IT systems was approved during the year with a total cost of £40,000. This investment in both hardware and software will improve the information available to our housing and maintenance staff whilst off-site. This will result in an improvement to the service we deliver to customers whilst at the same time providing tangible efficiency savings.
- An average weekly rent increase of £1.61 per house was applied in April 2015.

Effective management in rental collection saw our total turnover approach £4.0m. £3.7m was collected in housing rents, whilst a further £45,000 was received in respect of commercial rents. Grant income of £210,000 for the cavity wall insulation works was also received.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Financial Performance (cont'd)

Budgetary control was exercised throughout the main expenditure categories. All the major budgets of employee costs, property costs and debt servicing payments were in line with predictions. Lower legal fees in 2015/16 in relation to the Watling Street land contamination litigation also assisted in easing the cost pressures on the business.

As a result of the above, a surplus in excess of £400,000 has been recorded for the year, which is welcome given the challenges facing the business. This level of surplus allows the business to remain viable in the long term whilst ensuring that the resources are available to maintain and improve the quality of the housing stock in the future.

Risk and Uncertainties

Risks are identified to enable the Association to put measures in place to mitigate these risks and to enable our objectives to be achieved. The Association operates a comprehensive Risk Management Policy and a full Corporate Risk Assessment and Compliance Report is produced annually and included in the Internal Management Plan. The Corporate Risk Assessment & Compliance Report represents the significant strategic areas of activity and analyses LHA's current position in as far as practicable with details of the controls to mitigate each risk and any necessary further action.

The 4 highest gross scoring risks identified are as follows:

1. Breach of a loan covenant;
2. Alleged land contamination and related health issues at Watling Street, Motherwell and continuing litigation;
3. Loan interest rate volatility; and
4. Increase in the time spent by staff managing rent accounts as a result of changes in welfare reform/universal credit.

Financial and non-financial key performance indicators

The table below shows the Association's own key internal measures of performance over the past three financial years. The monitoring and reporting of these measures in the core functions is now seen as a business priority.

TABLE 1 – Overall Business Performance Measures (Trends Analysis)

KPI	Definition	2013/14	2014/15	2015/16
Rental Income (£)	Total amount of rental and service charge income received.	£3.505m	£3.650m	£3.709m
Voids – Bad Debts (%)	% of lost rent and service charge income to annual voids and bad debt.	0.4%	1.5%	0.4%
Rent Arrears (%)	Total arrears of rent and service charge as a percentage of rent income.	2.9%	2.5%	2.8%
Annual Loan Costs	Cost of servicing loans as a % of annual rental and service charge income.	12.1%	11.1%	10.5%
Annual Staff Costs	Total cost of staff as a % of annual rental and service charge income.	28.3%	28.2%	28.1%

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Financial and non-financial key performance indicators (continued)

TABLE 1 – Overall Business Performance Measures (Trends Analysis)

KPI	Definition	2013/14	2014/15	2015/16
Maintenance Costs	Cost of contractors payments for reactive repairs per unit per annum.	£322	£283	£299
Committee Meetings - % quorate	% of Governing Body meetings that were quorate during year.	100%	100%	100%
Staff attendance levels	Average % attendance level of all staff each year.	98.3%	93.1%	98.7%
Formal Complaints lodged	The number of formal complaints received as a % of the number of units in management.	2.9%	0.5%	0.5%
Formal Complaints upheld	The % of formal complaints upheld during the year.	60%	100%	100%

Governance

Governing Document

The Association is a registered social landlord and is thus registered with The Scottish Housing Regulator and is also registered with the Financial Conduct Authority. It is also a registered charity with OSCR.

Recruitments and Appointment of the Management Committee

At the Annual General Meeting in accordance with the rules of the Association, Mr G. Heng, Mr W. Jeffrey, Mr J. Glenny and Ms S. Killen, retire by rotation and they all offer themselves for re-election.

The Management Committee seeks to ensure that the needs of its stakeholders are appropriately reflected through the diversity of the Board and Committee structure. To enhance the potential pool of members, the Association has, through selective advertising and networking, sought to identify people who would be willing to become members and utilise their own skills and experience to assist the Association.

The Management Committee has a broad range of skills and members. A Committee Member Effectiveness Survey is conducted annually which details an individual's skills and talents and their areas where they require additional training. Committee training plans are then identified to ensure that the competencies of the Committee are properly maintained. The Management Committee of Lanarkshire Housing Association Limited is experienced and its members possess the required level of competencies to govern its activities.

Management Committee Members Induction and Training

Most members of the Management Committee are already familiar with the practical work of the Association. Where new members are elected, information is supplied regarding the obligation of Management Committee members, details of the Association's main documents and up to date financial statements. In addition, a formal training and induction programme is provided for any new member of the Management Committee.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016****Governance (continued)**Organisational Structure

The Association has a Management Committee of 10 members and 2 vacancies currently exist. The Management Committee meet six times per year and there are also a number of sub committees who meet regularly and report directly to the Management Committee.

A scheme of delegation is in place and day to day responsibility for the provision of the Association's projects rests with the Chief Executive, along with the Corporate Services Director and Housing Services Director. The Chief Executive is responsible for ensuring that the Association delivers the services specified and that key performance indicators are met.

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.

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;

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Internal Financial Controls (cont'd)

- (e) The Association has appointed a firm of accountants, on a consultancy basis, as its internal auditor 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 auditor 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 2016. 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. Transactions with Management Committee members are included in note 29.

Related party transactions with Lanarkshire Initiatives Limited, the Association's fully owned subsidiary, can be found at note 29.

Auditor

A resolution to re-appoint Scott-Moncrieff as 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.

Statement of the 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.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Statement of the Management Committee's Responsibilities (cont'd)

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.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee on 21 June 2016.

By order of the Committee

A handwritten signature in blue ink that reads "Catriona Blyth".

Catriona Blyth
Secretary

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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers in 2014.

This report is made solely to the Association's members as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. 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 the Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on pages 11 and 12, the Management Committee is responsible for the preparation of 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/auditscopeukprivate

Group accounts: Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969

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 the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 for the year ended 31 March 2016, 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 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, requires 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

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

Date: 21 June 2016

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 statements on pages 10 and 11 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

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

Through our enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff

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

Dated: 21 June 2016

**Statement of Comprehensive Income
For the year ended 31 March 2016**

	Note	2016 £	Restated 2015 £
Turnover	4	3,982,458	3,704,197
Less: Operating expenditure	4	(3,061,219)	(2,698,490)
Operating surplus	4	921,239	1,005,707
Loss on disposal of property, plant and equipment		(56,810)	(79,598)
Increase in value of investment property		5,000	-
Interest receivable	10	11,497	10,931
Interest and financing costs	11	(468,526)	(399,414)
Surplus before taxation		412,400	537,626
Taxation	12	-	-
Surplus for the year		<u>412,400</u>	<u>537,626</u>
Other Comprehensive Income			
Actuarial gain/(loss) in respect of the pension scheme	24	777,000	(834,000)
Total Comprehensive Income for the year		<u>1,189,400</u>	<u>(296,374)</u>

The results for the year relate wholly to continuing activities.

**Statement of Changes in Capital and Reserves
For the year ended 31 March 2016**

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2015	107	17,941,834	(2,375,000)	15,566,941
Surplus from Statement of Comprehensive Income	-	412,400	777,000	1,189,400
Transfer from the pension reserve	-	183,000	(183,000)	-
Issue of share capital	2	-	-	2
Cancellation of shares	(3)	-	-	(3)
	<u>106</u>	<u>18,537,234</u>	<u>(1,781,000)</u>	<u>16,756,340</u>
Balance at 31 March 2016	<u>106</u>	<u>18,537,234</u>	<u>(1,781,000)</u>	<u>16,756,340</u>

Statement of Changes In Capital and Reserves at 31 March 2015

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2014	116	17,343,208	(1,480,000)	15,863,324
Surplus from Statement of Comprehensive Income	-	537,626	(834,000)	(296,374)
Transfer from the pension reserve	-	61,000	(61,000)	-
Issue of share capital	1	-	-	1
Cancellation of shares	(10)	-	-	(10)
	<u>107</u>	<u>17,941,834</u>	<u>(2,375,000)</u>	<u>15,566,941</u>
Balance at 31 March 2015	<u>107</u>	<u>17,941,834</u>	<u>(2,375,000)</u>	<u>15,566,941</u>

**Statement of Financial Position
As at 31 March 2016**

	Note	2016 £	Restated 2015 £
Fixed Assets			
Housing properties	13	27,304,779	27,561,993
Other fixed assets	13	873,296	877,015
		<u>28,178,075</u>	<u>28,439,008</u>
Investment in subsidiary	16	2	2
		<u>28,178,077</u>	<u>28,439,010</u>
Current assets			
Stocks		5,003	5,768
Debtors	17	355,391	115,786
Cash and cash equivalents	18	2,504,082	2,547,914
		<u>2,864,476</u>	<u>2,669,468</u>
Creditors: amounts falling due within one year	19	<u>(1,486,334)</u>	<u>(1,569,350)</u>
Net current assets		<u>1,378,142</u>	<u>1,100,118</u>
Total assets less current liabilities		<u>29,556,219</u>	<u>29,539,128</u>
Creditors: amounts falling due after more than one year			
Retirement benefit scheme deficit	20	(11,018,879)	(11,597,187)
	24	(1,781,000)	(2,375,000)
Net assets		<u>16,756,340</u>	<u>15,566,941</u>
Capital and reserves			
Share capital	23	106	107
Revenue reserve		18,537,234	17,941,834
Pension reserve		(1,781,000)	(2,375,000)
		<u>16,756,340</u>	<u>15,566,941</u>

The financial statements were authorised for issue by the Management Committee on 21 June 2016 and signed on its behalf by:

Fiona Tonner

Chair



Catriona Blyth

Secretary



John Glenn

Treasurer



The notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	28	1,285,423	1,682,481
Cash flow from investing activities			
Purchase of housing properties		(580,512)	(661,828)
Purchase of other fixed assets		(14,615)	(9,090)
Proceeds from sale of housing properties		462,840	280,700
Proceeds from sale of other fixed assets		-	120
Government capital grants received		81,918	133,530
Repayment of Government Capital grant on disposal of housing properties		(265,118)	(164,460)
Interest received		11,497	10,931
		<u>(303,990)</u>	<u>(410,097)</u>
Cash flow from financing activities			
Interest paid		(391,526)	(406,414)
Repayment of borrowings		(633,741)	(622,152)
Issue of share capital		2	1
		<u>(1,025,265)</u>	<u>(1,028,565)</u>
Net change in cash and cash equivalent		(43,832)	243,819
Cash and cash equivalents at 1 April		2,547,914	2,304,095
Cash and cash equivalents at 31 March		<u>2,504,082</u>	<u>2,547,914</u>

The notes form part of these financial statements.

**Notes to the Financial Statements
For the year ended 31 March 2016****1. General information**

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord in Scotland and its registered number is HAL 202.

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2016. These financial statements comprise the results of the Association only.

The Association's Scottish Charity number is SC042523.

The address of the Association's registered office is:

191 Brandon Street
Motherwell
ML1 1RS

2. Accounting policies**Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. However please note that on transition to FRS102, an existing use value has been used as deemed cost for housing properties. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date.

This is the first year the accounts have been prepared under FRS 102, details of the impact of the transition are disclosed in note 31.

Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2017 and the year to 31 March 2018. 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.

Turnover

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

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.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or local authority, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Fixed assets - Housing properties

Housing properties are stated at cost, 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 or are considered for mortgage loans by private lenders 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.

**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

**Notes to the Financial Statements
For the year ended 31 March 2016****2. Accounting policies (continued)****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.

Investment Properties

Investment properties are properties held for commercial lettings. These properties are held at their market value. The fair value of each property will be considered at each reporting date and any changes will be recognised in the Statement of Comprehensive Income.

Apportionment of management expenses

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

Pensions (Note 24)

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 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. 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 Other Comprehensive Income.

Financial Commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

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.

Debtors

Short term debtors are measured at transaction price, less any impairment.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Rental Arrears

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 17.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

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

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

**Notes to the Financial Statements
For the year ended 31 March 2016**

3. Judgements in applying policies and key sources of estimation uncertainty (continued)

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<u>Estimate</u>	<u>Basis of estimation</u>
Valuation of Housing Properties	Housing Properties are held at deemed cost which is based on existing use valuations at the date of transition. The assumptions used to form the basis of the existing use valuation have been reviewed and are considered reasonable and appropriate.
Useful lives of property, plant and equipment	The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.
The main components of housing properties	The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.
Recoverable amount of rental and other trade receivables	Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.
The obligations under the Strathclyde pension scheme	This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.
The allocation of costs for shared ownership	Management and administration costs are allocated on the basis of rental income that shared ownership properties represent of the Association's total rental income.
The valuation of investment property	The investment property was valued by an appropriately qualified surveyor using market data at the date of valuation.

Notes to the financial statements
For the year ended 31 March 2016

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	2016		Restated 2015	
	Turnover £	Operating Expenditure £	Turnover £	Operating Expenditure £
Income and Expenditure From lettings				
Social Lettings (Note 5)	3,713,746	(2,791,227)	3,652,361	(2,685,488)
Other activities (Note 6)	268,712	(269,992)	51,836	(13,002)
	<u>3,982,458</u>	<u>(3,061,219)</u>	<u>3,704,197</u>	<u>(2,698,490)</u>
		Operating Surplus/ (Deficit) £		Operating Surplus £
		922,519		966,873
		(1,280)		38,834
		<u>921,239</u>		<u>1,005,707</u>

Notes to the financial statements
For the year ended 31 March 2016

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2016 Total £	Restated 2015 Total £
Income from rent and service charges					
Rent receivable net of service charges	3,119,698	425,413	103,298	3,648,409	3,597,405
Service charges	64,359	9,616	-	73,975	69,351
Gross income from rents and service charges	3,184,057	435,029	103,298	3,722,384	3,666,756
Less voids	(13,049)	-	-	(13,049)	(17,066)
Net income from rents and service charges	3,171,008	435,029	103,298	3,709,335	3,649,690
Release of deferred Government capital grants	-	4,411	-	4,411	2,671
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	3,171,008	439,440	103,298	3,713,746	3,652,361
Expenditure					
Management and maintenance administration costs	(1,365,116)	(174,266)	(44,855)	(1,584,237)	(1,532,961)
Service charges	(115,909)	(14,326)	-	(130,235)	(107,551)
Planned cyclical maintenance including major repairs	(132,865)	(19,853)	-	(152,718)	(58,741)
Reactive maintenance costs	(239,005)	(35,713)	-	(274,718)	(262,013)
Bad debts – rents and service charges	(6,864)	-	-	(6,864)	(21,109)
Depreciation of social housing	(503,808)	(56,116)	(23,270)	(583,194)	(535,789)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(59,261)	-	-	(59,261)	(167,324)
Operating costs for social letting activities	(2,422,828)	(300,274)	(68,125)	(2,791,227)	(2,685,488)
Operating surplus on letting activities, 2016	748,180	139,166	35,173	922,519	
Restated operating surplus on letting activities, 2015	774,002	155,887	36,984		966,873

* These exceptional costs are legal fees incurred in regard to the ongoing legal case in respect of Watling Street – please see note 30.

Notes to the financial statements
For the year ended 31 March 2016

6. Particulars of turnover, operating expenditure and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other Income	2016 £	2015 £	Operating costs - bad debts	Other operating costs	2016 £	2015 £
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,935	5,935	5,927	-	4,530	1,405	1,315
The Energy Trust Grant	-	210,000	-	-	210,000	-	-	249,162	(39,162)	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	7,655	7,655	1,414	3,850	-	3,805	914
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	45,122	45,122	44,495	-	12,450	32,672	36,605
Total from other activities, 2016	-	<u>210,000</u>	-	<u>58,712</u>	<u>268,712</u>	<u>44,495</u>	<u>3,850</u>	<u>266,142</u>	<u>(1,280)</u>	<u>-</u>
Total from other activities, 2015	-	-	-	<u>51,836</u>	<u>51,836</u>	<u>51,836</u>	-	<u>13,002</u>	<u>38,834</u>	<u>38,834</u>

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 2016**

7. Employees

	2016	2015
	£	£
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	823,643	811,643
Social security costs	70,033	69,096
Pension costs	150,296	146,886
Defined benefit pension adjustment (Note 24)	106,000	68,000
	<u>1,149,972</u>	<u>1,095,625</u>
	2016	2015
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<u>20</u>	<u>20</u>

8. 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.

	2016	2015
	£	£
Emoluments (excluding pension contributions) of Chief Executive	<u>86,195</u>	<u>84,572</u>

The Association's pension contribution for the Chief Executive in the year amounted to £15,652 (2015: £15,245).

	2016	2015
	Number	Number
Numbers of Directors whose emoluments (excluding pension contributions) exceed £60,000 during the year were as follows:-		
£85,000 - £89,999	1	-
£80,000 - £84,999	-	1
£65,000 - £69,999	1	1
£60,000 - £64,999	<u>1</u>	<u>1</u>

Total pension contributions to directors whose emoluments exceeded £60,000 were £38,939 (2015: £38,335). No enhanced or special terms apply to membership and the directors have no other pension arrangements to which the Association contributes.

Total Expenses reimbursed in so far as not chargeable to U.K.
Income Tax

<u>-</u>	<u>-</u>
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The Association considers key management personnel to be the Management Committee and senior management team (listed on page 1) of the Association only.

Notes to the Financial Statements
For the year ended 31 March 2016

8. Directors' emoluments (continued)

Total emoluments paid to the key management personnel of the Association amounted to £503,886 (2015: £499,566). Pension contributions on behalf of the key management personnel amounted to £90,496 (2015: £88,827).

9. Auditor's remuneration

	2016 £	2015 £
The remuneration of the auditor for the year (including expenses, but excluding VAT), in respect of audit services	10,000	10,000
Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)	2,050	-

10. Interest receivable

	2016 £	2015 £
Bank interest	11,497	10,931

11. Interest payable and similar charges

	2016 £	2015 £
Bank loans	391,526	406,414
Defined benefit pension adjustment (Note 24)	77,000	(7,000)
	468,526	399,414

12. Taxation

	2016 £	2015 £
Provision has been made for corporation tax at 20% (2015: 20%) as follows:		
UK corporation tax	-	-
Adjustment in respect of prior year	-	-
Deferred tax	-	-
	-	-

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

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2016

13. Tangible fixed assets

	Housing Properties Held for Letting £	Completed shared ownership housing properties £	Office premises £	Motor vehicles £	Computer equipment, office furniture and fittings £	Investment properties - Commercial properties £	Restated Total £
Cost or valuation							
At 1 April 2015 as restated	26,492,686	1,532,000	607,534	14,136	67,314	450,000	29,163,670
Additions – housing units	140,401	-	-	-	-	-	140,401
Additions – components	440,111	-	-	-	-	-	440,111
Additions – other fixed assets	-	-	-	-	14,615	-	14,615
Disposals – housing units	(225,677)	(38,810)	-	-	-	-	(264,487)
Disposals – components	(96,879)	-	-	-	(15,599)	-	(96,879)
Disposals – other fixed assets	-	-	-	-	-	-	(15,599)
Transfers	38,683	(38,683)	-	-	-	5,000	5,000
Revaluation	-	-	-	-	-	-	-
At 31 March 2016	26,789,325	1,454,507	607,534	14,136	66,330	455,000	29,386,832
Depreciation							
At 1 April 2015 as restated	438,181	24,512	202,094	12,636	47,239	-	724,662
Provided for year	472,549	23,270	11,390	1,500	10,444	-	519,153
Disposals – housing units	(8,713)	(1,242)	-	-	-	-	(9,955)
Disposals – components	(9,504)	-	-	-	-	-	(9,504)
Disposals – other fixed assets	-	-	-	-	(15,599)	-	(15,599)
Transfers	1,238	(1,238)	-	-	-	-	-
At 31 March 2016	893,751	45,302	213,484	14,136	42,084	-	1,208,757
Net Book Value							
At 31 March 2016	25,895,574	1,409,205	394,050	-	24,246	455,000	28,178,075
At 31 March 2015 as restated	26,054,505	1,507,488	405,440	1,500	20,075	450,000	28,439,008

**Notes to the Financial Statements
For the year ended 31 March 2016**

13. Tangible fixed assets (continued)

The depreciation charge for housing stock in the year was £495,819 (2015: £381,225). The net book value of disposed components was £87,375 (2015: £154,564) and has been included in depreciation of social Housing in note 5 in accordance with the SORP giving a total depreciation of social housing of £583,194 (2015:£535,789).

Additions to housing property include no capitalised interest (2015: £nil) and no capitalised administration costs (2015: £nil). All housing properties are freehold. Properties with a cost of £264,487 (2015: £195,917) and accumulated depreciation of £9,955 (2015: £nil) have been disposed in the year for net proceeds of £195,838, after grant repaid of £265,118 (2015: £116,240 after grant repaid of £164,460).

The housing properties were revalued as at 1 April 2014 (by Jones Lang LaSalle Limited) and this value was used as the deemed cost from that date in accordance with FRS 102. The commercial properties were valued at 31 March 2016 (by Jones Lang LaSalle Limited).

Notes to the Financial Statements
For the year ended 31 March 2016

14. Housing Stock

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

	2016	2015
General Needs Housing	827	832
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	46	48
	<u>966</u>	<u>973</u>

15. Commercial units

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

	2016	2015
Commercial Units	<u>7</u>	<u>7</u>

16. Investments

	2016 £	2015 £
Investment in subsidiary undertaking	<u>2</u>	<u>2</u>

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 2016, Lanarkshire Initiatives Limited made a loss after taxation of £770 (2015: loss of £764). At 31 March 2016, Lanarkshire Initiatives Limited had net assets of £6,166 (2015: £6,936).

17. Debtors

	2016 £	2015 £
Gross Rent and service charges	103,379	91,789
Less: Bad debt provision	(55,600)	(55,600)
	<u>47,779</u>	<u>36,189</u>
Other debtors	262,150	35,909
Prepayments and accrued income	45,462	43,688
	<u>355,391</u>	<u>115,786</u>

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

18. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	1,427,213	1,478,422
Balances held in deposit accounts	1,076,869	1,069,492
	<u>2,504,082</u>	<u>2,547,914</u>

**Notes to the Financial Statements
For the year ended 31 March 2016**

19. Creditors: amounts falling due within one year

	2016 £	Restated 2015 £
Bank loans	636,703	619,040
Trade creditors	78,426	89,749
Rental advances	84,597	88,541
Other taxes and social security	22,894	22,975
Contract retentions	26,421	12,909
Accruals and deferred income	57,062	67,604
Other creditors	95,097	93,918
Amounts due to subsidiary	6,641	7,403
Amounts due to Scottish Government	471,411	564,540
Deferred capital grants (see note 21)	7,082	2,671
	<u>1,486,334</u>	<u>1,569,350</u>

Included in accruals is £17,317 of outstanding pension contributions (2015: £16,960).

The bank overdraft and loans are secured as detailed in note 20.

20. Creditors: amounts falling due after more than one year

	2016 £	Restated 2015 £
Deferred capital grants (see note 21)	201,284	128,188
Loans	10,817,595	11,468,999
	<u>11,018,879</u>	<u>11,597,187</u>

	2016 £	2015 £
Due between one and two years	643,785	624,823
Due between two and five years	1,931,356	1,874,469
Due in five years or more	8,443,738	9,097,895
	<u>11,018,879</u>	<u>11,597,187</u>

The Association's loans and mortgages from The Scottish Government, of which £231,077 (2015: £237,429) 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.

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.

**Notes to the Financial Statements
For the year ended 31 March 2016**

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

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.

21. Deferred capital grants	2016	Restated
	£	2015
		£
Balance at 1 April 2015	130,859	133,530
Additional capital grant received	81,918	-
Released to Statement of Comprehensive Income	(4,411)	(2,671)
	<u>208,366</u>	<u>130,859</u>
Balance at 31 March 2016	<u>208,366</u>	<u>130,859</u>

22. Financial instruments

	2016	2015
	£	£
Financial assets		
Financial assets measured at amortised cost	309,929	72,098
	<u>309,929</u>	<u>72,098</u>
Financial liabilities		
Financial liabilities measured at amortised cost	12,273,953	13,012,703
	<u>12,273,953</u>	<u>13,012,703</u>

Financial assets measured at amortised cost comprised rent arrears and other debtors.

Financial liabilities measured at amortised cost comprised bank loans, trade creditors, rental advances, contract retentions, accruals, other creditors, amounts due to subsidiary and amounts due to the Scottish Government.

23. Share Capital	2016	2015
	£	£
At start of year	107	116
Issued in year	2	1
Redeemed in year	(3)	(10)
	<u>106</u>	<u>107</u>
At end of year	<u>106</u>	<u>107</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

**Notes to the Financial Statements
For the year ended 31 March 2016**

24. 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.

From 1 April 2015, the Scheme changed from a final salary 1/60th accrual scheme to a CARE 1/45th accrual scheme.

An updated valuation of the Strathclyde Pension Fund was performed as at 31 March 2016.

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

Assumptions as at	31 March 2016	31 March 2015
Pension increases	2.2%	2.4%
Salary increases	4.2%	4.3%
Discount rate	3.5%	3.2%

The average future life expectancies at age 65 are summarised below:

Mortality	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 year

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity Analysis	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	871
1 year increase in member life expectancy	3%	209
0.5% increase in the Salary Increase Rate	5%	383
0.5% increase in the Pension Increase Rate	7%	464

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 2016 £000	31 March 2015 £000
Estimated Employer Assets (A)	5,185	5,042
Present Value of Scheme Liabilities	6,966	7,417
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	6,966	7,417
Net Pension Liability (A) – (B)	(1,781)	(2,375)

Notes to the Financial Statements
For the year ended 31 March 2016

24. Pensions (continued)

Analysis of the amount charged to operating profit:

	Year to 31 March 2016 £'000	Year to 31 March 2015 £'000
Service cost	256	215
Contributions	(150)	(147)
Past service cost	-	-
Curtailement and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge	106	68
Net Interest cost	77	(7)

Analysis of the amount recognised in the Statement of Other Comprehensive Income:

	Year to 31 March 2016 £ 000	Year to 31 March 2015 £ 000
Actuarial gain/(loss) recognised as other comprehensive income	777	(834)

Movement in pension deficit during the year

	Year to 31 March 2016 £ 000	Year to 31 March 2015 £ 000
Deficit in scheme at beginning of year	(2,375)	(1,480)
Current service cost	(256)	(215)
Employer contributions	150	147
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest cost	(77)	7
Actuarial gain/(loss)	777	(834)
Deficit at end of year	(1,781)	(2,375)

**Notes to the Financial Statements
For the year ended 31 March 2016**

25. Establishment of Association

The Association is established under the Co-operative and Community Benefit Societies Act 2014 and was incorporated in Scotland.

26. Commitments – capital and repairs

As at 31 March 2016, the Association had commitments in respect of capital and repairs work of:

	2016 £	2015 £
Commitment	228,248	118,643
To be funded by: The Association's reserves	228,248	118,643
Approved but not contracted for	Nil	Nil

27. Commitments under operating leases

As at 31 March 2016 the Association had total commitments under non-cancellable operating leases as set out below:-

	2016 £	Restated 2015 £
Operating leases which expire:		
Within one year	38,894	42,476
Between one and two years	23,141	29,336
In two to five years	6,930	3,668
	68,965	75,480

**Notes to the Financial Statements
For the year ended 31 March 2016**

28. Net cash flow generated from operating activities

	2016 £	Restated 2015 £
Surplus for the year	412,400	537,626
<u>Adjustments for non cash items:</u>		
Carrying amount of tangible fixed asset disposals	254,532	195,958
Depreciation of tangible fixed assets	606,528	561,539
Decrease/(increase) in stocks	765	(658)
Increase/(decrease) in debtors	(239,605)	45,254
(Decrease)/increase in creditors	(105,090)	5,320
Proceeds from sale of tangible fixed assets	(462,840)	(280,820)
<u>Adjustments for investing and financing activities:</u>		
Increase in valuation of investment properties	(5,000)	-
Interest payable	(11,497)	(10,931)
Interest received	391,526	406,414
Release of deferred Government Capital Grant	(4,411)	(2,671)
Non cash movement relating to pension liability	183,000	61,000
Repayment of Government Capital Grant	265,118	164,460
Forfeited share capital	(3)	(10)
	<hr/>	<hr/>
Net cash generated from operating activities	1,285,423	1,682,481
	<hr/> <hr/>	<hr/> <hr/>

29. 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 £151 (2015: £110) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £913 (2015: £877) 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 2016 was £6,641 (2015: £7,403) and is included in creditors.

The Association has Management Committee members who are also tenants. The total rent received in the year relating to tenant Management Committee members is £7,864 (2015: £7,779). The total rent arrears relating to tenant Management Committee members included within debtors at the year end is £Nil (2015: £Nil).

30. 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 in previous years over such claims of contaminated land at Watling Street, which concluded that the open space and garden soils were safe. During the course of 2015/16, one of the defendants, North Lanarkshire Council was released from the action by the pursuers and North Lanarkshire Council has no further plans to revisit the conclusions from the site investigation reports.

**Notes to the Financial Statements
For the year ended 31 March 2016**

30. Contingent liability (continued)

A Procedural Roll hearing in front of Lord Jones at the Outer House of the Court of Session took place in March 2015. Lord Jones issued his Opinion in December 2015, where he found that the case against Lanarkshire Housing Association Limited should be dismissed along with another defendant in the case, City Link Development Company Ltd. The case against the final defendant in the case, Scott Wilson Scotland Ltd, was allowed to proceed to a Proof before Answer hearing by Lord Jones.

The pursuers have intimated that they will appeal the decision of Lord Jones to dismiss Lanarkshire Housing Association Limited from the action to the Inner House of the Court of Session. The Management Committee has received the opinion of counsel on the legal issues raised by such an appeal and will continue to robustly defend this action.

31. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income and Other Comprehensive Income.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Housing properties have been valued on an existing use value at 1 April 2014 and this has been taken as deemed cost.

Government Capital Grant is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure and components.

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

**Notes to the Financial Statements
For the year ended 31 March 2016**

31. Transition to FRS 102 (continued)

Restated Surplus for the year ended 31 March 2015.

	£
Surplus per signed financial statements for year ended 31 March 2015	384,639
Effects of:	
Restatement of disposals due to the move to deemed cost	(63,532)
Release of deferred Government grant	2,671
Restatement of depreciation	213,848
Restated surplus for the year ended 31 March 2015	537,626

£

Restated Statement of Financial Position as at 31 March 2015

Capital and reserves as at 31 March 2015 per signed financial statements	3,341,098
Effect of:	
<u>Adjustments at 1 April 2014</u>	
Housing and shared ownership properties being recognised at deemed cost	(34,453,395)
Government grants transferred to revenue reserve	46,526,251
<u>In year adjustments (2014/15)</u>	
Restatement of disposals due to move to deemed cost	(63,532)
Release of deferred Government grant	2,671
Restatement of depreciation	213,848
Restated capital and reserves as at 31 March 2015	15,566,941

Restated Statement of Financial Position as at 31 March 2014

£

Capital and reserves as at 31 March 2014 per signed financial statements	3,790,468
Effect of:	
Housing and shared ownership properties being recognised at deemed cost	(34,453,395)
Government grants transferred to revenue reserve	46,526,251
Restated capital and reserves as at 31 March 2014	15,863,324