

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2012

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2012

Contents	Page
Members, Executives and Advisers	1
Report of the Management Committee	2-3
Statement of Committee's Responsibilities	4
Report of the Auditors	5
Auditors Report on Corporate Governance	6
Income and Expenditure account	7
Statement of total recognised gains and losses	8
Balance sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11-30

Registration information

Financial Services Authority	Industrial and Provident Societies 1965 Registered number 1941 R (S)
The Scottish Housing Regulator	Housing (Scotland) Act 2001 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
Thomas Cartwright – Secretary
Fiona Tonner – Treasurer
John Glenny
William Jeffrey
Gordon Heng
Shirley Killeen
John McNally
Jessie Mitchell
Alex Paton

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditors

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

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

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

MacRoberts
152 Bath Street
Glasgow
G2 4TB

**Report of the Management Committee
For the year ended 31 March 2012**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2012.

Principal activities

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

Review of operations and future developments

The surplus for the year is detailed in the Income and Expenditure Account on page 7. Transfers to reserves are shown on page 22. The Office of the Scottish Charity Regulator approved the Association's application to become a registered charity on the 19th of August 2011 and thus from that date, any surplus generated from the charitable activities of the Association is not subject to corporation tax.

Changes in fixed assets

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

Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed at note 18. The introduction of component accounting ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

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 and significant variances from budgets are investigated as appropriate;

**Report of the Management Committee
For the year ended 31 March 2012****Internal Financial Controls (cont'd)**

- (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 Audit 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 2012. 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 positions to their personal advantage.

Related party transactions with Lanarkshire Initiatives Limited can be found at note 31.

Auditors

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

By order of the committee

Thomas Cartwright
Secretary

Dated: 19 June 2012

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.

Report of the Auditors 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 2012 which comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010.

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 Auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 4, the committee members are 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012, 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 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice - Accounting by registered social housing providers issued in 2010;
- 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 Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial 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: 19 June 2012

**Report of the Auditors 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: 19 June 2012

Income and Expenditure Account
For the year ended 31 March 2012

	Note	2012 £	2011 Restated £
Turnover	2	3,325,903	3,051,556
Less: Operating costs	2	<u>(2,652,735)</u>	<u>(1,771,220)</u>
Operating surplus	2	673,168	1,280,336
Surplus on sale of properties		-	9,827
Interest receivable	9	894	1,505
Interest payable and similar charges	10	<u>(373,922)</u>	<u>(457,921)</u>
Surplus on ordinary activities before taxation		300,140	833,747
Taxation on profit on ordinary activities	11	<u>(75,953)</u>	<u>(91,340)</u>
Surplus on ordinary activities after taxation		<u><u>224,187</u></u>	<u><u>742,407</u></u>

The results for the year relate wholly to continuing activities.




**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2012**

	2012	2011
	£	Restated £
Retained surplus for the year	224,187	742,407
Actuarial (loss) / gain recognised in the retirement benefit scheme (Note 19)	(226,000)	530,000
Total recognised gains and losses relating to the year	<u>(1,813)</u>	<u>1,272,407</u>

Balance Sheet
As at 31 March 2012

		2012	2011
	Note	£	Restated £
Tangible fixed assets			
Housing properties – gross cost		65,614,766	62,980,573
Less: HAG, other grants and depreciation		(49,237,061)	(48,097,152)
		<u>16,377,705</u>	<u>14,883,421</u>
Other fixed assets		939,311	945,394
		<u>17,317,016</u>	<u>15,828,815</u>
Investments	12 13	2	2
		<u>17,317,018</u>	<u>15,828,817</u>
Current assets			
Stocks		4,193	3,407
Debtors	14	112,519	92,342
Cash at bank and in hand		1,754,736	851,329
		<u>1,871,448</u>	<u>947,078</u>
Creditors: amounts falling due within one year	15	(1,632,087)	(2,202,061)
Net current assets		<u>239,361</u>	<u>(1,254,983)</u>
Total assets less current liabilities		17,556,379	14,573,834
Creditors: amounts falling due after more than one year	16	(12,576,548)	(9,789,905)
Retirement benefit scheme deficit	19	(818,000)	(608,000)
Provisions for liabilities	32	-	(12,282)
Net assets		<u>4,161,831</u>	<u>4,163,647</u>
Capital and reserves			
Share capital	17	121	124
Designated reserves	18	5,380,430	5,043,283
Revenue reserve	18	(400,720)	(271,760)
Pension reserve	18	(818,000)	(608,000)
		<u>4,161,831</u>	<u>4,163,647</u>

The financial statements were authorised for issue by the Management Committee on 19 June 2012 and are signed on its behalf by:

Catriona Blyth	Chair	
Thomas Cartwright	Secretary	
Fiona Tonner	Treasurer	

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2012

	Notes	2012	2011 Restated
		£	£
Net cash inflow from operating activities	23	<u>736,246</u>	<u>1,795,856</u>
Returns on investments and servicing of finance			
Interest received		894	1,505
Interest paid		<u>(384,922)</u>	<u>(440,921)</u>
		<u>(384,028)</u>	<u>(439,416)</u>
Taxation			
Corporation tax paid		(102,803)	(162,565)
Capital expenditure			
Expenditure on housing properties		(2,634,195)	(5,078,613)
Purchase of other fixed assets		(19,953)	(11,417)
Receipts from sale of housing properties		-	733,030
Receipts from sale of other fixed assets		2,501	-
Housing Association Grant repaid		-	(24,600)
Housing Association Grant received		418,721	2,561,173
Other grants received		-	50,765
Other grants repaid		-	-
		<u>(2,232,926)</u>	<u>(1,769,662)</u>
Cash (outflow) before financing		<u>(1,983,511)</u>	<u>(575,787)</u>
Financing			
Issue of share capital		1	3
New loans drawn down		3,379,926	-
Loans drawn repaid		<u>(493,009)</u>	<u>(912,323)</u>
		<u>2,886,918</u>	<u>(912,320)</u>
Increase / (Decrease) in cash		<u><u>903,407</u></u>	<u><u>(1,488,107)</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (c) to (m) 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 Registered Social Landlords Accounting Requirements (Scotland) Order 2007 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 2013 and the year to 31 March 2014. 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 sale of property, but will normally be restricted to net proceeds of sale.

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

**Notes to the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies (cont'd)

(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 before retentions 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

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

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

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31 March 2012**

1. Accounting policies (cont'd)

(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 Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

(m) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Notes to the financial statements
For the year ended 31 March 2012

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2012 Operating Costs £	Operating Surplus £	2011 Restated Operating Costs £	Operating Surplus £
Income and Expenditure From lettings					
Social Lettings (Note 3)	3,283,443	(2,628,366)	655,077	(1,748,461)	1,251,520
Other activities (Note 4)	42,460	(24,369)	18,091	(22,759)	28,816
	<u>3,325,903</u>	<u>(2,652,735)</u>	<u>673,168</u>	<u>(1,771,220)</u>	<u>1,280,336</u>

Notes to the financial statements
For the year ended 31 March 2012

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2012 Total £	2011 Restated Total £
Income from rent and service charges					
Rent receivable net of service charges	2,432,856	362,711	442,632	3,238,199	2,908,762
Service charges	51,487	7,693	-	59,180	58,255
Gross income from rents and service charges	2,484,343	370,404	442,632	3,297,379	2,967,017
Less voids	(13,936)	-	-	(13,936)	(7,976)
Net income from rents and service charges	2,470,407	370,404	442,632	3,283,443	2,959,041
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	40,940
Total turnover from social letting activities	2,470,407	370,404	442,632	3,283,443	2,999,981
Expenditure					
Management and maintenance administration costs	(983,354)	(145,402)	(184,563)	(1,313,319)	(905,102)
Service charges	(89,135)	(13,073)	(16,639)	(118,847)	(68,247)
Planned cyclical maintenance including major repairs	(124,972)	(36,271)	-	(161,243)	(219,390)
Reactive maintenance costs	(248,509)	(37,133)	-	(285,642)	(209,930)
Bad debts – rents and service charges	(28,125)	-	-	(28,125)	(26,991)
Depreciation of social housing	(629,444)	(74,756)	(16,990)	(721,190)	(318,801)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	(2,103,539)	(306,635)	(218,192)	(2,628,366)	(1,748,461)
Operating Surplus on letting activities, 2012	366,868	63,769	224,440	655,077	
Operating Surplus on letting activities, 2011 restated	890,915	107,450	253,155		1,251,520

Notes to the financial statements for the year ended 31 March 2012

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	2012 £	2011 £	Operating costs - bad debts	Other operating costs	Operating surplus or (deficit) 2012	Operating surplus or (deficit) 2011
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	-	-	-	9,257	9,257	-	-	(863)	(863)	(9,992)
Care and repair of property	-	-	-	-	-	-	-	(10,120)	-	-
Factoring	-	-	-	5,761	5,761	6,117	-	(1,473)	-	(6,650)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
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	-	-	-	27,442	27,442	45,458	-	(7,015)	20,427	45,458
Total from other activities, 2012	-	-	-	42,460	42,460	-	-	(24,369)	18,091	-
Total from other activities, 2011	-	-	-	51,575	51,575	-	-	(22,759)	-	28,816

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 2012**

5. Capitalised development costs	2012	2011
	£	£
Development administration and other indirect costs capitalised	(29,120)	(31,320)
	<u>(29,120)</u>	<u>(31,320)</u>
 6. Employees	 2012	 2011
Staff costs (including Directors' Emoluments) consist of:	£	£
Wages and salaries	736,295	684,799
Social security costs	61,505	46,890
Pension costs	133,565	112,288
FRS17 adjustment (Note 19)	(5,000)	(340,000)
	<u>926,365</u>	<u>503,977</u>
	 2012	 2011
	Number	Number
The number of full time equivalents employed by the Association during the year was:	 20	 20
	<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.		
	2012	2011
	£	£
Emoluments (excluding pension contributions) of Chief Executive	78,146	76,178
	<u>78,146</u>	<u>76,178</u>
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£70,000 - £79,999	1	1
£60,000 - £64,999	2	-
	<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 2012**

7. Directors' emoluments (cont'd)

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 £14,004 (2011: £12,637).

8. Auditors' remuneration	2012	2011
	£	£
The remuneration of the auditors for the year (including expenses, but excluding VAT), in respect of audit services	9,950	9,950
	<u>9,950</u>	<u>9,950</u>
Amounts paid to the auditors by the Association in respect of non-audit services (excluding VAT)	3,000	1,700
	<u>3,000</u>	<u>1,700</u>
9. Interest receivable	2012	2011
	£	£
Bank interest	894	1,505
	<u>894</u>	<u>1,505</u>
10. Interest payable and similar charges	2012	2011
	£	£
Bank loans	384,922	440,921
FRS 17 adjustment (Note 19)	(11,000)	17,000
	<u>373,922</u>	<u>457,921</u>
11. Taxation	2012	2011
	£	£
Provision has been made for corporation tax at 26% (2011: 28%) as follows:		
UK corporation tax	88,235	102,803
Adjustment in respect of prior year	-	(23,745)
Deferred tax (note 32)	(12,282)	12,282
	<u>75,953</u>	<u>91,340</u>

The Association obtained charitable status on 19 August 2011 and as a result no corporation tax is due on any surplus generated from charitable activities from this date. The corporation tax charge above relates solely to the surplus generated before charitable status was obtained.

Notes to the Financial Statements
For the year ended 31 March 2012

12. Tangible fixed assets

	Housing Properties Held for Letting £	Housing Properties Under Construction £	Completed shared ownership housing properties £	Shared ownership housing properties under construction £	Office premises £	Computer equipment, office furniture and fittings £	Commercial properties £	Total £
Cost (net of grants)								
At 31 March 2011	13,647,315	1,180,236	1,004,170	-	607,534	302,437	500,000	17,241,692
Prior year adjustment	1,218,546	-	-	-	-	-	-	1,218,546
At 1 April 2011 restated	14,865,861	1,180,236	1,004,170	-	607,534	302,437	500,000	18,460,238
Transfers in the period	1,768,899	(1,727,208)	(41,691)	-	-	-	-	2,235,427
Additions	1,668,502	546,972	-	-	-	19,953	-	(15,939)
Disposals	-	-	-	-	-	(15,939)	-	(15,939)
At 31 March 2012	18,303,262	-	962,479	-	607,534	306,451	500,000	20,679,726
Depreciation								
At 31 March 2011	1,459,443	-	169,990	-	156,534	266,377	41,666	2,094,010
Prior year adjustment	537,413	-	-	-	-	-	-	537,413
At 1 April 2011 restated	1,996,856	-	169,990	-	156,534	266,377	41,666	2,631,423
Transfers in the period	704,200	-	16,990	-	11,390	12,145	-	744,725
Provided for year	-	-	-	-	-	(13,438)	-	(13,438)
Disposals	-	-	-	-	-	-	-	-
At 31 March 2012	2,701,056	-	186,980	-	167,924	265,084	41,666	3,362,710
Net Book Value								
At 31 March 2012	15,602,206	-	775,499	-	439,610	41,367	458,334	17,317,016
At 31 March 2011	12,869,005	1,180,236	834,180	-	451,000	36,060	458,334	15,828,815
Cost at 31 March 2012 is represented by:								
Gross cost	63,188,851	-	2,425,915	-	619,094	306,451	500,000	67,040,311
Less: HAG	(41,639,713)	-	(1,447,110)	-	-	-	-	(43,086,823)
Other grants	(3,245,876)	-	(16,326)	-	(11,560)	-	-	(3,273,762)
At 31 March 2012	18,303,262	-	962,479	-	607,534	306,451	500,000	20,679,726

Notes to the Financial Statements
For the year ended 31 March 2012

13. Investments	2012	2011
	£	£
Investment in subsidiary undertaking	2	2
	<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 2012, Lanarkshire Initiatives Limited made a loss after taxation of £1,193 (2011: loss of £40). At 31 March 2012, Lanarkshire Initiatives Limited had net assets of £9,062 (2011: £10,255).

14. Debtors	2012	2011
	£	£
Gross Rent and service charges	89,348	79,614
Less: Bad debt provision	(55,600)	(55,600)
	<u>33,748</u>	<u>24,014</u>
Other debtors	46,160	30,514
Prepayments and accrued income	32,611	37,814
	<u>112,519</u>	<u>92,342</u>

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

15. Creditors: amounts falling due within one year	2012	2011
	£	£
Bank loans and overdraft	548,271	447,997
Rental advances	72,458	80,649
Contracts for certified work	-	442,178
Corporation tax	88,235	102,803
Other creditors	211,637	289,259
Due to The Scottish Government	471,575	471,575
Accruals and deferred income	230,243	357,203
Amounts owed to subsidiary	9,668	10,397
	<u>1,632,087</u>	<u>2,202,061</u>

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

**Notes to the Financial Statements
For the year ended 31 March 2012**

16. Creditors: amounts falling due after more than one year	2012	2011
	£	£
Loans	12,576,548	9,789,905

The Association's loans and mortgages from The Scottish Government, of which £254,038 (2011: £258,591) 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 property on which the loans were granted. The loans from the Lloyds TSB Bank plc and The Royal Bank of Scotland plc are secured by standard securities over the property on which the loans were granted.

	2012	2011
	£	£
Due between one and two years	551,766	447,997
Due between two and five years	1,674,033	1,343,991
Due in five years or more	10,350,749	7,997,917
	<u>12,576,548</u>	<u>9,789,905</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 TSB Bank Scotland 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	2012	2011
	£	£
Allotted, called up and fully paid		
At start of year	124	122
Issued in year	1	3
Redeemed in year	(4)	(1)
At end of year	<u>121</u>	<u>124</u>

Notes to the Financial Statements
For the year ended 31 March 2012

18. Reserves	Major Repairs £	Cyclical maintenance £	Total £
<i>Designated reserves</i>			
At 1 April 2011	4,131,485	911,798	5,043,283
Transfer from revenue reserve	236,002	101,145	337,147
	<u>4,367,487</u>	<u>1,012,943</u>	<u>5,380,430</u>
At 31 March 2012	<u>4,367,487</u>	<u>1,012,943</u>	<u>5,380,430</u>
Revenue Reserves		2012	2011
		£	restated £
At 1 April 2011		(879,760)	(2,148,024)
Prior year adjustment		-	348,329
As restated		<u>(879,760)</u>	<u>(1,799,695)</u>
Statement of total recognised gains and losses		(1,813)	1,272,407
		<u>(881,573)</u>	<u>(527,288)</u>
Transfer from designated reserves		(337,147)	(352,472)
At 31 March 2012		<u>(1,218,720)</u>	<u>(879,760)</u>
Split as:		2012	2011
		£	restated £
Revenue reserve (excluding pension reserve)		(400,720)	(271,760)
Pension reserve		(818,000)	(608,000)
		<u>(1,218,720)</u>	<u>(879,760)</u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

18. Reserves Continued

Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy on the 2011 financial statements is shown below. The opening reserves at 1 April 2010 have increased by £348,329 of which £438,475 relates to increased depreciation and £786,804 relates to major repairs previously written off to the Income and Expenditure account now capitalised as components.

Effect on the 2011 financial statements

	£
Increase in depreciation	438,475
Reduction in major repairs expenditure	(786,804)
	<hr/>
Increase in Income and Expenditure reserve at 1 April 2010	<u>348,329</u>

19. Pensions

The Lanarkshire Housing Association 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 2012, with the next formal triennial valuation due as at 31 March 2014.

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 2012	31 March 2011
Price increases	2.5%	2.8%
Salary increases	4.8%	5.1%
Expected return on assets	5.8%	6.9%
Discount rate	4.8%	5.5%

**Notes to the Financial Statements
For the year ended 31 March 2012**

The following details relate to the 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 2012 £000	Expected Return £000 per annum
Equities	6.3%	2,475	156
Bonds	3.9%	354	14
Property	4.4%	225	10
Cash	3.5%	161	5
Total	5.7%	3,215	185

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

Net Pension Asset as at	31 March 2012 £000	31 March 2011 £000
Estimated Employer Assets (A)	3,215	3,104
Present Value of Scheme Liabilities	4,033	3,712
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	<u>4,033</u>	<u>3,712</u>
Net Pension Asset (A) – (B)	<u>(818)</u>	<u>(608)</u>

Notes to the Financial Statements
For the year ended 31 March 2012

19. Pensions (Cont'd)

Analysis of the amount charged to operating profit

	Year to 31 March 2012 £'000	Year to 31 March 2011 £'000
Service cost	128	142
Contributions	(133)	(112)
Past service cost	-	(370)
Curtailement and Settlements	-	-
Decrease in irrecoverable surplus	-	-
	<u> </u>	<u> </u>
Total operating charge (A)	<u>(5)</u>	<u>(340)</u>
Expected Return on Employer Assets	(219)	(203)
Interest on Pension Scheme Liabilities	208	220
	<u> </u>	<u> </u>
Net Return (B)	<u>(11)</u>	<u>17</u>
Net Revenue Account Cost (A)-(B)	<u>(16)</u>	<u>(323)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL).

	Year to 31 March 2012 £ 000	Year to 31 March 2011 £ 000
Actual return less expected return on pension scheme assets	(238)	18
Experience gains and losses arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present value of scheme liabilities	12	512
	<u> </u>	<u> </u>
Actuarial (loss) / gain in pension plan	(226)	530
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
	<u> </u>	<u> </u>
Actuarial (loss) / gain recognised in STRGL	(226)	530

Notes to the Financial Statements
For the year ended 31 March 2012

19. Pensions (Cont'd)

Movement in pension deficit during the year

	Year to 31 March 2012	Year to 31 March 2011
	£ 000	£ 000
(Deficit) in scheme at beginning of year	(608)	(1,461)
Current service cost	(128)	(142)
Employer contributions	133	112
Other income	-	-
Other outgoings (e.g. expenses, etc)	-	-
Past service costs	-	370
Impact of settlements and curtailments	-	-
Net return on assets	11	(17)
Actuarial (losses) / gains	(226)	530
	<u>(818)</u>	<u>(608)</u>

History of experience gains and losses

	Year to 31 March 2012	Year to 31 March 2011
	£ 000	£ 000
Difference between expected and actual return on assets	(238)	18
Value of assets	3,215	3,104
Percentage of assets	(7.4)%	0.56%
Experience (losses) / gains on liabilities	-	-
Actuarial (losses) / gains recognised in STRGL	(226)	530
Present Value of Liabilities	4,033	3,712
Percentage of the present value of liabilities	(5.6)%	14.3%

20. Establishment of Association

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

**Notes to the Financial Statements
For the year ended 31 March 2012**

21. Capital Commitments

	2012	2011
	£	£
Contracted for but not provided in these accounts	-	887,348
This is to be funded by:		
HAG	-	-
Private Finance	-	887,348
	<u>-</u>	<u>887,348</u>
Authorised but not committed	<u>-</u>	<u>-</u>

22. Commitments under operating leases

As at 31 March 2012 the Association had annual commitments under non-cancellable operating leases as set out below:-

	2012	2011
	£	£
Operating leases which expire:		
Within one year	53,090	29,394
Between one and two years	44,662	13,855
In two to five years	16,117	15,436
	<u>113,869</u>	<u>58,685</u>

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

	2012	2011
	£	Restated
		£
Operating surplus	673,168	1,280,336
Depreciation of tangible fixed assets	744,725	348,113
(Increase) / decrease in stocks	(786)	709
(Increase) / decrease in debtors	(20,177)	222,603
Increase in creditors	(655,680)	284,096
Forfeited share capital	(4)	(1)
Non cash movement relating to pension liability	(5,000)	(340,000)
Net cash inflow from operating activities	<u>736,246</u>	<u>1,795,856</u>

Notes to the Financial Statements
For the year ended 31 March 2012

24. Analysis of changes in financing during the year

	Loans and finance lease obligations	
	2012 £	2011 £
Balance at start of year	10,237,902	11,150,225
Cashflow from financing	2,886,917	(912,323)
Balance at end of year	<u>13,124,819</u>	<u>10,237,902</u>

25. Analysis of changes in cash and cash equivalents

	2012 £	2011 £
Balance at start of year	851,329	2,339,436
Increase / (decrease) in cash and cash equivalents	903,407	(1,488,107)
Balance at end of year	<u>1,754,736</u>	<u>851,329</u>

Cash and cash equivalents represents cash at bank and in hand

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

	Cash at bank £	Overdrafts £	Total £
<i>Movements in 2011</i>			
Balance at 1 April 2010	2,696,401	(356,965)	2,339,436
Net cash (outflow) / inflow	(1,845,072)	356,965	(1,488,107)
Balance at 31 March 2011	<u>851,329</u>	<u>-</u>	<u>851,329</u>
<i>Movements in 2012</i>			
Balance at 1 April 2011	851,329	-	851,329
Net cash inflow	903,407	-	903,407
Balance at 31 March 2012	<u>1,754,736</u>	<u>-</u>	<u>1,754,736</u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

27. Reconciliation of net cashflow to movement in net debt

	2012 £	2011 £
Increase / (decrease) in cash in the year	903,407	(1,488,107)
Cashflow from change in debt	(2,886,917)	912,323
	<u>(1,983,510)</u>	<u>(575,784)</u>
Change in net debt	(1,983,510)	(575,784)
Opening net debt	(9,386,573)	(8,810,789)
Closing net debt	<u>(11,370,083)</u>	<u>(9,386,573)</u>

28. Analysis of changes in net debt

	At 1 April 2011 £	Cash Flows £	At 31 March 2012 £
Cash at bank and in hand	851,329	903,407	1,754,736
Overdrafts	-	-	-
	<u>851,329</u>	<u>903,407</u>	<u>1,754,736</u>
Debt due within one year	(447,997)	(100,274)	(548,271)
Debt due after one year	(9,789,905)	(2,786,643)	(12,576,548)
	<u>(10,237,902)</u>	<u>(2,886,917)</u>	<u>(13,124,819)</u>
	<u>(9,386,573)</u>	<u>(1,983,510)</u>	<u>(11,370,083)</u>

29. Housing Stock

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

	2012	2011
General Needs Housing	817	751
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	59	62
	<u>969</u>	<u>906</u>

**Notes to the Financial Statements
For the year ended 31 March 2012**

30. Commercial units

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

	2012	2011
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 £151 (2011: £149) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £880 (2011: £700) 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 2012 was £9,668 (2011: £10,397) and is included in creditors.

32. Deferred tax	2012 £	2011 £
At start of year	12,282	-
Fixed asset timing differences	-	16,063
Other short term timing differences	-	(3,781)
Release of deferred tax provision	<u>(12,282)</u>	-
At end of year	<u>-</u>	<u>12,282</u>

33. Contingent liabilities

Notification from Collins Solicitors, who represent a number of residents at the Watling Street, Motherwell development, has been received stating that they intend to raise court proceedings against the Association. Whilst no such action has been raised as yet, 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 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 2010 and 2011 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 will defend any action that may be brought in respect of this.