



Scott-Moncrieff
business advisers and accountants

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2017

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2017

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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

LANARKSHIRE HOUSING ASSOCIATION LIMITED

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
 John Lockhart (from 22 November 2016)

Registered Office

191 Brandon Street
 Motherwell
 ML1 1RS

Auditor

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

Bankers

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

Solicitors

TC Young
 7 West George Street
 Glasgow
 G2 1BA

Brechin Tindal Oatts
 48 St Vincent Street
 Glasgow
 G2 5HS

Brodies
 110 Queen Street
 Glasgow
 G1 3BX

Marshall Ross & Munro
 106 Hamilton Road
 Motherwell
 ML1 3DG

Executive Officers

Simon McManus - Corporate Services Director
 - Chief Executive (from 1 June 2016)
 James Stevenson - Chief Executive (retired 1 June 2016)
 Teresa Ward – Housing Services Director
 Gavin Young – Technical Services Manager
 Tracey Winters – Development Manager
 Alice McLean – Maintenance Manager
 Anne Marie Collins – Business Manager
 Irene Savage – Housing Manager

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Report of the Management Committee (incorporating the Strategic Report)
For year ended 31 March 2017**

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2017.

Objectives and Strategy

We are pleased to report that significant progress has been made in meeting our strategic objectives that were published in 2016, with significant investment being made both in improving and enhancing tenants' homes and improving the quality of the services we deliver. In doing so, our financial performance has improved and key performance indicators have exceeded our demanding benchmarks.

The principal challenge that had to be addressed in 2016/17 was the recruitment of a new Chief Executive following the retirement of Mr James Stevenson in May 2016. Jim had served the Association for over 33 years and his hard work, loyalty and dedication has played a huge role in establishing the business as the one you recognise today and he retires with our thanks and appreciation along with our best wishes for the future. In accordance with our Succession Policy a comprehensive recruitment exercise was undertaken and in November 2016, Mr Simon McManus was appointed as Chief Executive. An accountant by profession, Simon was previously employed as the Association's Corporate Services Director, and I am sure that he has the energy, drive and enthusiasm to lead the Association to meet the challenges that lie ahead.

It is pleasing to note that this transition within the senior management team has not affected any service provision and that we retain our low engagement status with the Scottish Housing Regulator which provides a measure of our strong corporate governance and control structure.

In relation to our performance, once again an extremely positive Landlord Report was published in respect of the Association by the Scottish Housing Regulator, summarising how we fared against the Scottish Government's Social Housing Charter. Over the year our performance compares well to the Scottish average and has improved on the previous year for several of the indicators.

This year also saw the publication of our Annual Performance Report which was subject to scrutiny by our newly established Tenant Focus Group on both its content and its reporting style. This was a demonstration that the views of our tenants are at the heart of our decision making process and that our reporting to them is given in the most appropriate and meaningful way.

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

- Investment in IT which allowed the first stage of our planned improvements to be implemented with the introduction of our text messaging system;
- Restriction of the rent increase, as a result of tenant feedback, to 1.0%;
- Partnership working with a range of organisations to help the most vulnerable cope with the impact of welfare reform;
- Investing and improving your homes with over £700,000 spent on major repairs and improvements;
- Progressing towards meeting the 2020 Energy Efficiency Standard for Social Housing (ESSH); and
- Excellent financial results which demonstrates the strength of our business.

The continuing success of the Association is a credit not only to the staff, but the tireless work of the Management Committee. We would like to thank everyone for their considerable efforts in serving not only the Association but making a valuable contribution to the wider community.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Housing Management

Our revised Annual Performance Report, received approval from tenants, owners and our tenant focus group, with the report providing customers with clear details of our performance in key areas.

The undernoted table shows how our performance in several areas compared 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 2016	31 March 2017	RSL Average*	Performance Outcome
Average re-let time	11.7 days	11.6 days	35.4 days	✓
% of rent lost through properties being empty	0.4%	0.4%	1.0%	✓
Rent collected as % of total rent due	97.7%	99.8%	99.6%	✓
Average weekly rent rise	1.5%	1%	2.5%	✓

* Source - *The Scottish Housing Regulator's Landlord Report on the Scottish Social Housing Charter, March 2016 (2015/16 annual returns)*.

It can be seen from the table above that the Association's performance is above the Scottish average in these areas.

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

The AFTAR project continues to run successfully, with demand for the service remaining high. There has been an increased uptake in the digital inclusion service with tenants and other users keen to enhance their IT skills. This will better prepare those claiming benefits for the changeover to a fully digitalised Universal Credit System. There has also been an increased take up in the energy advice service as utility costs increase and tenants appreciate the tailored service AFTAR provides, assisting them to find the most cost effective solution that suits their needs.

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 in our three yearly Tenant Satisfaction Survey and the annual rent review consultation process.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Value for Money - Rent and Service Charges (cont'd)

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

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

In response to this question, 67.0% of tenants felt the rent for their property represents good value for money compared to the Scottish average of 76.8%.

Feedback of our 2017 rent review consultation confirmed the following:

- 85.1% tenants submitting a response confirmed the proposed rent level was either very good or fairly good
- 14.9% respondents consider the rent level to be neither good/nor poor, fairly poor or very poor.

The recorded response for very good or fairly good was 14.1% higher than the previous year.

Following an appraisal of the rent consultation, the Management Committee decided to restrict the rent increase to 1.0% for the current year, which is significantly lower than the last reported 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. Our benchmark target is 18 days to re-let a void property and 0.80% void rent loss as a result of empty homes. Most of our properties are in high demand and this year performance in allocating void properties was recorded at 11.6 days, almost 36% below our internal benchmark target.

Tenant Engagement

We are committed to improving engagement with customers, with the Tenant Focus Group now well developed and successful. Membership of the group provides clear access to our decision-making process, offering an opportunity for customers to shape services to meet their needs. This valuable engagement addressed a number of service delivery areas this year, including evaluation of our revised Annual Charter Performance Report, locally agreed targets for responding to anti-social behaviour cases and the rent review/rent setting process.

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%;

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Tenant Satisfaction (cont'd)

- 81% are satisfied with the quality of their home overall , compared to the Scottish average of 86%; and
- 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.

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

The modernisation of our information technology systems has progressed well during the past year; the automated texting system is now fully functional, within the rent and maintenance systems and has improved contact with tenants on a daily basis. The next stage of ICT development is well underway and will see a system called CRM which will assist with customer contact and mobile working. Once CRM is functioning, staff will have the ability to access rent, allocations and repair systems 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 2016/17 we completed 2,385 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	1.2 Hours	5.1 Hours	✓
Non-Emergency	2.9 Days	7.5 Days	✓
Repairs Completed 'Right First Time'	98.8%	91.1%	✓

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Maintenance and Repairs (cont'd)

Performance Report (cont'd)

* Source - *The Scottish Housing Regulator's 2nd National Report on the Scottish Social Housing Charter, March 2016 (2015/16 annual returns).*

Customer Satisfaction with our Repair Service

Compliance with the Scottish Social Housing Charter, (the Charter) requires that we consistently check the quality of the repairs and maintenance service provided to tenants. An Annual Tenant Satisfaction Survey of our maintenance service was undertaken in November 2016, 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?"

94.67% of tenants said they were satisfied with the last repair to their home (this is above the Scottish average of 90%).

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 96.5% 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?"

94.3% of tenants were satisfied with our appointment system for repairs and we kept 99.7% of appointments made.

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

25% confirmed they had used the service, with 100% 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

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. In the last year a stock condition survey informed a review of our life cycle costing programme, effectively bringing these plans up to date. Both exercises were carried out independently by Brown and Wallace Construction Consultants, who noted that our stock is generally well maintained as a result of previous programmes of major replacements undertaken.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Capital Investment (cont'd)

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 bathroom replacement programme for more than 60 flats in Mossend. This was in addition to heating replacements to 18 flats at School View, Motherwell. We also entered into contract for a door and window replacement programme which will benefit 50 houses and flats in Motherwell: This is due for completion in August 2017.

We continued 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, by raising all social housing to minimum standards by 2020. During the year we brought 6 properties up to the Standard, which means **95.6%** of our stock is now compliant.

The stock condition survey enhanced our understanding of compliance with the *Energy Efficiency Standard for Social Housing*, which will allow us to organise a programme of work over the next 2 - 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. This is anticipated to start with the replacement of heating systems at Hooper Place, Bellshill, and kitchen replacements in the Clydesdale Road area of Mossend during 2017/18.

In relation to the size of our housing stock, despite the loss of units during the year through Right to Buy transactions and even with the high cost of defending a legal case; we were nonetheless able to generally maintain our stock level as a result of our purchase strategies which allowed an open market purchase, a mortgage to rent acquisition and the buy back of a shared ownership property. A similar target is also anticipated for the new financial year, in order to continue to protect and build upon our existing stock levels.

Finance Review

The main objective of the financial planning process is to maximize the resources available to invest in both the housing stock and also the quality of service being provided to tenants. This planning process for 2016/17 identified the resources required to meet the immediate business priorities with the principal financial highlights of the year detailed below:-

- Total investment amounting to £734,000 in planned maintenance improvements and renewals was incurred. This expenditure saw the completion of the kitchen replacement programme for over 200 units, whilst a further 47 units had their bathrooms replaced. A contract for central heating replacements for 28 properties was also completed in the year;
- Activity in our property acquisition strategy has been maintained with a further two units purchased. A further shared ownership property was also acquired in line with our policy and it was made available for rent. Disposals via the Right to Buy Scheme prior to its abolition in August 2016 amounted to four units;
- A review of debt servicing costs resulted in saving of £85,000 in loan interest repayments, as a long term loan totalling £2.1m had its interest rate renegotiated and fixed for a period of 2 years; and
- An average weekly rent increase of £1.51 per house was applied in April 2016.

Financial Performance

Effective management in rental collection saw our total turnover approaching £3.9m. £3.79m was collected in housing rents, whilst a further £47,333 was received in respect of commercial rents. The release of capital grants along with grants for disabled adaptations amounted to £27,735.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) For year ended 31 March 2017

Financial Performance (cont'd)

The introduction of FRS102 and the adoption of the accounting policy of valuing the housing stock on a deemed cost basis has had a material effect on the annual depreciation charge. This along with the savings on debt repayments from the renegotiated term loan has reduced operating costs significantly. These cost savings are partially offset with the increased legal costs which were incurred defending the on-going Watling Street land contamination case. This case was subject to an appeal hearing during 2016/17 and the increase in fees related to the costs of the appeal hearing.

As a result of the above, a surplus in excess of £750,000 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.

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 J McNally, Ms J Mitchell, Ms M Tougher and Ms C Blyth 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 Management Committee and Sub-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.

Organisational Structure

The Association has a Management Committee of 11 members and 1 vacancy currently exists. 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 (position currently vacant) 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Management Committee (incorporating the Strategic Report) **For the year ended 31 March 2017**

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;
- (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 2017. 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Report of the Management Committee (incorporating the Strategic Report)**
For year ended 31 March 2017**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.

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 20 June 2017.

By order of the Committee

Catriona Blyth
Secretary

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report of the Auditor to the Members of Lanarkshire Housing Association Limited For the year ended 31 March 2017

We have audited the financial statements of Lanarkshire Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 of 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 page 10, 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 2017, because of the immaterial nature of the subsidiary's transactions in the year.

Opinion on financial statements

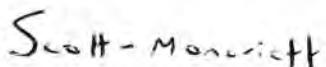
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Report of the Auditor to the Members of Lanarkshire Housing Association Limited
For the year ended 31 March 2017****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, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 20 June 2017

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Report of the Auditor to the Management Committee of Lanarkshire Housing Association Limited on Corporate Governance Matters
For the year ended 31 March 2017**

In addition to our audit of the financial statements, we have reviewed your statements on page 9 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.

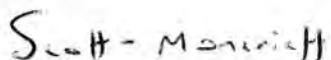
Basis of Opinion

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, your Statement on Internal Financial Control on page 9 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, Statutory Auditor
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 20 June 2017

LANARKSHIRE HOUSING ASSOCIATION LIMITED
Statement of Comprehensive Income
For the year ended 31 March 2017

	Note	2017 £	2016 £
Turnover	4	3,875,341	3,982,458
Less: Operating expenditure	4	(2,784,375)	(3,061,219)
Operating surplus	4	1,090,966	921,239
(Loss) on disposal of property, plant and equipment		(5,410)	(56,810)
Increase in value of investment property		-	5,000
Interest receivable	10	12,947	11,497
Interest and financing costs	11	(347,896)	(468,526)
Surplus before taxation		750,607	412,400
Taxation	12	-	-
Surplus for the year		750,607	412,400
Other Comprehensive Income			
Actuarial (loss)/gain in respect of the pension scheme	24	(1,158,000)	777,000
Total Comprehensive Income for the year		<u>(407,393)</u>	<u>1,189,400</u>

The results for the year relate wholly to continuing activities.

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Statement of Changes in Capital and Reserves
As at 31 March 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	106	16,756,234	16,756,340
Surplus/(deficit) from Statement of Comprehensive Income	-	(407,393)	(407,393)
Issue of share capital	1	-	1
Cancellation of shares	(9)	-	(9)
Balance at 31 March 2017	98	16,348,841	16,348,939

**Statement of Changes in Capital and Reserves
As at 31 March 2016**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015	107	15,566,834	15,566,941
Surplus from Statement of Comprehensive Income	-	1,189,400	1,189,400
Issue of share capital	2	-	2
Cancellation of shares	(3)	-	(3)
Balance at 31 March 2016	106	16,756,234	16,756,340

The notes form part of these financial statements

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Statement of Financial Position
As at 31 March 2017

	Note	2017 £	2016 £
Fixed Assets			
Housing properties	13	27,506,529	27,304,779
Other fixed assets	13	854,953	873,296
		<hr/>	<hr/>
Investment in subsidiary	16	28,361,482 2	28,178,075 2
		<hr/>	<hr/>
		28,361,484	28,178,077
Current assets			
Stocks		5,165	5,003
Debtors	17	239,894	355,391
Cash and cash equivalents	18	3,073,648	2,504,082
		<hr/>	<hr/>
Creditors: amounts falling due within one year	19	3,318,707 (1,796,062)	2,864,476 (1,486,334)
		<hr/>	<hr/>
Net current assets		1,522,645	1,378,142
		<hr/>	<hr/>
Total assets less current liabilities		29,884,129	29,556,219
Creditors: amounts falling due after more than one year	20	(10,467,190)	(11,018,879)
Retirement benefit scheme deficit	24	(3,068,000)	(1,781,000)
		<hr/>	<hr/>
Net assets		16,348,939	16,756,340
		<hr/>	<hr/>
Capital and reserves			
Share capital	23	98	106
Revenue reserve		16,348,841	16,756,234
		<hr/>	<hr/>
		16,348,939	16,756,340
		<hr/>	<hr/>

The financial statements were authorised for issue by the Management Committee on 20 June 2017 and signed on its behalf by:

Fiona Tonner

Chair

Catriona Blyth

Secretary

John Glenny

Treasurer

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Statement of Cash Flows
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Net cash generated from operating activities	28	2,152,322	1,285,423
Cash flow from investing activities			
Purchase of housing properties		(896,494)	(580,512)
Purchase of other fixed assets		(3,388)	(14,615)
Proceeds from sale of housing properties		221,091	462,840
Government capital grants received		116,004	81,918
Repayment of Government capital grants on disposal of housing properties		(103,969)	(265,118)
Interest received		12,947	11,497
		<hr/>	<hr/>
		(653,808)	(303,990)
Cash flow from financing activities			
Interest paid		(284,896)	(391,526)
Repayment of borrowings		(644,053)	(633,741)
Issue of share capital		1	2
		<hr/>	<hr/>
		(928,948)	(1,025,265)
Net change in cash and cash equivalent		569,566	(43,832)
Cash and cash equivalents at 1 April		2,504,082	2,547,914
Cash and cash equivalents at 31 March		<hr/> 3,073,648	<hr/> 2,504,082

The notes form part of these financial statements.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

1. General information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom 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 preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

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 2017. These financial statements comprise the results of the Association only.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom.

The Association's Scottish Charity number is SC042523.

The address of the Association's registered office is:

191 Brandon Street
Motherwell
ML1 1RS

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.

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. The effect of events relating to the year ended 31 March 2017, 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 2017 and of the results for the year ended on that date.

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.

Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2018 and the year to 31 March 2019. 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting policies (continued)

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.

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.

Government capital grants

Government Capital Grants, at amounts approved by The Scottish Government or local authorities, 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.

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 Statement of Comprehensive Income.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting policies (continued)

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.

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

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

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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting policies (continued)

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.

Debtors

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

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.

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.

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 constitutes 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

2. Accounting policies (continued)

Financial commitments

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

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.

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 to FRS 102 of 1 April 2014. The assumptions used to form the basis of the existing use valuation was reviewed and was 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED
Notes to the financial statements
For the year ended 31 March 2017

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	2017			2016			Operating Surplus/ (Deficit) £
	Turnover £	Operating Expenditure £	Operating Surplus £	Turnover £	Operating Expenditure £		
Income and Expenditure From lettings							
Social Lettings (Note 5)	3,814,404	(2,759,310)	1,055,094	3,713,746	(2,791,227)	922,519	
Other activities (Note 6)	60,937	(25,065)	35,872	268,712	(269,992)	(1,280)	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,875,341	(2,784,375)	1,090,966	3,982,458	(3,061,219)	921,239	

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the financial statements
For the year ended 31 March 2017**
5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2017 Total £	2016 Total £
Income from rent and service charges					
Rent receivable net of service charges	3,185,961	434,449	104,331	3,724,741	3,648,409
Service charges	66,369	9,917	-	76,286	73,975
Gross income from rents and service charges	3,252,330	444,366	104,331	3,801,027	3,722,384
Less voids	(14,358)	-	-	(14,358)	(13,049)
Net income from rents and service charges	3,237,972	444,366	104,331	3,786,669	3,709,335
Release of deferred Government capital grants	-	8,145	-	8,145	4,411
Other revenue grants	-	19,590	-	19,590	-
Total turnover from social letting activities	3,237,972	472,101	104,331	3,814,404	3,713,746
Expenditure					
Management and maintenance administration costs	(1,323,777)	(168,825)	(42,127)	(1,534,729)	(1,584,237)
Service charges	(97,292)	(12,025)	-	(109,317)	(130,235)
Planned cyclical maintenance including major repairs	(78,120)	(11,673)	-	(89,793)	(152,718)
Reactive maintenance costs	(279,166)	(41,715)	-	(320,881)	(274,718)
Bad debts – rents and service charges	(24,908)	-	-	(24,908)	(6,864)
Depreciation of social housing	(492,809)	(54,888)	(24,514)	(572,211)	(583,194)
Impairment of social housing	-	-	-	-	-
Exceptional costs* - legal fees	(107,471)	-	-	(107,471)	(59,261)
Operating costs for social letting activities	(2,403,543)	(289,126)	(66,641)	(2,759,310)	(2,791,227)
Operating surplus on letting activities, 2017	834,429	182,975	37,690	1,055,094	
Operating surplus on letting activities, 2016	748,180	139,166	35,173		922,519

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

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the financial statements
For the year ended 31 March 2017**
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	Total Turnover		Operating costs - bad debts	Other operating costs	Operating Surplus/(deficit)	
					2017	2016			2017	2016
Wider role activities #	-	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	5,934	5,934	5,935	-	4,530	1,404	1,405
The Energy Trust Grant	-	-	-	-	-	210,000	-	-	-	(39,162)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	7,670	7,670	7,655	-	4,215	3,455	3,805
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	-	-	-	47,333	47,333	45,122	-	16,320	31,013	32,672
Total from other activities, 2017	-	-	-	60,937	60,937	-	-	25,065	35,872	-
Total from other activities, 2016	-	210,000	-	58,712	-	268,712	3,850	266,142	-	(1,280)

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

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
7. Employees

	2017 £	2016 £
Staff costs (including Directors' Emoluments) consist of:		
Wages and salaries	792,626	823,643
Social security costs	83,246	70,033
Pension costs	143,229	150,296
Defined benefit pension adjustment (Note 24)	66,000	106,000
	<hr/>	<hr/>
	1,085,101	1,149,972
	<hr/>	<hr/>

	2017 Number	2016 Number
The number of full time equivalents employed by the Association during the year was:	19	20

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: £nil).

	2017 £	2016 £
Emoluments of the current Chief Executive (excluding pension contributions)	77,016	-
	<hr/>	<hr/>
Emoluments of the former Chief Executive (excluding pension contributions)	16,417	86,195
	<hr/>	<hr/>

The Association's pension contribution for the Chief Executive in the year amounted to £13,178. The Association's pension contribution for the former Chief Executive in the year amounted to £2,636 (2016: £15,652).

	2017 Number	2016 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	-	-
£75,000 - £79,999	1	-
£70,000 - £74,999	-	-
£65,000 - £69,999	1	1
£60,000 - £64,999	3	1
	<hr/>	<hr/>
Emoluments (excluding pension contributions) to those earning more than £60,000	£	£
	330,246	216,845
	<hr/>	<hr/>

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
8. Directors' emoluments (continued)

Total pension contributions to directors whose emoluments exceeded £60,000 were £57,485 (2016: £38,939). 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	-	-

The Association considers key management personnel to be the Management Committee and senior management team (listed on page 1).

Total emoluments paid to the key management personnel of the Association amounted to £464,021 (2016: £503,886). Pension contributions on behalf of the key management personnel amounted to £80,778 (2016: £90,496).

	2017 £	2016 £
The remuneration of the auditor for the year (including expenses, but excluding VAT), in respect of audit services	9,650	10,000
Amounts paid to the auditor by the Association in respect of non-audit services (excluding VAT)	270	2,050
10. Interest receivable	2017 £	2016 £
Bank interest	12,947	11,497
11. Interest payable and similar charges	2017 £	2016 £
Bank loans	284,896	391,526
Defined benefit pension adjustment (Note 24)	63,000	77,000
	<u>347,896</u>	<u>468,526</u>
12. Taxation	2017 £	2016 £
Provision has been made for corporation tax at 20% (2016: 20%) as follows:		
UK corporation tax	-	-
Adjustment in respect of prior year	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

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 2017**

13. Tangible fixed assets	Housing Properties Held for Letting	Completed shared ownership housing properties	Office premises	Motor vehicles	Computer equipment, office equipment & furniture and fittings	Investment properties - Commercial properties	Total
Cost or valuation							
At 1 April 2016	26,789,325	1,454,507	607,534	14,136	66,330	455,000	29,386,832
Additions – housing units	162,520	-	-	-	-	-	162,520
Additions – components	733,974	-	-	-	-	-	733,974
Additions – other fixed assets	-	-	-	-	3,388	-	3,388
Disposals – housing units	(128,711)	-	-	-	-	-	(128,711)
Disposals – components	(99,820)	-	-	-	-	-	(99,820)
Disposals – other fixed assets	-	-	-	-	(1,007)	-	(1,007)
Transfers	37,951	(37,951)	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
At 31 March 2017	<u>27,495,239</u>	<u>1,416,556</u>	<u>607,534</u>	<u>14,136</u>	<u>68,711</u>	<u>455,000</u>	<u>30,057,176</u>
Depreciation							
At 1 April 2016	893,751	45,302	213,484	14,136	42,084	-	1,208,757
Provided for year	461,783	24,514	11,390	-	10,341	-	508,028
Disposals – housing units	(6,178)	-	-	-	-	-	(6,178)
Disposals – components	(13,906)	-	-	-	-	-	(13,906)
Disposals – other fixed assets	-	-	-	-	(1,007)	-	(1,007)
Transfers	1,822	(1,822)	-	-	-	-	-
At 31 March 2017	<u>1,337,272</u>	<u>67,994</u>	<u>224,874</u>	<u>14,136</u>	<u>51,418</u>	<u>-</u>	<u>1,695,694</u>
Net Book Value							
At 31 March 2017	<u>26,157,967</u>	<u>1,348,562</u>	<u>382,660</u>	<u>-</u>	<u>17,293</u>	<u>455,000</u>	<u>28,361,482</u>
At 31 March 2016	<u>25,895,574</u>	<u>1,409,205</u>	<u>394,050</u>	<u>-</u>	<u>24,246</u>	<u>455,000</u>	<u>28,178,075</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Notes to the Financial Statements
For the year ended 31 March 2017****13. Tangible fixed assets (continued)**

The depreciation charge for housing stock in the year was £486,297 (2016: £495,819). The net book value of disposed components was £85,914 (2016: £87,375) 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 £572,211 (2016: £583,194).

Additions to housing property include no capitalised interest (2016: £nil) and no capitalised administration costs (2016: £nil). All housing properties are freehold. Properties with a cost of £128,711 (2016: £264,487) and accumulated depreciation of £6,178 (2016: £9,955) have been disposed in the year for net proceeds of £117,123, after grant repaid of £103,969 (2016: £195,838 after grant repaid of £265,118).

The housing properties were revalued on an existing use value 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).

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
14. Housing stock

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

	2017	2016
General Needs Housing	826	827
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	45	46
	<hr/>	<hr/>
	964	966
	<hr/>	<hr/>

15. Commercial units

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

	2017	2016
Commercial Units	7	7
	<hr/>	<hr/>
16. Investments	2017	2016
	£	£
Investment in subsidiary undertaking	2	2
	<hr/>	<hr/>

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 2017, Lanarkshire Initiatives Limited made a loss after taxation of £737 (2016: loss of £770). At 31 March 2017, Lanarkshire Initiatives Limited had net assets of £5,429 (2016: £6,166).

	2017	2016
	£	£
Gross Rent and service charges	112,675	103,379
Less: Bad debt provision	(55,600)	(55,600)
	<hr/>	<hr/>
Other debtors	57,075	47,779
Prepayments and accrued income	87,796	262,150
	95,023	45,462
	<hr/>	<hr/>
	239,894	355,391
	<hr/>	<hr/>

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

	2017	2016
	£	£
Cash at bank and in hand	1,915,691	1,427,213
Balances held in deposit accounts	1,157,957	1,076,869
	<hr/>	<hr/>
	3,073,648	2,504,082
	<hr/>	<hr/>

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
19. Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans	644,053	636,703
Trade creditors	302,825	78,426
Rental advances	76,305	84,597
Other taxes and social security	23,584	22,894
Contract retentions	25,649	26,421
Accruals and deferred income	62,132	57,062
Other creditors	104,545	95,097
Amounts due to subsidiary	5,790	6,641
Amounts due to Scottish Government	535,952	471,411
Deferred capital grants (see note 21)	15,227	7,082
	<hr/>	<hr/>
	1,796,062	1,486,334
	<hr/>	<hr/>

Included in accruals is £16,786 of outstanding pension contributions (2016: £17,317).

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

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

	2017 £	2016 £
Deferred capital grants (see note 21)	300,998	201,284
Bank loans	10,166,192	10,817,595
	<hr/>	<hr/>
	10,467,190	11,018,879
	<hr/>	<hr/>

Bank loans are split:

	2017 £	2016 £
Due between one and two years	644,053	636,703
Due between two and five years	1,932,159	1,910,110
Due in five years or more	7,589,980	8,270,782
	<hr/>	<hr/>
	10,166,192	10,817,95
	<hr/>	<hr/>

The Association's loans and mortgages from The Scottish Government, of which £224,824 (2016: £231,077) 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 are secured by first legal charge over the properties on which the loans were granted. The loans from 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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
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 30 years following a 5 year initial period in which no capital repayments will be made. Interest will be charged at a fixed rate of 0.750%.

21. Deferred capital grants

	2017 £	2016 £
Balance at 1 April 2016	208,366	130,859
Additional capital grant received	116,004	81,918
Released to Statement of Comprehensive Income	(8,145)	(4,411)
 Balance at 31 March 2017	 316,225	 208,366
 Due: < 1 year	 15,227	 7,082
1-2 years	15,227	7,082
2-3 years	45,681	21,246
>3 years	240,090	172,956
 316,225	 208,366	 208,366

22. Financial instruments

	2017 £	2016 £
Financial assets		
Cash and cash equivalents	3,073,648	2,504,082
Financial assets measured at amortised cost	148,920	314,379
 Financial liabilities	 	
Financial liabilities measured at amortised cost	11,847,138	12,189,356

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

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

No financial assets or financial liabilities are held at fair value.

23. Share capital and reserves

	2017 £	2016 £
At start of year	106	107
Issued in year	1	2
Redeemed in year	(9)	(3)
 At end of year	 98	 106

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2017

23. Share capital and resources (continued)

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.

The revenue reserve includes all current and prior year retained surpluses or deficits.

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 2017.

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

Assumptions as at	31 March 2017	31 March 2016
Pension increases	2.4%	2.2%
Salary increases	4.4%	4.2%
Discount rate	2.6%	3.5%

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%	1,207
0.5% increase in the Salary Increase Rate	5%	507
0.5% increase in the Pension Increase Rate	7%	655

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

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
24. Pensions (continued)

	31 March 2017 £'000	31 March 2016 £'000
Net Pension Liability as at		
Estimated Employer Assets (A)	6,534	5,185
Present Value of Scheme Liabilities	9,602	6,966
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	9,602	6,966
Net Pension Liability (A) – (B)	<u>(3,068)</u>	<u>(1,781)</u>

Analysis of the amount charged to operating profit:

	Year to 31 March 2017 £'000	Year to 31 March 2016 £'000
Service cost	209	256
Contributions	<u>(143)</u>	<u>(150)</u>
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
 Total operating charge	 66	 106
 Net Interest cost	 <u>63</u>	 <u>77</u>

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

	Year to 31 March 2017 £ 000	Year to 31 March 2016 £ 000
Actuarial (loss)/gain recognised as other comprehensive income	<u>(1,158)</u>	<u>777</u>

Movement in pension deficit during the year

	Year to 31 March 2017 £ 000	Year to 31 March 2016 £ 000
Deficit in scheme at beginning of year	(1,781)	(2,375)
Current service cost	<u>(209)</u>	<u>(256)</u>
Employer contributions	<u>143</u>	<u>150</u>
Other income	-	-
Other outgoings (e.g. expenses, etc.)	-	-
Past service costs	-	-
Impact of settlements and curtailments	-	-
Net interest cost	<u>(63)</u>	<u>(77)</u>
Actuarial (loss)/gain	<u>(1,158)</u>	<u>777</u>
 Deficit at end of year	 <u>(3,068)</u>	 <u>(1,781)</u>

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
25. Establishment of Association

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

26. Commitments – capital and repairs

As at 31 March 2017, the Association had commitments in respect of capital and repairs work of:

	2017 £	2016 £
Commitment	91,806	228,248
To be funded by:		
The Association's reserves	91,806	228,248
Approved but not contracted for	Nil	Nil

27. Commitments under operating leases

As at 31 March 2017 the Association had total commitments under non-cancellable operating leases as set out below:-

	2017 £	2016 £
Operating leases which expire:		
Within one year	31,744	38,894
Between one and two years	19,997	23,141
In two to five years	11,042	6,930
	<hr/> 62,783	<hr/> 68,965

LANARKSHIRE HOUSING ASSOCIATION LIMITED
**Notes to the Financial Statements
For the year ended 31 March 2017**
28. Net cash flow generated from operating activities

	2017 £	2016 £
Surplus for the year	750,607	412,400
<u>Adjustments for non cash items:</u>		
Carrying amount of tangible fixed asset disposals	122,533	254,532
Depreciation of tangible fixed assets (including loss on disposal of components)	593,942	606,528
Increase/(decrease) in stocks	(162)	765
Decrease/(increase) in debtors	115,497	(239,605)
Increase/(decrease) in creditors	294,233	(105,090)
Proceeds from sale of tangible fixed assets	(221,092)	(462,840)
<u>Adjustments for investing and financing activities:</u>		
(Increase) in valuation of investment properties	-	(5,000)
Interest received	(12,947)	(11,497)
Interest payable	284,896	391,526
Release of deferred Government Capital Grant	(8,145)	(4,411)
Non cash movement relating to pension liability	129,000	183,000
Repayment of Government Capital Grant	103,969	265,118
Forfeited share capital	(9)	(3)
 Net cash generated from operating activities	 <hr/> 2,152,322	 <hr/> 1,285,423

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 £150 (2016: £151) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £1,001 (2016: £913) 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 2017 was £5,790 (2016: £6,641) 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 £7,977 (2016: £7,864). The total rent arrears relating to tenant Management Committee members included within debtors at the year end is £Nil (2016: £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.

LANARKSHIRE HOUSING ASSOCIATION LIMITED**Notes to the Financial Statements
For the year ended 31 March 2017****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 appealed the decision of Lord Jones to dismiss Lanarkshire Housing Association Limited from the action to the Inner House of the Court of Session. This appeal was dismissed by the Inner House of the Court of Session in February 2017 and leave to appeal to the Supreme Court was also denied by the Inner House. The pursuers have submitted an appeal directly to the Supreme Court as they are entitled to do so and a decision on whether the Supreme Court will allow an appeal will be made during 2017/18.

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.