

Anderson Anderson & Brown LLP
Chartered Accountants

LANGSTANE HOUSING ASSOCIATION LIMITED
(Company Number: 1916R(5))
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2011

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The Committee of Management present its report and the audited financial statements for the year ended 31 March 2011.

THE MEMBERS OF THE COMMITTEE OF MANAGEMENT

The members of the Committee of Management as at 31 March 2011 were:

Mr F McCallum
Mr K Hutchens
Mr A Wallace
Ms S Macdonald
Dr A Barrett-Ayres
Ms J Felsingner
Mr D Wood
Mr R Tait
Mr E Bjorkkelund
Mr P Madufo
Mr K Ogilvie
Cllr W Stuart
Cllr D Storr
Cllr M McConachie
(Co-opted member)
(Co-opted member)
(Co-opted member)

ELECTION OF MEMBERS OF COMMITTEE OF MANAGEMENT

In accordance with Rule 40(a), D Wood retired at the Annual General Meeting on 21 September 2010. Mr Wood was eligible for re-election and was duly re-elected. In addition, it was noted that Mr K Ogilvie had been co-opted during the year, however, due to an oversight no nomination had been received for Mr Ogilvie's election to Committee. A resolution would be put before the Committee of Management to renew his co-option and he would be nominated for election at the next Annual General Meeting.

REGISTRATION OF THE ASSOCIATION

Langstane Housing Association is a limited company registered with the Financial Services Authority under the Industrial and Provident Societies Act 1965. Langstane operates according to Model Rules Charitable Model (Scotland) Register No 1916 R(5), effective from 30 September 1994. Langstane was accepted as a Charity for tax purposes, effective from 25 July 1977.

As the relationship between Next Step Homes Limited and this Association required clarification to achieve optimum conduct and control, our committee elected to adopt the option of operating Next Step Homes Limited as a subsidiary within a Langstane Group Structure.

While this did not require any change to the Rules of Langstane Housing Association Limited, appropriate amendments to the Rules of Next Step Homes Limited were approved by the Registrar of Friendly Societies following which the Langstane Group Structure became effective from 30 September 1988.

REGISTRATION WITH COMMUNITIES SCOTLAND

The Association is registered with the Scottish Government under the Housing Act 1974, Registration Number HEP 145 AL.

PRINCIPAL ACTIVITY

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

FINANCIAL HIGHLIGHTS

The results for the year are set out in the income and expenditure account on page 9 as amplified in the various notes to the financial statements. The Association's turnover for the year was £8,908,725 (2010 - £7,957,463) and the surplus for the year was £142,754 (2010 - £41,192).

The members of the Committee of Management are of the opinion that the state of affairs of the Association is satisfactory.

CHANGES IN FIXED ASSETS

Details of fixed assets are set out in notes 12 and 13 to the financial statements.

DEVELOPMENT

During the year the Association completed two schemes in Aberdeen (Auchmill Road and Crombie Road) giving 52 units for rent. In Aberdeenshire the Association completed two schemes at Denmark Street, Fraserburgh and Uryside, Inverurie giving 53 units for rent. In Moray 6 schemes were completed, Cromarty View, Burghhead, Barfield Road, Buckie, Moravia, Elgin, Meadows, Buckie, Sutherland Crescent, Buckie and Tomintoul giving 102 units for rent.

The Association's development programme required additional private finance and a £10 million loan facility was agreed with Santander plc on 14th May 2010. £7 million was drawn down from this facility during the financial year.

DEVANHA LIMITED

The year saw delivery of a number of schemes within the Devanha Programme. These are narrated elsewhere. As the programme gets towards its natural completion, the only project which Langstane is involved still to be finished, is Donside.

Devanha is looking at the reconciliation of Grant. Although some significant savings appear to be achieved, the amount of eligible grant incurred in the project exceeds the initial limit, after taking into account the increased costs of marketing and selling the new Supply Shared Equity and in meeting Stage 2 payments. Devanha has written to the Scottish Government on behalf of the RSLs involved including Langstane, applying for the additional Grant. It is unlikely to be before the end of the next Financial Year at the earliest before any such claim is entertained.

MANAGED ASSOCIATIONS

The Association continued to manage the stock of Next Step Homes Limited which comprised 75 shared ownership units and 41 units of housing accommodation.

WIDER ROLE

2010/11 was the last year of the Scottish Government's current Wider Role funding programme.

The impact of the impending creation of the new Group organisation continued to increase with the joint New Initiatives team supporting both RSLs aspirations in community focused initiatives. In partnership with the Workingrite organisation, Langstane's Workingrite project commenced in July, providing employment opportunities with Housing Association contractors for 16-19 year olds. This project, supported by both Wider Role and Skills Development Scotland funding, provided 15 youngsters with placements. Outcomes have been exceptional with 14 of the young people moving on to jobs or apprenticeships.

Another new project commenced this year in partnership with our colleagues at Grampian Housing Association. The SMART project commenced providing advice to tenants on debt, budgeting and money management. A total of 45 tenants benefited from this service during the year, allowing them to gain control of their finances, and often with knock-on improvements to their health and well-being. While continuing to provide advice to tenants experiencing financial difficulties, we are also hoping to provide access to income advice in 2011/12, ensuring that our tenants are receiving all the benefits they are entitled to.

Our longstanding involvement in the Seaton area of Aberdeen continued with our support for S.T.A.R. and specifically, the well established S.T.A.R. Community Flat that provides a variety of services to the local community. The Fairer Scotland Fund continues to support the operation of the Flat. In partnership with Grampian Housing Association, we have been successful in receiving Climate Challenge Funding to employ an Energy Advisor who will focus on houses in North Aberdeen.

GROUP STRUCTURE

The year saw significant progress made in the creation of the Group Structure with Grampian Housing Association. The new RSL proposed to be created as the top company to which Langstane would become a subsidiary, is to be named The Sirius Housing Group Limited. It's Application for Registration with the Scottish Housing Regulator has been submitted. It is anticipated that the registration will be approved during the current Financial Year and that the Group will be in a position to go live in early 2012.

PROVISION OF INFORMATION TO AUDITORS

As far as the Committee of Management are aware, there is no relevant audit information of which the Association's auditors are unaware and we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The committee are responsible for preparing the Report of the committee of management and the financial statements in accordance with applicable law and regulations.

Housing Association legislation requires the committee to prepare financial statements for each financial year. Under that law the committee have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the committee must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the association and of the surplus/(deficit) of the association for that period. In preparing these financial statements, the committee are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The committee are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. 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.

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

- Financial regulations 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.

- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.

- Forecasts and budgets, which allow the Committee of Management and Senior Managers to monitor the key business risks and financial objectives, are prepared; progress towards financial plans set for the year and the medium term is reported and reviewed; quarterly management financial statements are prepared promptly, providing relevant, reliable and up to date financial and other information and significant variances from budgets are investigated as appropriate.

- All significant new initiatives are subject to formal authorisation by the Committee of Management.

The Committee of Management has reviewed the effectiveness of the system of internal financial control with all of the above internal control mechanisms being in place throughout the year under review. No weaknesses which resulted in material losses, contingencies or uncertainties requiring disclosure in the financial statements or the auditors' report on the financial statements were found in the system of internal financial control.

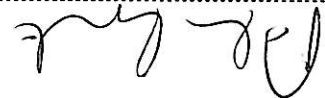
Chiene & Tait are the Association's internal auditors and were appointed from 1 April 2007. An internal audit plan has been agreed with Chiene & Tait whereby areas of activity are examined on a rotational basis.

AUDITORS

A resolution to re-appoint the auditors, Anderson Anderson & Brown LLP, will be proposed at the Annual General Meeting.

By order of the Committee

Secretary



22nd August 2011 Date

Internal financial controls
In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 6 on the Association's compliance with the Scottish Federation of Housing Associations good practice guidance "Raising Standards in Housing" in respect of internal financial control ("the Guidance"). The objective of our review is to enable us to conclude on whether the Committee of Management has provided the disclosures required by the Guidance and whether the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform any additional work necessary to, and we do not, express any opinion on the effectiveness of the Association's system of internal financial control.

Opinion

With respect to the Committee's statement on internal financial control on page 6, in our opinion the Committee of Management has provided the disclosures required by the Guidance and the statement is not inconsistent with the information of which we are aware from our work on the financial statements.

Anderson Morrison & Brown

John A Black (Senior Statutory Auditor)
For and on behalf of Anderson Morrison & Brown LLP
Statutory Auditor
Aberdeen

22 AUGUST 2011

We have audited the financial statements of Langstane Housing Association Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Management and auditors

As explained more fully in the Statement of Committee Responsibilities set out on page 5, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and Auditing Practices Board's Ethical Standards for Auditors. Those standards require us to comply with the

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 Committee of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Committee of Management's report 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.

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 2011 and of its surplus for the year then ended;
• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
• the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007; and

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Committee of Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of executives' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anderson Anderson & Brown LLP

John A Black (Senior Statutory Auditor)
For and on behalf of Anderson Anderson & Brown LLP
Statutory Auditor
Aberdeen

22 August 2011

LANGSTANE HOUSING ASSOCIATION LIMITED
 INCOME AND EXPENDITURE ACCOUNT
 STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
 FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
TURNOVER (including exceptional item)	8,909	7,957
Less: Operating costs (including exceptional item)	(7,551)	(6,855)
Operating surplus before exceptional items	1,358	1,232
Exceptional items	-	(130)
Surplus on operating activities before interest	1,358	1,102
Interest receivable and similar income	11	13
Interest payable and similar charges	(1,226)	(1,074)
Surplus on ordinary activities	143	41

The results for the year relate wholly to continuing activities.

There is no difference between the surplus on ordinary activities for the year and their historical cost equivalents.

There have been no recognised surpluses or deficits other than those included in the income and expenditure account above.

2011 2010
£'000 £'000

	2011	2010
TANGIBLE FIXED ASSETS		
Housing land and buildings depreciated cost	155,127	139,451
Less: Housing association grant	(110,572)	(103,710)
Other grants	(3,671)	(3,656)
Other fixed assets	40,884	32,085
Investment in subsidiary	3,940	3,930
	13	14
TOTAL FIXED ASSETS	44,824	36,015
CURRENT ASSETS		
Stocks of maintenance materials	6	7
Debtors	960	2,567
Cash at bank and in hand	1,933	3,844
	2,899	6,418
CREDITORS: amounts falling due within one year	2,658	4,022
NET CURRENT ASSETS	241	2,396
TOTAL ASSETS LESS CURRENT LIABILITIES	45,065	38,411
CREDITORS: amounts falling due after more than one year	37,781	31,270
Loans		
NET ASSETS	7,284	7,141
Share capital	-	-
Designated reserves	5,221	5,037
Revenue reserve	1,297	1,327
Capital reserve	766	777
	7,284	7,141

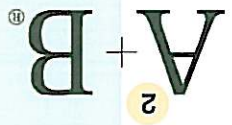
The financial statements on pages 9 to 33 were approved by the Committee of Management on 22 August 2011 and were signed on its behalf by:

Denise Wood
Chairman

Sandra Macdonald
Committee Member

A.R. Galt
Chief Executive/Secretary

22 August 2011
Date



LANGSTANE HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

	2011	2010
Net cash inflow from operating activities	1,921	2,759
Returns on investment and servicing of finance	12	116
Interest received		
Interest paid	(1,254)	(1,076)
Net cash outflow from servicing of finance	(1,242)	(960)
Capital expenditure and financial investment	(18,516)	(14,481)
Acquisition and construction of properties		
Receipts from sale of properties	-	362
Receipts from sale of other assets	1	-
Purchase of other fixed assets	(229)	(79)
Capital grant received	9,644	9,375
Net cash outflow from capital expenditure and financial investment	(9,100)	(4,823)
Net cash outflow before financing	(8,421)	(3,024)
Financing	7,000	4,000
Loans received		
Loans repaid	(490)	(489)
Loan advances received	-	5
Net cash inflow from financing	6,510	3,516
(Decrease)/Increase in cash and cash equivalents	(1,911)	492

Note

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1. ACCOUNTING POLICIES

- (a) *Accounting basis*
- The principal accounting policies of the Association, which have been applied consistently, are set out below. The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and are based on the Statement of Recommended Practice for Registered Housing Associations (2010). They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007.
- (b) *Housing Association Grants*
- Housing Association Grants (HAG) are made by the Scottish Government and are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme.
- (c) *Fixed Assets - Housing land and buildings*
- Housing properties are stated at historical cost with properties acquired under transfer of engagements recorded at fair value.
- This includes:
- (i) Cost of acquiring land and buildings;
 - (ii) Development expenditure;
 - (iii) Capitalised interest; and
 - (iv) Directly attributable costs of administration of acquisitions and developments have been capitalised.
- Capitalised interest is calculated based on the average cost of borrowing applied to capital expenditure outflows during development works, from commencement to date of completion. The actual interest charge is applied where a specific loan is used to fund a development.
- 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.
- Fixed Assets - Lead Tenancies*
- Lead tenancies are grant aided developments where the owner of a property retains ownership in exchange for leasing the property to the Association. The period of the lease is commensurate with the amount of grant.
- Grants are issued by the Scottish Government via the Association to the landlord to redevelop the property. On completion of the works the property is leased to the Association. During the period of the lease the Association is responsible for managing and maintaining the property. At the end of the lease period the property is returned to the owner. If at any time either party wishes to terminate the agreement then grants are repayable by a pre-agreed formula to the Scottish Government.

1. ACCOUNTING POLICIES (continued)

- (d) Depreciation
- (i) Housing Buildings

Depreciation is charged on a straight line basis over the remaining expected useful life of the property. All properties are assumed to have an original useful economic life of 80 years.

The original cost of properties excluding land, less the proportion of HAG and other grants attributable to housing buildings, are depreciated over their estimated useful lives of 80 years from the date of completion of the schemes with the remaining years varying between 50 and 80 years.

- (ii) Other fixed assets including housing furniture are depreciated on a straight line basis over their estimated useful lives as follows:

Commercial properties	50 years
Association office buildings	50 years
Vehicles	5 years
Office and housing furniture and equipment	5 years
Computer equipment	4 years

(e) *Impairment/diminution in value of fixed assets*

The carrying values of tangible fixed assets are reviewed for impairment in years when events or changes in circumstances indicate the carrying value may not be recoverable. The impairment loss is charged to the income and expenditure account.

(f) *Investments in subsidiary undertakings*

Langstane Housing Association Ltd is a member of Next Step Homes Limited, an association registered under the Industrial and Provident Societies Act 1965, carrying out home ownership activities. Next Step Homes Ltd is deemed to be a subsidiary of Langstane Housing Association Ltd under the Friendly and Industrial and Provident Societies Act 1968 (FIPSA 68) as the latter is a member of the company and controls the composition of its committee (5.15.5a) under Rule 39 of the Rules of the Association.

Consolidated financial statements are prepared for the group in accordance with Section 13 of the Friendly and Industrial and Provident Societies Act 1968.

1. ACCOUNTING POLICIES (continued)

- (g) *Designated Revenue Reserves*
- (i) Major Repairs Reserve
- The reserve is based on the Association's requirement to maintain its housing properties in a state of repair which at least maintains their residual value and is calculated on the basis of the replacement of building components at the end of their estimated useful lives. Amounts are added to or drawn down from the reserve to reflect varying annual levels of expenditure. Actual expenditure incurred on major repairs is charged to operating costs in the Income and Expenditure Account.
- (ii) Replacement of furniture and service items reserve.
- The funds in this reserve have been set aside to replace furniture and to replace service items in the Association's housing properties.
- (h) *Turnover*
- Turnover comprises income from lettings and income from the provision of management services. Turnover is stated net of VAT, where chargeable, and is derived entirely within the United Kingdom.
- (i) *Taxation*
- The Association has charitable status for tax purposes.
- (j) *Pensions*
- Langstane Housing Association Ltd contributes to a defined benefit pension scheme managed for the Scottish Federation of Housing Associations by The Pensions Trust. This scheme is subject to a formal actuarial valuation on a triennial basis using the projected unit method. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives with the Association (Note 27). Due to the nature of the scheme, the income and expenditure account charge for the year represents employer contributions payable.
- (k) *Stocks*
- Stocks of maintenance materials have been valued at the lower of cost and net realisable value. Cost is defined as the supplier's invoice price.
- (l) *VAT*
- The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

1. ACCOUNTING POLICIES (continued)

(m) *Capital reserve*

Amounts arising on business combinations in respect of acquisitions are included within capital and reserves and released to the income and expenditure account in line with the remaining useful life of the property acquired.

2. GOING CONCERN - BASIS OF ACCOUNTS PREPARATION

The Committee of Management, having made due and careful enquiry and review of the annual budget and 30 year forecasts prepared, are of the opinion that the Association has adequate working capital to fund its committed development programme and major repair work in the short term. This budgeting exercise has identified that additional funding will be required to finance its future development programme and planned property repair expenditure.

3. TURNOVER, OPERATING SURPLUS AND SURPLUS BEFORE TAXATION BY CLASS OF BUSINESS

	Totals for 2010/2011		Totals for 2009/2010	
Social lettings	8,253	6,599	8,909	7,957
Other activities	656	952	656	6,855
	4			
	5			
	1,654	1,358	1,419	1,102
	(296)		(317)	
	1,102		1,102	
Operating surplus/ (deficits)	£'000	£'000	£'000	£'000
Operating cost	£'000	£'000	£'000	£'000
Turnover	£'000	£'000	£'000	£'000
Note				

4. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTING ACTIVITIES

	Housing accommodation £'000	Hostels £'000	Lead tenancies £'000	Total 2011 £'000	Total 2010 £'000
Income from lettings					
Rent receivable net of identifiable service charges	7,336	498	250	8,084	7,311
Service charges receivable	412	-	63	475	429
Gross rents receivable	7,748	498	313	8,559	7,740
Less: Rent losses from voids	(258)	-	(48)	(306)	(291)
Total turnover from social letting activities	7,490	498	265	8,253	7,449
Operating costs for social housing	5,899	175	525	6,599	6,030
Operating surplus/(deficit) for social lettings	1,591	323	(260)	1,654	1,419
Operating surplus/(deficit) for social letting for previous period	1,373	401	(355)	1,419	
Services	427	-	36	463	375
Management	2,347	20	218	2,585	2,608
Routine maintenance	1,201	65	30	1,296	1,068
Cyclical maintenance including major repairs	1,305	90	222	1,617	1,469
Rent losses from bad debts	153	-	19	172	167
Depreciation	466	-	-	466	343

All service charges are eligible for housing benefit.

5. PARTICULARS OF OTHER INCOME AND EXPENDITURE

	Operating surplus/ (deficits)	Operating cost	Turnover
	£'000	£'000	£'000
Operating surplus/ (deficits)	(317)	825	508
Total	(285)	323	-
Development administration	33	49	82
Commercial leases	55	82	82
Managed associations	(6)	231	225
Charitable donations	100	-	100
Exceptional (expense)/credit (Note 8)	-	-	-
Abortive costs	(62)	62	-
Other	(38)	287	249
Totals for 2010/11	(296)	952	656
Totals for 2009/10	(317)	825	508

6. EMPLOYEES

	2011	2010
	£'000	£'000
Staff costs during year:		
Wages and salaries	1,920	1,822
National insurance contributions	149	147
Other pension costs	186	172
	2,255	2,141
The average monthly number of persons employed by the Association during the year:		
No	2011	2010
	No	No
	68	72

Employee numbers represent full time equivalents.

7. REMUNERATION OF MEMBERS OF COMMITTEE OF MANAGEMENT AND DIRECTORS

No members of the Committee of Management received any remuneration from the Association.

The Chief Executive was the only person to receive total emoluments including pension contributions exceeding £60,000 per year. The emoluments paid to the Chief Executive were as follows:

	2011	2010
Emoluments	72	71
Pension contributions	11	11
	<u>83</u>	<u>82</u>
Total expenses reimbursed to the Chief Executive in so far as not chargeable to UK income tax	1	1

8. EXCEPTIONAL ITEMS

The exceptional (expense)/credit recognised in arriving at the operating surplus for the year is in respect of the Association's property at 41½ Union Street.

	2011	2010
Legal	-	(130)

The full settlement of the Association's claim in respect of 41½ Union Street was incorporated into the 2009 accounts. The final costs in connection with the claim were incurred in the year ended 31 March 2010.

9. OPERATING SURPLUS is stated after charging:

	2011	2010
Depreciation	685	635
Repairs - cyclical, major and day to day	2,859	2,368
External auditors' remuneration - in their capacity as auditors	20	20
	<u>£'000</u>	<u>£'000</u>

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	2010
Interest receivable	11	13
	<u>£'000</u>	<u>£'000</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

On loans payable wholly or partly in more than 5 years:
Scottish Government loan
Housing property loans
Less: amount capitalised

	2011	2010
	1,226	1,074
	15	15
	1,292	1,111
	(81)	(52)
		1,074

12. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

	Houses for letting £'000	Lead tenancies for letting £'000	Houses under construction £'000	Housing Total £'000
COST				
At beginning of year	119,168	2,288	20,972	142,428
Additions	8,711	-	8,621	17,332
Disposals	-	(1,190)	-	(1,190)
Schemes completed	20,163	-	(20,163)	-
At end of year	148,042	1,098	9,430	158,570
DEPRECIATION				
At beginning of year	2,977	-	-	2,977
Charge for year	466	-	-	466
At end of year	3,443	-	-	3,443
Depreciated cost	144,599	1,098	9,430	155,127
HAG				
At start of year	86,038	2,249	15,423	103,710
Additions	5,240	-	2,773	8,013
Disposals	-	(1,151)	-	(1,151)
Schemes completed	12,205	-	(12,205)	-
At end of year	103,483	1,098	5,991	110,572
OTHER GRANTS				
At start of year	3,271	-	385	3,656
Additions	-	-	15	15
Schemes completed	301	-	(301)	-
At end of year	3,572	-	99	3,671
Net book value:				
At end of year	37,544	-	3,340	40,884
At beginning of year	26,882	39	5,164	32,085

12. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

Development administration costs capitalised amounted to £78,339 (2010 - £209,800) for which housing association grants of £31,052 (2010 - £232,785) were received in the year. Interest capitalised during the year amounted to £80,988 (2010 - £51,996). Lead tenancies are properties leased by the Association. All the Association's houses for letting is heritable property.

13. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS

	Commercial property £'000	Office buildings land and equipment £'000	Furniture, vehicles £'000	Total £'000
COST				
At beginning of year	1,279	3,301	1,238	5,818
Additions	-	92	137	229
Disposals	-	-	(8)	(8)
At end of year	1,279	3,393	1,367	6,039
DEPRECIATION				
At beginning of year	475	209	1,029	1,713
Charge for year	15	61	143	219
Relating to disposals	-	-	(8)	(8)
At end of year	490	270	1,164	1,924
Depreciated cost	789	3,123	203	4,115
HAG	25	-	-	25
OTHER GRANT	150	-	-	150
Net book value:				
At end of year	614	3,123	203	3,940
At beginning of year	629	3,092	209	3,930

All the Association's land and office buildings is heritable property.

14. INVESTMENT IN SUBSIDIARY

Investments of £1 relates to Next Step Homes Limited (2010 - £1).

The financial statements of Next Step Homes Limited disclose a surplus for the year to 31 March 2011 of £70,102 (2010 - surplus £57,466). The share capital and reserves at 31 March 2011 were £45 (2010 - £45) and £2,219,396 (2010 - £2,149,294) respectively.

15. DEBTORS

	2011	2010
Amounts falling due within one year:	£'000	£'000
Arrears of rent and service charges	930	880
Less: provision for doubtful debts	731	(694)
	199	186
Development funding receivable	270	2,083
Amounts owed by subsidiary company	42	34
Amounts owed by related undertakings	58	40
Other debtors	165	139
Prepayments and accrued income	226	85
	960	2,567

16. CREDITORS: amounts falling due within one year

	2011	2010
Housing loans (Note 18)	490	489
Trade creditors	523	527
Taxation and social security	49	56
Amounts owed to subsidiary company	1	3
Accruals and deferred income	1,440	2,611
Rent and service charges prepaid	122	108
Other creditors	33	228
	2,658	4,022

17. CREDITORS: amounts falling due after more than one year

	2011	2010
Housing loans (Note 18)	£'000	£'000
Advanced by: Banks and The Scottish Government	37,781	31,270

18. HOUSING LOANS

	2011	2010
<i>Amounts repayable:</i>		
In one year or less	490	489
Between one and two years	490	489
Between two and five years	1,469	1,469
After five years	35,822	29,312
	<u>37,781</u>	<u>31,270</u>
Total	<u>38,271</u>	<u>31,759</u>

Loan terms:

The Association has loans with Dexia Public Finance Bank plc amounting to approximately £3.63 million, Lloyds TSB (Scotland) plc amounting to approximately £27.51 million, Santander amounting to £7 million and The Scottish Government amounting to approximately £0.14 million. The loan terms range between 5 and 25 years.

Interest rates prevailing during 2010/11 for fixed rate loans were as follows:

Dexia Public Finance Bank plc 4.22% to 7.50%
 Lloyds TSB (Scotland) plc 5.08% to 5.29%
 Santander plc 5.21% to 5.61%
 Scottish Government 10.75%

Loan terms:

Interest rates prevailing during 2010/11 for variable rate loans were as follows:

Dexia Public Finance Bank plc LIBOR plus margin of 0.55%
 Lloyds TSB (Scotland) plc base rate plus margin of 0.30%
 Lloyds TSB (Scotland) plc LIBOR plus margin of 0.30%

Loans are secured by specific charges on the Association's properties.

As at 31 March 2011, 59% of the Association's loans were on fixed interest rate agreements with the remaining percentage being on variable interest rate agreements.

19. SHARE CAPITAL

Shares of £1 each, issued and fully paid:

	2011	2010
At beginning of year	125	118
Issued during year	1	7
At end of year	126	125

Shares carry no rights to interest, dividend or bonus. Shares are not withdrawable. On the death, expulsion or withdrawal from the Association of a member, the member's share shall be cancelled and the amount paid up thereon shall become the property of the Association.

20. DESIGNATED RESERVES

	Total	Major repair reserve	replacement furniture and service items	Total
At beginning of year	4,070	4,070	967	5,037
Transfer from revenue reserve	1,252	1,252	136	1,388
Expenditure in year	(1,135)	(1,135)	(69)	(1,204)
At end of year	4,187	4,187	1,034	5,221

21. REVENUE RESERVE

	2011	2010
At beginning of year	1,327	1,366
Surplus for the year	143	41
Transfer to designated reserve	(184)	(90)
Transfer from capital reserve (Note 22)	1,286	1,317
At end of year	1,297	1,327

22. CAPITAL RESERVE

	2011	2010
At beginning of year	777	787
Transfer to revenue reserve (Note 21)	(11)	(10)
At end of year	766	777

23. CAPITAL COMMITMENTS

	2011	2010
Expenditure contracted for but not provided in the financial statements	896	7,498

The Association expects its contracted expenditure to be financed as follows:

	2011	2010
Grants from Scottish Ministers	55	3,199
Loan finance	841	4,299
	896	7,498

24. OPERATING LEASE COMMITMENTS

At 31 March 2011 the Association had annual commitments under non-cancellable operating leases as follows:

	2011	Other 2010
Within two to five years	16	16

25. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating surplus to net cash flow from operating activities:

2011	2010
1,358	1,102
(207)	850
44	171
1	1
685	635
40	-
1,921	2,759

Operating surplus from continuing activities
(increase)/decrease in debtors
Increase in creditors
Decrease in stock
Depreciation
Loss on sale of fixed assets

Net cash inflow from operating activities

Analysis of changes in net debt:

At 1 April 2010	Cashflows	At 31 March 2011
3,844	(1,911)	1,933
(489)	(1)	(490)
(31,272)	(6,509)	(37,781)
(27,917)	(8,421)	(36,338)

Cash at bank and in hand
Debts due within one year
Debts due after one year

Net debt

Reconciliation of net cash flow to movement in net debt:

Decrease in cash in the year	(1,911)
Cash inflow from increase in debt financing	(6,510)
Change in net debt	(8,421)
Net debt at 1 April 2010	(27,917)
Net debt at 31 March 2011	(36,338)

26. UNITS OF ACCOMMODATION

	2011 No	2010 No
<i>Units in management</i>	2,531	2,324
Housing accommodation	136	136
Hostels (bed spaces)	45	89
Lead tenancies		
Total units in management	2,712	2,549
<i>Units under development</i>	44	187
Housing accommodation		
Units managed on behalf of other organisations	116	119
Next Step Homes Limited		

27. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
 RETIREMENT AND DEATH BENEFIT SCHEME

Langstane Housing Association Limited participates in the SFHA Pension Scheme. The Scheme is funded and is contracted out of the State Pension Scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FR517 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professional qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Employer Debt Regulations

The Employer Debt Regulations were introduced in September 2005 following a change in legislation. This legislation was revised in the Occupational Pension Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) ("the Regulations") which came into force on 6 April 2008.

An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:

- a. The commencement of winding up of the Scheme
- b. An employer becomes insolvent
- c. An Employer Cessation Event.

27.

SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
 RETIREMENT AND DEATH BENEFIT SCHEME (continued)

An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.

The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.

The Scheme Actuary has calculated the employer debt that would have been payable if your organisation had withdrawn from the SFHA Pension Scheme as at 30 September 2010.

The suggested Pension Disclosure Note includes conditional paragraphs. The appropriate choice of paragraph for each employer will depend on the accounting treatment adopted by the employer, in particular whether or not a provision is made for the employer debt.

Under FRS an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

Disclosure in Respect of Employer Debt

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employments with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Langstane Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme at 30 September 2010. As of this date the estimated employer debt for Langstane Housing Association was £8,871,171.

27. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
 RETIREMENT AND DEATH BENEFIT SCHEME (continued)

Langstane Housing Association Limited participates in the SFHA Pension Scheme. The SFHA Pension Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

Final salary with a 1/60th accrual rate.

Career average revalued earnings with a 1/60th accrual rate.

Career average revalued earnings with a 1/70th accrual rate.

Career average revalued earnings with a 1/80th accrual rate.

Career average revalued earnings with a 1/120th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Langstane Housing Association Limited has elected to operate the final salary 1/60th accrual rate benefit structure for active members.

During the accounting period Langstane Housing Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7% of pensionable salaries.

As at the balance sheet date there were 47 active members of the Scheme employed by Langstane Housing Association. The annual pensionable payroll in respect of these members was £1,198,923. Langstane Housing Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA pension scheme are:

2009 Valuation Assumptions	
Investment return pre retirement	7.4
Investment return post retirement - non pensioners	4.6
Investment return post retirement - pensioners	4.8
Rate of salary increases	4.8
Rate of pension increases	2.9
Pension accrued pre 6 April 2005 in excess of GMP	2.2
Pension accrued post 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
Rate of price inflation	3.0

27. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
 RETIREMENT AND DEATH BENEFIT SCHEME (continued)

Mortality Tables
 Non-pensioners PA92C2025 short
 Pensioners PA92C2013 short

Contribution Rates for Future Service	% pa
Final salary 1/60th	19.2
Career average re-valued earnings 1/60th	17.1
Career average re-valued earnings 1/70th	14.9
Career average re-valued earnings 1/80th	13.2
Career average re-valued earnings 1/120th	9.4
Additional rate for deficit contribution	10.4

(Expressed in normal pound terms (for each employer) increasing 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions).

Growth Plan
 Langstane Housing Association participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.
 Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.
 The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discounted rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pension Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If an actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

27. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
 RETIREMENT AND DEATH BENEFIT SCHEME (continued)

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Members Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Langstane Housing Association offers the Growth Plan as an AVC investment option for members of the SFHA Pension Scheme. Langstane Housing Association does not pay any contributions to the Growth Plan in respect of these members. The members pay contributions at a rate of their choice.

As at the balance sheet date there were no active members of the Plan employed by Langstane Housing Association. Langstane Housing Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the Plan assets are co-mingled for investment purposes and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the plan was performed by a professionally qualified Actuary using the Projected Unit Credit Method. The market value of the Plans assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation revealed a shortfall of assets compared to liabilities of £29 million, equivalent to a past service funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
- Investment return pre retirement	7.6
- Investment return post retirement	-
- Actives/Deferreds	5.1
- Pensioners	5.6
Bonus on accrued benefits	0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustees considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

27.

SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
RETIREMENT AND DEATH BENEFIT SCHEME (continued)

The Scheme Actuary has prepared a funding position update as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustees must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (activities and deferrals) and 5.6% per annum post retirement (pensioners).

A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt of the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

27. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS
RETIREMENT AND DEATH BENEFIT SCHEME (continued)

Langstane Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2010. As of this date the estimated employer debt for Langstane Housing Association was £26,147.

The pension charge for the year was £185,769 (2010 - £172,308) with a balance of £22,999 (2010 - £23,136) unpaid at 31 March 2011.

28. RELATED PARTY TRANSACTIONS

During the year Langstane Housing Association Limited provided development, management, maintenance and financial services to Next Step Homes Ltd for which a charge of £107,946 was made, of which £41,577 was outstanding at the year end. A donation of £100,000 was also received from Next Step Homes Ltd during the year.

29. CONTINGENT LIABILITIES

The Association may face a potential liability as a result of a possible shortfall in total grant payable to the partners involved in the Devanha volume procurement initiative; at this juncture it is not possible to either confirm or quantify this liability, as a result of which no provision is made for this heading. Actual final grant payable with respect to individual projects may vary from the original estimates; this would create an element of surplus grant within a cash limited total which may or may not be sufficient to address specific shortfalls. The exact method of distribution of any surplus grant between the parties is also yet to be determined. The RSLs in question are currently working in conjunction with the Scottish Government to resolve this issue but, given that the final projects in the programme remain incomplete, it may take until 2013 to obtain clarity.