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LANGSTANE HOUSING ASSOCIATION LIMITED
(Company Number: 1916R(S))

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2012

Anderson Anderson & Brown LLP
Chartered Accountants

LANGSTANE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

CONTENTS

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

THE MEMBERS OF THE COMMITTEE OF MANAGEMENT

The members of the Committee of Management as at 31 March 2012 were:

Mr F McCallum	
Mr K Hutchens	
Ms S Macdonald	
Ms J Felsinger	
Mr D Wood	
Mr R Tait	
Mr E Bjorkelund	
Mr P Maduforo	
Mr K Ogilvie	
Cllr W Stuart	(Co-opted member)
Cllr D Storr	(Co-opted member)
Cllr M McConachie	(Co-opted member)

ELECTION OF MEMBERS OF COMMITTEE OF MANAGEMENT

In accordance with Rule 40(a), Dr S Barrett Ayres, Mr E Bjorkelund, Ms S Macdonald and Mr A Wallace retired at the Annual General Meeting on 20 September 2011. Nominations had been received for Mr Bjorkelund and Ms Macdonald, and as both were eligible for re-election, they were duly re-elected. Dr Barrett Ayres and Mr Wallace had indicated that they were not seeking re-election

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(S), 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 £9,702,039 (2011 - £8,908,725) and the surplus for the year was £698,755 (2011 deficit restated - £65,000).

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 11 and 12 to the financial statements.

DEVELOPMENT

During the year the Association completed no schemes in Aberdeen or Aberdeenshire. In Moray two schemes were completed in Keith and Elgin giving an additional 44 units for rent. In addition 5 units in Fraserburgh and 1 unit in Tomintoul were purchased from Next Step Homes Ltd.

The Association's development programme required additional private finance and a £10 million loan facility was agreed with Santander plc on 14 May 2010. £2 million was drawn down from this facility during the financial year.

DEVANHA LIMITED

As the Devanha programme heads towards its natural completion, the only project in 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 72 shared ownership units and 42 units of housing accommodation.

WIDER ROLE

The year saw further evidence of joint working with Grampian Housing Association in the provision of support and services to our client group beyond simply housing.

The Workingrite project, begun last year, continued, reflecting our emphasis on employability. Langstane became a direct employer on the scheme.

This year money advice and income maximisation continued to be a priority. Langstane, working in partnership with Grampian accessed Wider Role funding to allow us to second a member of staff to SMART, to advise RSL tenants in Aberdeenshire on Income Maximisation

Work continued, funded in part by the Climate Challenge fund, to advise tenants on energy efficiency, and tackling fuel poverty.

The link with the community of Seaton was maintained through the continued employment of a part time worker funded by the Fairer Scotland fund.

GROUP STRUCTURE

There was further commitment to the completion of the proposed Group Structure. The Business Case and the Intra Group Agreement were revised and submitted to the Scottish Housing Regulator. A mutual Due Diligence Exercise was scoped and agreed. The application for the registration of the Group and of Sirius, the proposed parent Association, is on hold however, pending the completion of long term financial projections, in order to allow the Regulator to come to a final decision on the application.

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.

LANGSTANE HOUSING ASSOCIATION LIMITED
STATEMENT BY THE COMMITTEE OF MANAGEMENT REGARDING
THE ASSOCIATION'S SYSTEM OF INTERNAL FINANCIAL CONTROL

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

20th August 2012 *Date*

REPORT OF THE AUDITORS TO LANGSTANE HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL

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 Anderson & Brown LLP

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

20 AUGUST 2012

INDEPENDENT AUDITOR'S' REPORT TO THE MEMBERS OF LANGSTANE HOUSING ASSOCIATION LIMITED

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We have audited the financial statements of Langstane Housing Association Limited for the year ended 31 March 2012 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 Committee of Management and auditors
As explained more fully in the Statement of Committee Responsibilities set out on page 4, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the associations 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 2012 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

20 AUGUST 2012

LANGSTANE HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31 MARCH 2012

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	Note	2012 £'000	Restated 2011 £'000
TURNOVER	3	9,702	8,909
Less: Operating costs	3	(7,472)	(7,629)
Surplus on operating activities before interest		2,230	1,280
Interest receivable and similar income	9	6	11
Interest payable and similar charges	10	(1,537)	(1,226)
Surplus on ordinary activities		699	65

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2012 £'000	2011 £'000
Surplus for the year as reported above		699	65
Prior year adjustment	28	124	202
Total recognised gains and losses recognised since last annual report		823	267
Net assets at 31 March 2011 as previously reported		7,284	7,141
Net assets at 31 March 2012		8,107	7,408

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.

Movements on reserves are as set out in Notes 19 and 20.

LANGSTANE HOUSING ASSOCIATION LIMITED
BALANCE SHEET - 31 MARCH 2012

	Note	2012 £'000	Restated 2011 £'000
TANGIBLE FIXED ASSETS			
Housing land and buildings depreciated cost	11	153,505	152,744
Less: Housing association grant	11	(107,059)	(108,065)
Other grants	11	(3,851)	(3,671)
		42,595	41,008
Other fixed assets	12	3,979	3,940
Investment in subsidiary	13	-	-
TOTAL FIXED ASSETS		46,574	44,948
CURRENT ASSETS			
Stocks of maintenance materials		10	6
Debtors	14	1,139	960
Cash at bank and in hand		2,350	1,933
		3,499	2,899
CREDITORS: *amounts falling due within one year*	15	2,675	2,658
NET CURRENT ASSETS		824	241
TOTAL ASSETS LESS CURRENT LIABILITIES		47,398	45,189
CREDITORS: *amounts falling due after more than one year*			
Loans	16	39,291	37,781
NET ASSETS		8,107	7,408
Share capital	18	-	-
Designated reserves	19	5,463	5,345
Revenue reserve	19	1,889	1,297
Capital reserve	20	755	766
		8,107	7,408

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

Dennis Wood
Chairman

Committee Member

Chief Executive/Secretary

20th August 2012 *Date*

LANGSTANE HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012

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	Note	2012 £'000	Restated 2011 £'000
Net cash inflow from operating activities	23	3,938	2,346
Returns on investment and servicing of finance			
Interest received		6	12
Interest paid		(1,522)	(1,254)
Net cash outflow from servicing of finance		(1,516)	(1,242)
Capital expenditure and financial investment			
Acquisition and construction of properties		(3,640)	(18,941)
Receipts from sale of properties		-	-
Receipts from sale of other assets		1	1
Purchase of other fixed assets		(255)	(229)
Capital grant received		379	9,644
Net cash outflow from capital expenditure and financial investment		(3,515)	(9,525)
Net cash outflow before financing		(1,093)	(8,421)
Financing			
Loans received		2,000	7,000
Loans repaid		(490)	(490)
Loan advances received			-
Net cash inflow from financing		1,510	6,510
(Decrease)/Increase in cash and cash equivalents	23	417	(1,911)

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 has been charged on housing properties, calculated in accordance with the component accounting requirements of SORP 2010. The full impact of this change in accounting policy is referred to in Note 28.

Housing properties are broken down into their main components and each component has its own expected useful life. Depreciation is then charged on each component in accordance with that useful life.

The components and their expected lives are as follows:

Land	No depreciation
Structure	80 years
Roof	60 years
Kitchen	15 years
Electrics	30 years
Bathroom	25 years
Heating System	20 years
Entry systems	20 years
Windows	25 years
Lifts	30 years

Any grant relating to a component is amortised over the same time period as the component.

(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 25). 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 budgets and cash flow forecasts prepared for the next 12 month period, are aware that the Association has a short term funding requirement in respect of its planned development and major repair programmes.

Informal discussions have already been held with existing lenders of the Association to source appropriate additional debt finance. These discussions are ongoing. The Committee of Management are confident that the required additional funding will be made available but will ensure that no contractual commitments are made until funding is in place. This management of working capital may delay planned capital projects and require the current year major repairs programme to be rephased accordingly.

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

	Note	Turnover £'000	Operating cost £'000	Operating surplus/ (deficits) £'000	Restated Total 2011 £'000
Social lettings	4	9,142	6,912	2,230	1,576
Other activities	5	560	560	-	(296)
Totals for 2011/2012		9,702	7,472	2,230	1,280
Totals for 2010/2011 restated		8,909	7,629	1,280	

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

	Housing accommodation £'000	Hostels £'000	Lead tenancies £'000	Total 2012 £'000	Restated Total 2011 £'000
Income from lettings					
Rent receivable net of identifiable service charges	8,139	556	107	8,802	8,084
Service charges receivable	446	-	25	471	475
Gross rents receivable	8,585	556	132	9,273	8,559
Less: Rent losses from voids	(128)	-	(3)	(131)	(306)
Total turnover from social letting activities	8,457	556	129	9,142	8,253
Services	532	-	23	555	463
Management	2,694	40	95	2,829	2,585
Routine maintenance	1,421	76	35	1,532	1,296
Cyclical maintenance including major repairs	489	46	38	573	1,192
Rent losses from bad debts	350	-	(4)	346	172
Loss on sale of disposal of fixed assets	3	-	-	3	5
Depreciation	1,074	-	-	1,074	964
Operating costs for social housing	6,563	162	187	6,912	6,677
Operating surplus/(deficit) for social lettings	1,894	394	(58)	2,230	1,576
Operating surplus/(deficit) for social letting for previous period restated	1,513	323	(260)	1,576	

All service charges are eligible for housing benefit.

5. PARTICULARS OF OTHER INCOME AND EXPENDITURE

	Turnover £'000	Operating cost £'000	Operating surplus/ (deficits) £'000	Total 2011 £'000
Development administration	-	209	(209)	(323)
Commercial leases	74	39	35	33
Managed associations	146	144	2	(6)
Charitable donations	150	-	150	100
Abortive costs	-	2	(2)	(62)
Other	190	166	24	(38)
Totals for 2011/12	560	560	-	(296)
Totals for 2010/11	656	952	(296)	

6. EMPLOYEES

	2012 £'000	2011 £'000
Staff costs during year:		
Wages and salaries	1,984	1,920
National insurance contributions	157	149
Other pension costs	247	186
	2,388	2,255

	2012 No	2011 No
The average monthly number of persons employed by the Association during the year:	72	68

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:

	2012 £'000	2011 £'000
Emoluments	74	72
Pension contributions	7	11
	81	83
Total expenses reimbursed to the Chief Executive in so far as not chargeable to UK income tax	1	1

8. OPERATING SURPLUS *is stated after charging:*

	2012 £'000	2011 £'000
Depreciation	1,300	1,183
Repairs - cyclical, major and day to day	2,105	2,488
External auditors' remuneration - in their capacity as auditors	27	20

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £'000	2011 £'000
Interest receivable	6	11

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £'000	2011 £'000
On loans payable wholly or partly in more than 5 years:		
Scottish Government loan	15	15
Housing property loans	1,544	1,292
Less: amount capitalised	(22)	(81)
	1,537	1,226

11. 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 as previously reported	148,042	1,098	9,430	158,570
Prior year adjustment	1,203	-	-	1,203
Opening balance as restated	149,245	1,098	9,430	159,773
Additions	1,841	-	1,444	3,285
Disposals	(972)	-	-	(972)
Reclassification	-	-	(666)	(666)
Schemes completed	4,944	-	(4,944)	-
At end of year	155,058	1,098	5,264	161,420
DEPRECIATION				
At beginning of year as previously reported	3,443	-	-	3,443
Prior year adjustment	3,585	-	-	3,585
Opening balance as restated	7,028	-	-	7,028
Charge for year	1,074	-	-	1,074
Disposals	(187)	-	-	(187)
At end of year	7,915	-	-	7,915
Depreciated cost	147,143	1,098	5,264	153,505
HAG				
At start of year as previously reported	103,483	1,098	5,991	110,572
Prior year adjustment	(2,506)	-	-	(2,506)
Opening balance as restated	100,977	1,098	5,991	108,065
Additions	-	-	107	107
Disposals	(780)	-	-	(780)
Schemes completed	3,293	-	(3,293)	-
Reclassification	-	-	(334)	(334)
At end of year	103,490	1,098	2,471	107,059
OTHER GRANTS				
At start of year	3,572	-	99	3,671
Additions	180	-	-	180
At end of year	3,752	-	99	3,851
Net book value:				
At end of year	39,901	-	2,694	42,595
At beginning of year restated	37,668	-	3,340	41,008

The reclassification relates to a scheme which is now being developed for sale to Aberdeenshire Council rather than for rented accommodation.

11. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

Development administration costs capitalised amounted to £229,916 (2011 - £78,339) for which housing association grants of £Nil (2011 - £31,052) were received in the year.

Interest capitalised during the year amounted to £21,685 (2011 - £80,988).

Lead tenancies are properties leased by the Association.

All the Association's houses for letting is heritable property.

12. TANGIBLE FIXED ASSETS - OTHER FIXED ASSETS

	Commercial property £'000	Office land and buildings £'000	Furniture, equipment & vehicles £'000	Total £'000
COST				
At beginning of year	1,279	3,393	1,367	6,039
Additions	-	59	206	265
Disposals	-	-	(10)	(10)
At end of year	1,279	3,452	1,563	6,294
DEPRECIATION				
At beginning of year	490	270	1,164	1,924
Charge for year	15	61	150	226
Relating to disposals	-	-	(10)	(10)
At end of year	505	331	1,304	2,140
Depreciated cost	774	3,121	259	4,154
HAG	25	-	-	25
OTHER GRANT	150	-	-	150
Net book value:				
At end of year	599	3,121	259	3,979
At beginning of year	614	3,123	203	3,940

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

13. INVESTMENT IN SUBSIDIARY

Investments of £1 relates to Next Step Homes Limited (2011 - £1).

The financial statements of Next Step Homes Limited disclose a surplus for the year to 31 March 2012 of £62,369 (2011 - restated surplus £34,311). The share capital and reserves at 31 March 2012 were £45 (2011 - £45) and £2,135,061 (2011 - restated £2,072,692) respectively.

14. DEBTORS

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Arrears of rent and service charges	1,167	930
Less: provision for doubtful debts	(936)	(731)
	231	199
Development funding receivable	-	270
Amounts owed by subsidiary company	-	42
Amounts owed by related undertakings	-	58
Other debtors	164	165
Assets built for resale	512	-
Prepayments and accrued income	232	226
	1,139	960

15. CREDITORS: *amounts falling due within one year*

	2012 £'000	2011 £'000
Housing loans (Note 17)	490	490
Trade creditors	964	523
Taxation and social security	59	49
Amounts owed to subsidiary company	-	1
Accruals and deferred income	1,004	1,440
Rent and service charges prepaid	120	122
Other creditors	38	33
	2,675	2,658

16. CREDITORS: *amounts falling due after more than one year*

	2012 £'000	2011 £'000
Housing loans (Note 17)		
Advanced by: Banks and The Scottish Government	39,291	37,781

17. HOUSING LOANS

	2012 £'000	2011 £'000
Amounts repayable:		
In one year or less	490	490
Between one and two years	490	490
Between two and five years	1,469	1,469
After five years	37,332	35,822
	39,291	37,781
Total	39,781	38,271

Loan terms:

The Association has loans with Dexia Public Finance Bank plc amounting to approximately £3.34 million, Lloyds TSB (Scotland) plc amounting to approximately £27.31million, Santander amounting to £9.0 million and The Scottish Government amounting to approximately £0.13 million. The loan terms range between 5 and 25 years.

Interest rates prevailing during 2011/12 for fixed rate loans were as follows:

Dexia Public Finance Bank plc 4.95% to 7.50%
Lloyds TSB (Scotland) plc 4.22% to 6.42%
Santander plc 5.21% to 5.61%
Scottish Government 10.75%

Loan terms:

Interest rates prevailing during 2011/12 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 2012, 66% of the Association's loans were on fixed interest rate agreements with the remaining percentage being on variable interest rate agreements.

18. SHARE CAPITAL

	2012 £	2011 £
Shares of £1 each, issued and fully paid:		
At beginning of year	126	125
Issued during year	3	1
At end of year	129	126

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.

19. DESIGNATED AND REVENUE RESERVES

	Revenue reserve £'000	Reserve for replacement furniture and service items £'000	Major repair reserve £'000	Total £'000
Cost				
At 1 April 2011 as reported	1,297	1,034	4,187	6,515
Prior year adjustment	-	-	124	124
At 1 April 2011 - as restated	1,297	1,034	4,311	6,642
Surplus in the year	699	-	-	699
Transfer in the year	(118)	(28)	146	-
Transfer from capital reserve (Note 20)	11	-	-	11
At end of year	1,889	1,006	4,457	7,352

20. CAPITAL RESERVE

	2012 £'000	2011 £'000
At beginning of year	766	777
Transfer to revenue reserve (Note 19)	(11)	(11)
At end of year	755	766

21. CONTRACTUAL COMMITMENTS

	2012 £'000	2011 £'000
Expenditure contracted for but not provided in the financial statements	756	896

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

	2012 £'000	2011 £'000
Grants from Scottish Ministers	-	55
Local Authority Finance	756	-
Loan finance	-	841
	756	896

22. OPERATING LEASE COMMITMENTS

At 31 March 2012 the Association had annual commitments under non-cancellable operating leases as follows:

		Other
	2012 £'000	2011 £'000
Less than one year	3	-
Within two to five years	6	16

23. NOTES TO THE CASH FLOW STATEMENT

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

	2012 £'000	Restated 2011 £'000
Operating surplus from continuing activities	2,230	1,280
Decrease/(increase) in debtors	62	(207)
Increase in creditors	346	44
(Increase)/decrease in stock	(3)	1
Depreciation	1,300	1,183
Loss on sale of fixed assets	3	45
Net cash inflow from operating activities	3,938	2,346

Analysis of changes in net debt:

	At 1 April 2011 £'000	Cashflows £'000	At 31 March 2012 £'000
Cash at bank and in hand	1,933	417	2,350
Debts due within one year	(490)	-	(490)
Debts due after one year	(37,781)	(1,510)	(39,291)
Net debt	(36,338)	(1,093)	(37,431)

Reconciliation of net cash flow to movement in net debt:

	£'000
Decrease in cash in the year	417
Cash inflow from increase in debt financing	(1,510)
Change in net debt	(1,093)
Net debt at 1 April 2011	(36,338)
Net debt at 31 March 2012	(37,431)

24. UNITS OF ACCOMMODATION

	2012 No	2011 No
Units in management		
Housing accommodation	2,581	2,531
Hostels (bed spaces)	136	136
Lead tenancies	45	45
Total units in management	2,762	2,712

	2012 No	2011 No
Units under development		
Housing accommodation	-	44

	2012 No	2011 No
Units managed on behalf of other organisations		
Next Step Homes Limited	114	116

25. 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 FRS17 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 2011. Such a report is required by legislation for years which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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.

25. 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 2011.

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 2011. As of this date the estimated employer debt for Langstane Housing Association was £10,302,852.

25. 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 9.6% of pensionable salaries. Member contributions were 9.6% of pensionable salaries.

As at the balance sheet date there were 48 active members of the Scheme employed by Langstane Housing Association. The annual pensionable payroll in respect of these members was £1,258,724. 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	**% pa**
Investment return pre retirement	7.4
Investment return post retirement - non pensioners	4.6
- pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

25. 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.

25. 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.

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

The Scheme Actuary has prepared a funding position update as at 30 September 2011. 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 £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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.

The proposed recovery plan for the Growth Plan aims to eliminate the deficit via a combination of additional contributions from employers and investment returns over a period of 10 years from 1 April 2013. The additional contributions required from Langstane Housing Association for the year from 1 April 2013 will be £2,321.28 per annum.

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 2012.

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.

25. 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 2011. As of this date the estimated employer debt for Langstane Housing Association was £36,751.

The pension charge for the year was £246,630 (2011 - £185,769) with a balance of £30,251 (2011 - £22,999) unpaid at 31 March 2012.

26. 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 £81,292 was made, of which £Nil was outstanding at the year end. Langstane Housing Association bought 6 housing units from Next Step Homes Ltd for a total consideration of £360,205. A donation of £150,000 was also received from Next Step Homes Ltd during the year.

27. 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.

The changes required under component accounting has resulted in HAG totalling £3,286,000 being released to the Income and Expenditure account on the disposal of components. If circumstances arise which result in the sale of the associated properties the HAG would be required to be repaid. The Association has no current plans to dispose of these properties.

28. PRIOR YEAR ADJUSTMENT

The changes required by SORP 2010 have resulted in prior year adjustments to fixed assets, grants, depreciation, the planned maintenance reserve and the reported surplus for 2011.

Under component accounting which is required under the SORP 2010, the capital cost of housing properties requires to be broken down into major components, with each component having its own expected useful life and depreciation method. Grant associated with components is amortised over the expected useful life of the component.

When a component is replaced it (and any grant associated with it) is written off and the cost of the replacement component is capitalised.

Previously any planned maintenance expenditure on replacement components was written off in the year of replacement.

Under component accounting annual depreciation charges are higher but the planned maintenance costs charged to the income and expenditure account are lower due to capitalisation of replacement components.

The changes required by SORP 2010 have resulted in prior year adjustments to fixed assets.

SORP 2010 requires that the financial statements are restated as though component accounting had always been applied and this has led to the prior period adjustments.

The effect of these adjustments has been to increase the net assets of the Association by £202,000 at 31 March 2010 and to reduce net assets by £78,000 in the year ended 31 March 2011, a net increase of £124,000.

The adjustment as at 31 March 2011 of £124,000 can be analysed as follows:

	£'000
Capitalisation of replacement components previously capitalised	4,090
Accelerated depreciation charge	(3,940)
Loss on disposal of components replaced	(26)
	124

Net assets at 31 March 2011 were restated as £7,408,000 compared to the previously reported figure of £7,284,000.

This stated surplus in the 2011 financial statements has been reduced from £143,000 to £65,000.