

**LANGSTANE HOUSING ASSOCIATION LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2013**

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

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2013

**Anderson Anderson & Brown LLP**  
*Chartered Accountants*

**LANGSTANE HOUSING ASSOCIATION LIMITED  
REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

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**LANGSTANE HOUSING ASSOCIATION LIMITED**  
REGISTERED OFFICE AND PROFESSIONAL ADVISERS

**Registered Office**  
Langstane Housing Association Limited  
680 King Street  
Aberdeen

**Auditors**  
Anderson Anderson & Brown LLP  
9 Queens Road  
Aberdeen

**Solicitors**  
Grant Smith Law Practice  
Amicable House  
252 Union Street  
Aberdeen

**Bankers**  
Royal Bank of Scotland  
Aberdeen Queen's Cross Branch  
40 Albyn Place  
Aberdeen

Lloyds Banking Group  
Citymark  
150 Fountainbridge  
Edinburgh  
EH3 9PE

Santander Business Banking  
Bridle Road  
Bootle  
L30 4GB

## **LANGSTANE HOUSING ASSOCIATION LIMITED REPORT OF THE COMMITTEE OF MANAGEMENT**

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2013.

### **THE MEMBERS OF THE COMMITTEE OF MANAGEMENT**

The members of the Committee of Management as at 31 March 2013 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  
Mr J Fraser  
Mr G Saladju  
Ms D Storr  
Cllr N A Morrison      (Co-opted member)

### **ELECTION OF MEMBERS OF COMMITTEE OF MANAGEMENT**

In accordance with Rule 40(a), Ms J Felsinger, Mr K Hutchens, and Mr F McCallum retired at the Annual General Meeting on 18 September 2012. All were eligible for re-election and all had submitted nomination papers and were duly re-elected. In addition Mr J Fraser, Mr G Saluja and Ms D Storr who had been co-opted during the year, had submitted nomination papers and were duly elected at the Annual General Meeting.

### **REGISTRATION OF THE ASSOCIATION**

Langstane Housing Association is a limited company registered with the Financial Conduct 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 Register of Friendly Societies following which the Langstane Group Structure became effective from 30 September 1988.

### **REGISTRATION WITH THE SCOTTISH HOUSING REGULATOR**

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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

**FINANCIAL HIGHLIGHTS**

The results for the year are set out in the income and expenditure account on page 8 as amplified in the various notes to the financial statements. The Association's turnover for the year was £10,112,892 (2012 - £9,702,039) and the surplus for the year was £789,206 (2012 - £698,755).

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 new schemes. The major development efforts centred around the Association's share of the Donside development where 36 units were under construction. These units were due for completion in August 2013. In addition, during the year, sites at Stockethill Church and at Hillside Portlethen were prepared for start in the new financial year.

**DEVANHA LIMITED**

The Devanha programme has reached its natural conclusion, and the only project in which Langstane is still involved is Donside, which is expected to be completed by August 2013.

Final calculations on Grant reconciliation have been completed and Devanha has written to the Scottish Government on behalf of the RSL's involved, including Langstane, applying for the additional Grant. Final settlements of Grant allocation are expected to be complete during the next financial year and the Association expects to receive additional grants of around £190,000. It is anticipated that these grants will be received towards the second half of the financial year 2013/14.

**MANAGED ASSOCIATIONS**

The Association continued to manage the stock of Next Step Homes Limited which comprised 70 shared ownership units and 42 units of housing accommodation.

**WIDER ROLE**

Income maximisation and money advice continues to be a priority. Although the secondment of a member of staff to the Grampian Excess SMART scheme has ended, that member of staff is now working on income maximisation for Langstane's tenants. We continue to benefit however from the SMART scheme.

The Workingrite project developed further with a new scheme receiving funding from the People and Communities Fund, replacing a wider role fund. This allows work to be carried out for the direct benefit of Langstane tenants and their families, assisting tenants and family members interim plans and provides them schemes in Langstane communities directly.

Langstane continues to work closely with the community of Seaton, supporting the administration of the community flat and continues to employ the project co-ordinator, funded by the Fairer Scotland Fund.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**REPORT OF THE COMMITTEE OF MANAGEMENT (continued)**

**GROUP STRUCTURE**

During the year, the decision was finally taken by the governing bodies of Grampian and Langstane to discontinue work on the Sirius Group. The two Associations however agreed to continue to work together in alliance, to share services where possible, to benefit from joint working and joint procurement.

**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 Association's auditors are aware of that information.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**STATEMENT OF COMMITTEE'S RESPONSIBILITIES**

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

ALAN GRANT  
Secretary

24 SEPTEMBER 2013 ..... 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 5 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.

JOHN BLACK

John Black (Senior Statutory Auditor)  
For and on behalf of Anderson Anderson & Brown LLP  
Statutory Auditor  
Aberdeen  
24 SEPTEMBER 2013

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

We have audited the financial statements of Langstane Housing Association Limited for the year ended 31 March 2013 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 section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of 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 2013 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

### **Emphasis of matter**

In forming our opinion we have considered the adequacy of the disclosure made in Note 2 of the financial statements concerning the going concern position of the Association. The financial statements have been prepared on a going concern basis for the reasons explained in Note 2.

### **Opinion on other matters**

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
LANGSTANE HOUSING ASSOCIATION LIMITED (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- a satisfactory system of control over transactions has not been maintained; or
- we have not received all the information and explanations we require for our audit.

JOHN BLACK

John Black (Senior Statutory Auditor)  
For and on behalf of Anderson Anderson & Brown LLP  
Statutory Auditor  
Aberdeen  
24 SEPTEMBER 2013

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £'000	2012 £'000
TURNOVER	3	10,113	9,702
Less: Operating costs	3	(8,002)	(7,472)
Surplus on operating activities before interest		2,111	2,230
Gain on sale on housing properties		275	-
Interest receivable and similar income	9	6	6
Interest payable and similar charges	10	(1,603)	(1,537)
Surplus on ordinary activities		789	699

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2013 £'000	2012 £'000
Surplus for the year as reported above	789	699
Prior year adjustment	-	124
Total recognised gains and losses recognised since last annual report	789	823
Net assets at 31 March 2012 as previously reported	8,107	7,284
Net assets at 31 March 2013	8,896	8,107

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 2013**

	Note	2013 £'000	2012 £'000
<b>TANGIBLE FIXED ASSETS</b>			
Housing land and buildings depreciated cost	11	153,370	153,505
Less: Housing association grant	11	(108,268)	(107,059)
Other grants	11	(3,851)	(3,851)
		41,251	42,595
Other fixed assets	12	3,898	3,979
Investment in subsidiary	13	-	-
<b>TOTAL FIXED ASSETS</b>		<b>45,149</b>	<b>46,574</b>
<b>CURRENT ASSETS</b>			
Stocks of maintenance materials		10	10
Debtors	14	1,203	1,139
Cash at bank and in hand		3,846	2,350
		5,059	3,499
<b>CREDITORS: amounts falling due within one year</b>	15	<b>2,511</b>	<b>2,675</b>
<b>NET CURRENT ASSETS</b>		<b>2,548</b>	<b>824</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>47,697</b>	<b>47,398</b>
<b>CREDITORS: amounts falling due after more than one year</b>			
Loans	16	38,801	39,291
<b>NET ASSETS</b>		<b>8,896</b>	<b>8,107</b>
Share capital	18	-	-
Designated reserves	19	5,777	5,463
Revenue reserve	19	2,375	1,889
Capital reserve	20	744	755
		8,896	8,107

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

BOB TAIT

*Vice Chairman*

SANDRA MACDONALD

*Committee Member*

ALAN GRANT

*Chief Executive/Secretary*

24 SEPTEMBER 2013

*Date*

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Note	2013 £'000	2012 £'000
<b>Net cash inflow from operating activities</b>	23	3,963	3,938
<b>Returns on investment and servicing of finance</b>			
Interest received		6	6
Interest paid		(1,522)	(1,522)
<b>Net cash outflow from servicing of finance</b>		(1,516)	(1,516)
<b>Capital expenditure and financial investment</b>			
Acquisition and construction of properties		(1,613)	(3,640)
Receipts from sale of properties		270	-
Receipts from sale of other assets		7	1
Purchase of other fixed assets		(140)	(255)
Capital grant received		1,015	379
<b>Net cash outflow from capital expenditure and financial investment</b>		(461)	(3,515)
<b>Net cash inflow/(outflow) before financing</b>		1,986	(1,093)
<b>Financing</b>			
Loans received		-	2,000
Loan repaid		(490)	(490)
<b>Net cash(outflow)/inflow from financing</b>		(490)	1,510
<b>Increase in cash and cash equivalents</b>	23	1,496	417

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013

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 Determination of Accounting Requirements April 2012.

(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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013

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.

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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013

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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**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, recognise that the Association has a short term funding requirement in respect of its planned development and major repair programmes.

The Association is at an advanced stage of negotiation regarding new funding in the shape of a loan facility totalling £12.5M. These negotiations are continuing with a view to having this facility in place within a few months.

Existing working capital has in the meantime been used to fund the early stages of the new development programme and the major repairs programme. The new funding will be utilised to fund the new developments and also to replenish the working capital to what is considered an acceptable operating level. No new contractual commitments will be entered into until this additional loan funding has been put in place.

The Association's subsidiary undertaking holds surplus cash balances and these are available to the Association for short term working capital use. Taking the group resources into account, the cash flow projections show that there is sufficient working capital to allow the Association to meet its operating costs, even without the new funding currently being negotiated. Committee are fully aware of the need to closely monitor the position and to ensure that cost control measures are put in place to ensure that the cash flow is closely and properly managed.

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

	Note	Turnover £'000	Operating cost £'000	Operating surplus/ (deficits) £'000	Total 2012 £'000
Social lettings	4	9,773	7,554	2,219	2,230
Other activities	5	340	448	(108)	-
Totals for 2012/2013		<u>10,113</u>	<u>8,002</u>	<u>2,111</u>	<u>2,230</u>
Totals for 2011/2012		<u>9,702</u>	<u>7,472</u>	<u>2,230</u>	

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

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

	Housing accommodation £'000	Hostels £'000	Lead tenancies £'000	Total 2013 £'000	Total 2012 £'000
<b>Income from lettings</b>					
Rent receivable net of identifiable service charges	8,685	614	112	9,411	8,802
Service charges receivable	463	-	26	489	471
<b>Gross rents receivable</b>	<b>9,148</b>	<b>614</b>	<b>138</b>	<b>9,900</b>	<b>9,273</b>
Less: Rent losses from voids	(109)	-	(18)	(127)	(131)
<b>Total turnover from social letting activities</b>	<b>9,039</b>	<b>614</b>	<b>120</b>	<b>9,773</b>	<b>9,142</b>
Services	590	-	28	618	555
Management	2,751	31	92	2,874	2,829
Routine maintenance	1,201	93	27	1,321	1,532
Cyclical maintenance including major repairs	1,069	52	9	1,130	573
Rent losses from bad debts	510	-	10	520	346
Loss on sale or disposal of fixed assets	-	-	-	-	3
Depreciation	1,091	-	-	1,091	1,074
Operating costs for social housing	7,212	176	166	7,554	6,912
<b>Operating surplus/(deficit) for social lettings</b>	<b>1,827</b>	<b>438</b>	<b>(46)</b>	<b>2,219</b>	<b>2,230</b>
<b>Operating surplus/(deficit) for social letting for previous period</b>	<b>1,894</b>	<b>394</b>	<b>(58)</b>	<b>2,230</b>	

All service charges are eligible for housing benefit.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**5. PARTICULARS OF OTHER INCOME AND EXPENDITURE**

	Turnover £'000	Operating cost £'000	Operating surplus/ (deficits) £'000	Total 2012 £'000
Development administration	-	231	(231)	(209)
Commercial leases	80	31	49	35
Managed associations	53	58	(5)	2
Charitable donations	60	-	60	150
Abortive costs	-	2	(2)	(2)
Other	147	126	21	24
Totals for 2012/13	<u>340</u>	<u>448</u>	<u>(108)</u>	<u>-</u>
Totals for 2011/12	<u>560</u>	<u>560</u>	<u>-</u>	

**6. EMPLOYEES**

	2013 £'000	2012 £'000
<i>Staff costs during year:</i>		
Wages and salaries	1,961	1,984
National insurance contributions	160	157
Other pension costs	252	247
	<u>2,373</u>	<u>2,388</u>
	2013 No	2012 No
The average monthly number of persons employed by the Association during the year:	<u>69</u>	<u>72</u>

Employee numbers represent full time equivalents.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**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:

	2013 £'000	2012 £'000
Emoluments	77	74
Pension contributions	7	7
	<hr/> <hr/> 84	<hr/> <hr/> 81
Total expenses reimbursed to the Chief Executive in so far as not chargeable to UK income tax	<hr/> <hr/> 1	<hr/> <hr/> 1

**8. OPERATING SURPLUS *is stated after charging:***

	2013 £'000	2012 £'000
Depreciation	1,300	1,300
Repairs - cyclical, major and day to day	2,451	2,105
External auditors' remuneration - in their capacity as auditors	28	27
	<hr/> <hr/>	<hr/> <hr/>

**9. INTEREST RECEIVABLE AND SIMILAR INCOME**

	2013 £'000	2012 £'000
Interest receivable	<hr/> <hr/> 6	<hr/> <hr/> 6
	<hr/> <hr/>	<hr/> <hr/>

**10. INTEREST PAYABLE AND SIMILAR CHARGES**

	2013 £'000	2012 £'000
On loans payable wholly or partly in more than 5 years:		
Scottish Government loan	14	15
Housing property loans	1,594	1,544
Less: amount capitalised	(5)	(22)
	<hr/> <hr/> 1,603	<hr/> <hr/> 1,537
	<hr/> <hr/>	<hr/> <hr/>

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**11. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES**

	Houses for letting £'000	Lead tenancies for letting £'000	Houses under construction £'000	Housing Total £'000
<b>COST</b>				
Opening balance	155,058	1,098	5,264	161,420
Additions	115	-	768	883
Additions - components	643	-	-	643
Disposals	(182)	-	-	(182)
Disposals - components	(317)	-	-	(317)
Reclassification	-	-	(134)	(134)
Transfer to completed schemes	171	-	(171)	-
At end of year	<u>155,488</u>	<u>1,098</u>	<u>5,727</u>	<u>162,313</u>
<b>DEPRECIATION</b>				
Opening balance	7,915	-	-	7,915
Charge for year	1,091	-	-	1,091
Disposals	(2)	-	-	(2)
Disposals - components	(61)	-	-	(61)
At end of year	<u>8,943</u>	<u>-</u>	<u>-</u>	<u>8,943</u>
Depreciated cost	<u>146,545</u>	<u>1,098</u>	<u>5,727</u>	<u>153,370</u>
<b>HAG</b>				
Opening balance	103,490	1,098	2,471	107,059
Additions	476	-	1,169	1,645
Additions - components	-	-	-	-
Disposals	(184)	-	-	(184)
Disposals - components	(252)	-	-	(252)
At end of year	<u>103,530</u>	<u>1,098</u>	<u>3,640</u>	<u>108,268</u>
<b>OTHER GRANTS</b>				
At start of year	3,752	-	99	3,851
Additions	-	-	-	-
At end of year	<u>3,752</u>	<u>-</u>	<u>99</u>	<u>3,851</u>
Net book value:				
At end of year	<u>39,263</u>	<u>-</u>	<u>1,988</u>	<u>41,251</u>
At beginning of year	<u>39,901</u>	<u>-</u>	<u>2,694</u>	<u>42,595</u>

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**11. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)**

Reclassification relates to amounts capitalised in prior periods which could not be allocated to a specific scheme therefore, these amounts have been expensed in the current year.

Development administration costs capitalised amounted to £294,907 (2012 - £229,916) for which housing association grants of £nil (2012 - £nil) were received in the year.

Interest capitalised during the year amounted to £5,326 (2012 - £21,685).

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
<b>COST</b>				
At beginning of year	1,279	3,452	1,563	6,294
Additions	-	15	113	128
Disposals	-	-	(27)	(27)
At end of year	<u>1,279</u>	<u>3,467</u>	<u>1,649</u>	<u>6,395</u>
<b>DEPRECIATION</b>				
At beginning of year	505	331	1,304	2,140
Charge for year	15	64	130	209
Relating to disposals	-	-	(27)	(27)
At end of year	<u>520</u>	<u>395</u>	<u>1,407</u>	<u>2,322</u>
Depreciated cost	<u>759</u>	<u>3,072</u>	<u>242</u>	<u>4,073</u>
HAG	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
OTHER GRANT	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>
Net book value:				
At end of year	<u>584</u>	<u>3,072</u>	<u>242</u>	<u>3,898</u>
At beginning of year	<u>599</u>	<u>3,121</u>	<u>259</u>	<u>3,979</u>

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

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**13. INVESTMENT IN SUBSIDIARY**

Investments of £1 relates to Next Step Homes Limited (2012 - £1).

The financial statements of Next Step Homes Limited disclose a deficit for the year to 31 March 2013 of £2,667 (2012 -surplus £62,369). The share capital and reserves at 31 March 2013 were £45 (2012 - £45) and £2,123,767 (2012 -£2,135,061) respectively.

**14. DEBTORS**

	2013 £'000	2012 £'000
<i>Amounts falling due within one year:</i>		
Arrears of rent and service charges	1,386	1,167
Less: provision for doubtful debts	(1,140)	(936)
	<hr/>	<hr/>
	246	231
Amounts owed by subsidiary company	115	-
Other debtors	586	164
Assets built for resale	-	512
Prepayments and accrued income	256	232
	<hr/>	<hr/>
	1,203	1,139
	<hr/>	<hr/>

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

	2013 £'000	2012 £'000
<i>Housing loans (Note 17)</i>		
Trade creditors	490	490
Taxation and social security	1,091	964
Amounts owed to subsidiary company	53	59
Accruals and deferred income	17	-
Rent and service charges prepaid	649	1,004
Other creditors	118	120
	93	38
	<hr/>	<hr/>
	2,511	2,675
	<hr/>	<hr/>

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

	2013 £'000	2012 £'000
<i>Housing loans (Note 17)</i>		
Advanced by: Banks and The Scottish Government	38,801	39,291
	<hr/>	<hr/>

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**17. HOUSING LOANS**

	2013 £'000	2012 £'000
<i>Amounts repayable:</i>		
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	36,842	37,332
	<hr/>	<hr/>
	38,801	39,291
Total	<hr/>	<hr/>
	39,291	39,781

**Loan terms:**

The Association has loans with Dexia Public Finance Bank plc amounting to approximately £3.05 million, Lloyds TSB (Scotland) plc amounting to approximately £27.11 million, 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 2012/13 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 5.57%  
 Scottish Government 10.75%

**Loan terms:**

Interest rates prevailing during 2012/13 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 2013, 66% of the Association's loans were on fixed interest rate agreements with the remaining percentage being on variable interest rate agreements.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
 NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013

**18. SHARE CAPITAL**

	2013 £	2012 £
<b>Shares of £1 each, issued and fully paid:</b>		
At beginning of year	129	126
Issued during year	2	3
At end of year	<u>131</u>	<u>129</u>

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
<b>Cost</b>				
At 1 April 2012	1,889	1,006	4,457	7,352
Surplus in the year	789	-	-	789
Transfer in the year	(314)	(25)	339	-
Transfer from capital reserve (Note 20)	11	-	-	11
At end of year	<u>2,375</u>	<u>981</u>	<u>4,796</u>	<u>8,152</u>

**20. CAPITAL RESERVE**

	2013 £'000	2012 £'000
At beginning of year	755	766
Transfer to revenue reserve (Note 19)	(11)	(11)
At end of year	<u>744</u>	<u>755</u>

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**21. CONTRACTUAL COMMITMENTS**

	2013 £'000	2012 £'000
Expenditure contracted for but not provided in the financial statements	<u>2,150</u>	<u>756</u>

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

	2013 £'000	2012 £'000
Grants from Scottish Ministers	988	756
Debt finance	1,000	-
Own cash resources	162	-
	<u>2,150</u>	<u>756</u>

**22. OPERATING LEASE COMMITMENTS**

At 31 March 2013 the Association had annual commitments under non-cancellable operating leases as follows:

	2013 £'000	2012 £'000	Other
Less than one year	7	3	
Within two to five years	<u>2</u>	<u>6</u>	

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**23. NOTES TO THE CASH FLOW STATEMENT**

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

	2013 £'000	2012 £'000
Operating surplus from continuing activities	2,111	2,230
Decrease in debtors	567	62
(Decrease)/increase in creditors	(144)	346
(Increase) in stock	(1)	(3)
Depreciation	1,300	1,300
Costs reclassified from fixed assets	133	-
Loss on sale of fixed assets - components	4	3
Gain on asset sales - other fixed assets	(7)	-
 Net cash inflow from operating activities	 3,963	 3,938

Analysis of changes in net debt:

	At 1 April 2012 £'000	Cashflows £'000	At 31 March 2013 £'000
Cash at bank and in hand	2,350	1,496	3,846
Debts due within one year	(490)	-	(490)
Debts due after one year	(39,291)	490	(38,801)
 Net debt	 (37,431)	 1,986	 (35,445)

Reconciliation of net cash flow to movement in net debt:

	£'000
Increase in cash in the year	1,496
Cash inflow from increase in debt financing	490
 Change in net debt	 1,986
 Net debt at 1 April 2012	 (37,431)
 Net debt at 31 March 2013	 (35,445)

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**24. UNITS OF ACCOMMODATION**

	2013 No	2012 No
<i>Units in management</i>		
Housing accommodation	2,611	2,581
Hostels (bed spaces)	136	136
Lead tenancies	42	45
<b>Total units in management</b>	<b>2,789</b>	<b>2,762</b>
 <i>Units under development</i>		
Housing accommodation	32	-
 <i>Units managed on behalf of other organisations</i>		
Next Step Homes Limited	112	114

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**25. SCOTTISH FEDERATION OF HOUSING ASSOCIATIONS  
RETIREMENT AND DEATH BENEFIT SCHEME**

Langstane Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the 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 an individual participating employer 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 professionally 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 with the value of 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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**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 Scottish Housing Associations' Pension Scheme as at 30 September 2012.

The suggested Pensions 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 17 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 employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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 Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme at 30 September 2012. As of this date the estimated employer debt for Langstane Housing Association was £ 11,084,990.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

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

**Langstane Housing Association participates in the Scottish Housing Associations' Pension Scheme.**

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension 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, contracted in.

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 has elected to operate the final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2013 and for new entrants from 1 April 2013.

During the accounting period Langstane Housing Association paid contributions at the rate of 9.6% of pensionable salaries. Members' contributions were 9.6% of pensionable salaries.

As at the balance sheet date there were 43 active members of the Scheme employed by Langstane Housing Association. The annual pensionable payroll in respect of these members was £1,228,683.

**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 Scottish Housing Associations' Pension Scheme are:

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

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

**Mortality Tables**

Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

<b>Contribution Rates for Future Service</b>	<b>% pa</b>
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 nominal pound terms (for each employer) increasing each 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). The Plan is funded and is not contracted out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the 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 Plan or by the purchase of an annuity.

The rules of the 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 Plan every three years. The 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 Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions 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 the 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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

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

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's 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 Scottish Housing Associations' 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 was one active member 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. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total 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 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation 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%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
• Rate of return pre retirement	4.9
• Rate of return post retirement	
◦ Actives/Deferreds	4.2
◦ Pensioners	4.2
• Bonus on accrued benefits	0
• Inflation : Retail Prices Index (RPI)	2.9
• Inflation : Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee 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.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

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

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 Pensions 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) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to The Pensions Regulator on 2 October 2012, as is required by legislation.

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 and the Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for 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 liability attributable to employment with the leaving employer compared to the total amount of the Plan's 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.

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 £42,558.

The pension charge for the year was £251,625 (2012 - £246,630) with a balance of £90,949 (2012 - £30,251) unpaid at 31 March 2013.

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2013**

**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 £53,545 was made, of which £Nil was outstanding at the year end. A donation of £60,000 was also received from Next Step Homes Ltd during the year.

**27. CONTINGENT LIABILITIES**

Under component accounting HAG totalling £3,537,000 (2012 - £3,286,000) has been 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.

**The following statement does not form part of the audited  
statutory financial statements of the Association**

**LANGSTANE HOUSING ASSOCIATION LIMITED**  
**ANALYSIS OF OPERATING COSTS - 31 MARCH 2013**

	2013 £'000	2012 £'000
<b>Housing Accommodation:</b>		
Services	590	532
Management	2,751	2,694
Routine maintenance	1,201	1,421
Cyclical maintenance including major repairs	1,069	489
Rent losses from bad debts	510	350
Depreciation	1,091	1,074
Loss on disposal of fixed asset	-	3
	<hr/> 7,212	<hr/> 6,563
<b>Hostels:</b>		
Management	31	40
Routine maintenance	93	76
Cyclical maintenance including major repairs	52	46
	<hr/> 176	<hr/> 162
<b>Lead tenancies:</b>		
Services	28	23
Management	92	95
Routine maintenance	27	35
Cyclical maintenance including major repairs	9	38
Rent losses/(profits) from bad debts	10	(4)
	<hr/> 166	<hr/> 187
<b>Other:</b>		
Development administration	231	209
Managed associations	58	144
Commercial leases	31	39
Abortive costs	2	2
Other	126	166
	<hr/> 448	<hr/> 560
	<hr/> <hr/> 8,002	<hr/> <hr/> 7,472