



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

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2014

Anderson Anderson & Brown LLP
Chartered Accountants

LANGSTANE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

| CONTENTS | PAGES |
|--|-------|
| Report of the Committee of Management | 1-5 |
| Report of the Auditors on Internal Financial Control | 6 |
| Report of the Auditors | 7-8 |
| Income and expenditure account | 9 |
| Balance sheet | 10 |
| Cash flow statement | 11 |
| Notes on the financial statements | 12-33 |

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

25 Gresham Street
London
EC2V 7HN

Santander Business Banking

Santander House
100 Ludgate Hill
London
EC4M 7RE



**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 2014.

THE MEMBERS OF THE COMMITTEE OF MANAGEMENT

The members of the Committee of Management as at 31 March 2014 were:

Mr F McCallum
Mr K Hutchens
Ms S Macdonald
Ms J Felsing
Mr D Wood
Mr R Tait
Mr E Bjorkelund
Mr J Knowles (appointed 24 September 2013)
Mr C Lynch (appointed 24 September 2013)
Mr J Fraser
Mr G Saladju
Cllr N A Morrison (Co-opted member)

ELECTION OF MEMBERS OF COMMITTEE OF MANAGEMENT

In accordance with Rule 40(a), Mr R Tait and Mr D Wood retired at the Annual General Meeting on 24 September 2013. Both were eligible for re-election and both had submitted nomination papers and were duly re-elected. In addition Mr J Knowles and Mr C Lynch 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 9 as amplified in the various notes to the financial statements. The Association's turnover for the year was £10,779,956 (2013 - £10,112,892) and the surplus for the year was £380,224 (2013 - £789,206).

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 35 units at the Donside development. The major development efforts in the year centred around the Association's site at the former Stockethill Church where 32 units were under construction. These units were due for completion in June 2014. In addition, during the year, sites at Old Church Road, Aberdeen, Garthdee, Aberdeen 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 was still involved was Donside, which was completed during the financial year.

Final calculations on Grant reconciliation have been completed and Devanha has agreed with the Scottish Government, on behalf of the RSL's involved, including Langstane, the additional Grant. Final settlements of Grant allocation were completed during the financial year and the Association received additional grants of £299,707. These additional grants are available for utilisation against future social housing developments during the period from 1 April 2014 to 31 March 2017.

MANAGED ASSOCIATIONS

The Association continued to manage the stock of Next Step Homes Limited which comprised 69 shared ownership units and 42 units of housing accommodation.

WIDER ROLE

Income maximisation and money advice continues to be a priority and Langstane has employed a member of staff who is working on income maximisation for Langstane's tenants. We continue to benefit also 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)

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.

Henderson Loggie are the Association's internal auditors and were appointed from 1 July 2013. An internal audit plan has been agreed with Henderson Loggie 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

.....
3 SEPTEMBER 2014
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 4 on the Association's compliance with the Scottish Federation of Housing Associations good practice guidance 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 5, 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 A. BLACK

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

3 SEPTEMBER 2014

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 2014 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 Co-operative and Community Benefits Societies Act 2014, The Co-operative and Community Benefits and Credit Union Act 2010 (commencement no 2) Order 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of 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 any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired during the course of performing the audit. 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 2014 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 Co-operative and Community Benefits Societies Act 2014, The Co-operative and Community Benefits and Credit Union Act 2010 (commencement no 2) Order 2014, The Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

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 we are required 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 A. BLACK

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

3 SEPTEMBER 2014

LANGSTANE HOUSING ASSOCIATION LIMITED
 INCOME AND EXPENDITURE ACCOUNT
 STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS
 FOR THE YEAR ENDED 31 MARCH 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|---------------|---------------|
| TURNOVER | 3 | 10,780 | 10,113 |
| Less: Operating costs | 3 | (8,895) | (8,002) |
| Surplus on operating activities before interest | | 1,885 | 2,111 |
| Gain on sale on housing properties | | 78 | 275 |
| Interest receivable and similar income | 9 | 27 | 6 |
| Interest payable and similar charges | 10 | (1,610) | (1,603) |
| Surplus on ordinary activities | | 380 | 789 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Surplus for the year as reported above | 380 | 789 |
| Net assets at 31 March 2013 as previously reported | 8,896 | 8,107 |
| Net assets at 31 March 2014 | 9,275 | 8,896 |

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 2014

| | Note | 2014 £'000 | 2013 £'000 |
|--|------|---------------|---------------|
| TANGIBLE FIXED ASSETS | | | |
| Housing land and buildings depreciated cost | 11 | 160,843 | 153,370 |
| Less: Housing association grant | 11 | (111,634) | (108,268) |
| Other grants | 11 | (3,851) | (3,851) |
| | | <hr/> | <hr/> |
| | | 45,358 | 41,251 |
| Other fixed assets | 12 | 3,808 | 3,898 |
| Investment in subsidiary | 13 | - | - |
| | | <hr/> | <hr/> |
| TOTAL FIXED ASSETS | | 49,166 | 45,149 |
| CURRENT ASSETS | | | |
| Stocks of maintenance materials | | 11 | 10 |
| Debtors | 14 | 3,638 | 1,203 |
| Cash at bank and in hand | | 5,699 | 3,846 |
| | | <hr/> | <hr/> |
| | | 9,348 | 5,059 |
| CREDITORS: amounts falling due within one year | 15 | 4,613 | 2,511 |
| | | <hr/> | <hr/> |
| NET CURRENT ASSETS | | 4,735 | 2,548 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 53,901 | 47,697 |
| CREDITORS: amounts falling due after more than one year | | | |
| Loans | 16 | 44,626 | 38,801 |
| | | <hr/> | <hr/> |
| NET ASSETS | | 9,275 | 8,896 |
| | | <hr/> | <hr/> |
| Share capital | 18 | - | - |
| Designated reserves | 19 | 4,092 | 5,777 |
| Revenue reserve | 19 | 4,449 | 2,375 |
| Capital reserve | 20 | 734 | 744 |
| | | <hr/> | <hr/> |
| | | 9,275 | 8,896 |
| | | <hr/> | <hr/> |

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

SANDRA MACDONALD
.....
Chair

JOHN FRASER
.....
Committee Member

ALAN GRANT
.....
Chief Executive/Secretary

3 SEPTEMBER 2014 Date

LANGSTANE HOUSING ASSOCIATION LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

| | Note | 2014 £'000 | 2013 £'000 |
|---|------|---------------|---------------|
| Net cash inflow from operating activities | 23 | 1,916 | 3,963 |
| Returns on investment and servicing of finance | | | |
| Interest received | | 27 | 6 |
| Interest paid | | (1,802) | (1,522) |
| Net cash outflow from servicing of finance | | (1,775) | (1,516) |
| Capital expenditure and financial investment | | | |
| Acquisition and construction of properties | | (8,943) | (1,613) |
| Receipts from sale of properties | | 78 | 270 |
| Receipts from sale of other assets | | - | 7 |
| Purchase of other fixed assets | | (137) | (140) |
| Capital grant received | | 3,444 | 1,015 |
| Net cash outflow from capital expenditure and financial investment | | (5,558) | (461) |
| Net cash (outflow)/inflow before financing | | (5,417) | 1,986 |
| Financing | | | |
| Loans received | | 8,483 | - |
| Loan repaid | | (1,213) | (490) |
| Net cash inflow/(outflow) from financing | | 7,270 | (490) |
| Increase in cash and cash equivalents | 23 | 1,853 | 1,496 |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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 2014

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 2014

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 2014

1. ACCOUNTING POLICIES (continued)

(m) *Capital reserve*

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

2. GOING CONCERN - BASIS OF ACCOUNTS PREPARATION

The Committee of Management, having made due and careful enquiry and review of the annual budget and 30 year forecasts prepared, are of the opinion that the Association has adequate working capital to fund its committed development programme and major repair work in the short term.

This budgetary exercise has also identified that adequate loan facilities are available to finance the future development programme and planned property repair expenditure in the medium term.

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

| | Note | Turnover £'000 | Operating cost £'000 | Operating surplus/ (deficits) £'000 | Total 2013 £'000 |
|----------------------|------|-------------------|----------------------------|--|------------------------|
| Social lettings | 4 | 10,251 | 8,492 | 1,759 | 2,219 |
| Other activities | 5 | 529 | 403 | 126 | (108) |
| Totals for 2013/2014 | | <u>10,780</u> | <u>8,895</u> | <u>1,885</u> | <u>2,111</u> |
| Totals for 2012/2013 | | <u>10,113</u> | <u>8,002</u> | <u>2,111</u> | |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

| | Housing accommodation £'000 | Hostels £'000 | Lead tenancies £'000 | Total 2014 £'000 | Total 2013 £'000 |
|--|-----------------------------------|------------------|----------------------------|------------------------|------------------------|
| Income from lettings | | | | | |
| Rent receivable net of identifiable service charges | 9,139 | 640 | 121 | 9,900 | 9,411 |
| Service charges receivable | 475 | - | 27 | 502 | 489 |
| Gross rents receivable | 9,614 | 640 | 148 | 10,402 | 9,900 |
| Less: Rent losses from voids | (138) | - | (13) | (151) | (127) |
| Total turnover from social letting activities | 9,476 | 640 | 135 | 10,251 | 9,773 |
| Services | 527 | - | 41 | 568 | 618 |
| Management | 2,896 | 24 | 98 | 3,018 | 2,874 |
| Routine maintenance | 1,451 | 59 | 33 | 1,543 | 1,321 |
| Cyclical maintenance including major repairs | 1,524 | 53 | 165 | 1,742 | 1,130 |
| Rent losses from bad debts | 446 | - | - | 446 | 520 |
| Loss on sale or disposal of fixed assets | - | - | - | - | - |
| Depreciation | 1,175 | - | - | 1,175 | 1,091 |
| Operating costs for social housing | 8,019 | 136 | 337 | 8,492 | 7,554 |
| Operating surplus/(deficit) for social lettings | 1,457 | 504 | (202) | 1,759 | 2,219 |
| Operating surplus/(deficit) for social letting for previous period | 1,827 | 438 | (46) | 2,219 | |

All service charges are eligible for housing benefit.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

5. PARTICULARS OF OTHER INCOME AND EXPENDITURE

| | Turnover £'000 | Operating cost £'000 | Operating surplus/ (deficits) £'000 | Total 2013 £'000 |
|----------------------------|-------------------|----------------------------|--|------------------------|
| Development administration | - | 137 | (137) | (231) |
| Commercial leases | 78 | 34 | 44 | 49 |
| Managed associations | 72 | 59 | 13 | (5) |
| Charitable donations | 170 | - | 170 | 60 |
| Abortive costs | - | 2 | (2) | (2) |
| Other | 209 | 171 | 38 | 21 |
| Totals for 2013/14 | <u>529</u> | <u>403</u> | <u>126</u> | <u>(108)</u> |
| Totals for 2012/13 | <u>340</u> | <u>448</u> | <u>(108)</u> | |

6. EMPLOYEES

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| <i>Staff costs during year:</i> | | |
| Wages and salaries | 1,993 | 1,961 |
| National insurance contributions | 165 | 160 |
| Other pension costs | 261 | 252 |
| | <u>2,419</u> | <u>2,373</u> |
| | 2014 No | 2013 No |
| The average monthly number of persons employed by the Association during the year: | <u>70</u> | <u>69</u> |

Employee numbers represent full time equivalents.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

7. REMUNERATION OF MEMBERS OF COMMITTEE OF MANAGEMENT AND DIRECTORS

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

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments including pension contributions exceed £60,000 per year.

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Total emoluments payable to directors | 142 | 77 |
| Pension contributions | 13 | 7 |
| | <u>155</u> | <u>84</u> |
| Total expenses reimbursed to directors in so far as not chargeable to UK income tax | <u>2</u> | <u>1</u> |

The directors' emoluments (excluding pension contributions) fell within the following band distributions:

| | 2014 No | 2013 No |
|--------------------|------------|------------|
| £60,000 to £70,000 | 1 | - |
| £70,000 to £80,000 | 1 | 1 |

The emoluments paid to the Chief Executive were as follows:

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Emoluments | 79 | 77 |
| Pension contributions | 7 | 7 |
| | <u>86</u> | <u>84</u> |
| Total expenses reimbursed to the Chief Executive in so far as not chargeable to UK income tax | <u>1</u> | <u>1</u> |

8. OPERATING SURPLUS *is stated after charging:*

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Depreciation | 1,396 | 1,300 |
| Repairs - cyclical, major and day to day | 3,285 | 2,451 |
| External auditors' remuneration - in their capacity as auditors | 32 | 28 |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

9. INTEREST RECEIVABLE AND SIMILAR INCOME

| | 2014 £'000 | 2013 £'000 |
|-----------------------------------|---------------|---------------|
| Interest receivable | 12 | 6 |
| Interest received from subsidiary | 15 | - |
| | <u>27</u> | <u>6</u> |

10. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| On loans payable wholly or partly in more than 5 years: | | |
| Scottish Government loan | 14 | 14 |
| Housing property loans | 1,651 | 1,594 |
| Less: amount capitalised | (63) | (5) |
| Interest paid to subsidiary | 8 | - |
| | <u>1,610</u> | <u>1,603</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

11. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES

| | Houses for letting £'000 | Lead tenancies for letting £'000 | Houses under construction £'000 | Housing Total £'000 |
|----------------------------------|--------------------------------|---|--|---------------------------|
| COST | | | | |
| Opening balance | 155,488 | 1,098 | 5,727 | 162,313 |
| Additions | (31) | - | 8,159 | 8,128 |
| Additions - components | 775 | - | - | 775 |
| Disposals | (22) | - | - | (22) |
| Disposals - components | (306) | - | - | (306) |
| Transfer to completed schemes | 5,841 | - | (5,841) | - |
| At end of year | <u>161,745</u> | <u>1,098</u> | <u>8,045</u> | <u>170,888</u> |
| DEPRECIATION | | | | |
| Opening balance | 8,943 | - | - | 8,943 |
| Charge for year | 1,169 | - | - | 1,169 |
| Disposals | (3) | - | - | (3) |
| Disposals - components | (64) | - | - | (64) |
| At end of year | <u>10,045</u> | <u>-</u> | <u>-</u> | <u>10,045</u> |
| Depreciated cost | <u>151,700</u> | <u>1,098</u> | <u>8,045</u> | <u>160,843</u> |
| HAG | | | | |
| Opening balance | 103,530 | 1,098 | 3,640 | 108,268 |
| Additions | 13 | - | 3,604 | 3,617 |
| Disposals | (18) | - | - | (18) |
| Disposals - components | (233) | - | - | (233) |
| Scheme Completed | 2,789 | - | (2,789) | - |
| At end of year | <u>106,081</u> | <u>1,098</u> | <u>4,455</u> | <u>111,634</u> |
| OTHER GRANTS | | | | |
| At start of year and end of year | <u>3,752</u> | <u>-</u> | <u>99</u> | <u>3,851</u> |
| Net book value: | | | | |
| At end of year | <u>41,867</u> | <u>-</u> | <u>3,491</u> | <u>45,358</u> |
| At beginning of year | <u>39,263</u> | <u>-</u> | <u>1,988</u> | <u>41,251</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

11. TANGIBLE FIXED ASSETS - HOUSING PROPERTIES (continued)

Development administration costs capitalised amounted to £145,487 (2013 - £294,907) for which housing association grants of Enil (2013 - Enil) were received in the year.

Interest capitalised during the year amounted to £63,671 (2013 - £5,326).

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 | 3,467 | 1,649 | 6,395 |
| Additions | - | - | 137 | 137 |
| Disposals | - | - | (9) | (9) |
| At end of year | 1,279 | 3,467 | 1,777 | 6,523 |
| DEPRECIATION | | | | |
| At beginning of year | 520 | 395 | 1,407 | 2,322 |
| Charge for year | 13 | 63 | 151 | 227 |
| Relating to disposals | - | - | (9) | (9) |
| At end of year | 533 | 458 | 1,549 | 2,540 |
| Depreciated cost | 746 | 3,009 | 228 | 3,983 |
| HAG | 25 | - | - | 25 |
| OTHER GRANT | 150 | - | - | 150 |
| Net book value: | | | | |
| At end of year | 571 | 3,009 | 228 | 3,808 |
| At beginning of year | 584 | 3,072 | 242 | 3,898 |

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

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

13. INVESTMENT IN SUBSIDIARY

Investments of £1 relate to Next Step Homes (2013 - £1)

The financial statement of Next Step Homes Limited disclose a deficit for the year to 31 March 2014 of £(21,871) (2013: £(11,294)). The share capital & reserves at 31 March 2014 were £45 (2013: £45) and £2,101,896 (2013: £2,123,767) respectively.

14. DEBTORS

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| <i>Amounts falling due within one year:</i> | | |
| Arrears of rent and service charges | 1,631 | 1,386 |
| Less: provision for doubtful debts | (1,353) | (1,140) |
| | <u>278</u> | <u>246</u> |
| Amounts owed by subsidiary company | 165 | 115 |
| Other debtors | 693 | 586 |
| Prepayments and accrued income | 483 | 256 |
| | <u>1,619</u> | <u>1,203</u> |
| <i>Amounts falling due after one year:</i> | | |
| Amounts owed by subsidiary company | 2,019 | - |
| | <u>3,638</u> | <u>1,203</u> |

In December 2013 as part of a re-financing agreement with Lloyds Bank to restructure existing Bank borrowings, Langstane Housing Association advanced the sum of £2,244,349 to its subsidiary, Next Step Homes Limited, in the form of an unsecured loan, to be used to settle outstanding borrowings of the subsidiary due to Lloyds Bank plc. The loan is repayable in equal quarterly instalments with the final instalment due on 29 September 2028. The loan carries interest at a rate of 2% above LIBOR, payable quarterly.

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

| | 2014 £'000 | 2013 £'000 |
|------------------------------------|---------------|---------------|
| Housing loans (Note 17) | 1,935 | 490 |
| Trade creditors | 563 | 1,091 |
| Taxation and social security | 57 | 53 |
| Amounts owed to subsidiary company | 5 | 17 |
| Accruals and deferred income | 1,859 | 649 |
| Rent and service charges prepaid | 158 | 118 |
| Other creditors | 36 | 93 |
| | <u>4,613</u> | <u>2,511</u> |

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

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Housing loans (Note 17) | | |
| Advanced by: Banks and The Scottish Government | 44,626 | 38,801 |
| | <u>44,626</u> | <u>38,801</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

17. HOUSING LOANS

| | 2014 £'000 | 2013 £'000 |
|----------------------------|---------------|---------------|
| <i>Amounts repayable:</i> | | |
| In one year or less | 1,935 | 490 |
| Between one and two years | 1,935 | 490 |
| Between two and five years | 11,804 | 1,469 |
| After five years | 30,887 | 36,842 |
| | 44,626 | 38,801 |
| Total | 46,561 | 39,291 |

Loan terms:

The Association has loans with Dexia Public Finance Bank plc amounting to approximately £2.8million, Lloyds Bank plc amounting to approximately £28.7million, Santander £9.0million, Bank of Scotland £6.0million and The Scottish Government amounting to £0.13million. The loan terms range between 5 and 33 years.

Interest rates prevailing during 2013/14 for fixed rate loans were as follows:

Dexia Public Finance Bank plc 4.95% to 7.50%
Lloyds Bank plc 5.02% to 5.82%
Santander plc 5.23% to 5.66%
Scottish Government 10.75%

Interest rates prevailing during 2013/14 for variable rate loans were as follows:

Dexia Public Finance Bank plc LIBOR plus margin of 0.55%
Bank of Scotland LIBOR plus margin of 1.5%

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

As at 31 March 2014, 86% of the Association's loans were on fixed rate agreements with the remaining percentage being on variable interest rate agreements.

18. SHARE CAPITAL

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Shares of £1 each, issued and fully paid: | | |
| At beginning of year | 131 | 129 |
| Issued during year | 3 | 2 |
| At end of year | 134 | 131 |

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.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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 2013 | 2,375 | 981 | 4,796 | 8,152 |
| Surplus in the year | 380 | - | - | 380 |
| Transfer in the year | 1,684 | (9) | (1,675) | - |
| Transfer from capital reserve (Note 20) | 10 | - | - | 10 |
| At end of year | <u>4,449</u> | <u>972</u> | <u>3,121</u> | <u>8,542</u> |

20. CAPITAL RESERVE

| | 2014 £'000 | 2013 £'000 |
|---------------------------------------|---------------|---------------|
| At beginning of year | 744 | 755 |
| Transfer to revenue reserve (Note 19) | (10) | (11) |
| At end of year | <u>734</u> | <u>744</u> |

21. CONTRACTUAL COMMITMENTS

| | 2014 £'000 | 2013 £'000 |
|---|---------------|---------------|
| Expenditure contracted for but not provided in the financial statements | <u>39</u> | <u>2,150</u> |

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

| | 2014 £'000 | 2013 £'000 |
|--------------------------------|---------------|---------------|
| Grants from Scottish Ministers | - | 988 |
| Debt finance | 39 | 1,000 |
| Own cash resources | - | 162 |
| | <u>39</u> | <u>2,150</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

22. OPERATING LEASE COMMITMENTS

At 31 March 2014 the Association had annual commitments under non-cancellable operating leases as follows:

| | 2014 £'000 | Other 2013 £'000 |
|--------------------------|---------------|------------------------|
| Less than one year | - | 7 |
| Within two to five years | 8 | 2 |

23. NOTES TO THE CASH FLOW STATEMENT

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

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Operating surplus from continuing activities | 1,885 | 2,111 |
| (Increase)/decrease in debtors | (93) | 567 |
| Increase/(decrease) in creditors | 888 | (144) |
| Increase in stock | - | (1) |
| Depreciation | 1,396 | 1,300 |
| Costs reclassified from fixed assets | - | 133 |
| Loss on sale of fixed assets - components | 9 | 4 |
| Gain on asset sales - other fixed assets | - | (7) |
| Increase in loan to subsidiary | (2,169) | - |
| Net cash inflow from operating activities | 1,916 | 3,963 |

Analysis of changes in net debt:

| | At 1 April 2013 £'000 | Cashflows £'000 | At 31 March 2014 £'000 |
|---------------------------|-----------------------------|--------------------|------------------------------|
| Cash at bank and in hand | 3,846 | 1,853 | 5,699 |
| Debts due within one year | (490) | (1,445) | (1,935) |
| Debts due after one year | (38,801) | (5,825) | (44,626) |
| Net debt | (35,445) | (5,417) | (40,862) |

Reconciliation of net cash flow to movement in net debt:

| | £'000 |
|---|----------|
| Increase in cash in the year | 1,853 |
| Cash inflow from increase in debt financing | (7,270) |
| Change in net debt | (5,417) |
| Net debt at 1 April 2013 | (35,445) |
| Net debt at 31 March 2014 | (40,862) |

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

24. UNITS OF ACCOMMODATION

| | 2014 No | 2013 No |
|---|--------------|--------------|
| <i>Units in management</i> | | |
| Housing accommodation | 2,648 | 2,611 |
| Hostels (bed spaces) | 103 | 136 |
| Lead tenancies | 42 | 42 |
| Total units in management | <u>2,793</u> | <u>2,789</u> |
| | | |
| | 2014 No | 2013 No |
| <i>Units under development</i> | | |
| Housing accommodation | <u>32</u> | <u>32</u> |
| | | |
| | 2014 No | 2013 No |
| <i>Units managed on behalf of other organisations</i> | | |
| Next Step Homes Limited | <u>111</u> | <u>112</u> |

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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £ 470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63.0%.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

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.

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 2013.

The suggested Pension Obligations 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.

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

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 2013. As of this date the estimated employer debt for Langstane Housing Association was £ 10,106,010.

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 six 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, Defined Contribution (DC) option.

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, Defined Contribution (DC) option.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Langstane Housing Association has elected to operate the following options for active members as at 31 March 2014 and for new entrants from 1 April 2014:-

Final salary with a 1/60th accrual rate.
Career average revalued earnings with a 1/70th accrual rate.
Defined Contribution (DC) option.

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 50 active members of the Scheme employed by Langstane Housing Association. The annual pensionable payroll in respect of these members was £ 1,346,296.

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 2014

| 2012 Valuation Assumptions | % pa |
|--|-------------|
| Investment return pre retirement | 5.3 |
| Investment return post retirement - Non pensioners | 3.4 |
| Investment return post retirement - Pensioners | 3.4 |
| Rate of salary increases | 4.1 |
| Rate of pension increases | |
| Pension accrued pre 6 April 2005 in excess of GMP | 2.0 |
| Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%) | 1.7 |
| Rate of price inflation | 2.6 |

| Mortality Tables | |
|-------------------------|--|
| Non-pensioners | 44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females. |
| Pensioners | 90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females. |

| Contribution Rates for Future Service (Payable from 1 April 2014) | % pa |
|--|-------------|
| Final salary 1/60ths | 24.6 |
| Career average revalued earnings 1/60ths | 22.4 |
| Career average revalued earnings 1/70ths | 19.2 |
| Career average revalued earnings 1/80ths | 16.9 |
| Career average revalued earnings 1/120ths | 11.4 |

Additional deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

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 discount 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.

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.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

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:

| | % per annum |
|---|-------------|
| Rate of return pre retirement | 4.9 |
| Rate of return post retirement | |
| Active/deferred | 4.2 |
| Pensioners | 4.2 |
| Bonuses on accrued benefit | 0.0 |
| 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.

The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

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.

LANGSTANE HOUSING ASSOCIATION LIMITED
NOTES ON THE FINANCIAL STATEMENTS - 31 MARCH 2014

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

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.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Pensions Act 2011 also proposed regulations which will make "consequential or transitional provisions to avoid adverse consequences". Should an employer withdraw prior to the regulations coming into force (expected to be at the end of July 2014), they should contact The Pensions Trust to check whether the regulations could affect their debt on withdrawal calculation.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are, therefore, jointly and severally liable for the deficit in the Growth Plan. As at 30 September 2013 the total deficit calculated on the buy-out basis was £ 219.9m.

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 2013. As of this date the estimated employer debt for Langstane Housing Association was £36,183.16.

The pension charge for the year was £260,443 (2013 - £251,625) with a balance of £ 33,092 (2013 - £90,949) unpaid at 31 March 2014.

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 £115,789 was made, of which £Nil was outstanding at the year end. A donation of £170,000 was also received from Next Step Homes Ltd during the year.

During the year Langstane Housing Association Limited provided a loan to Next Step Homes Limited, see note 14 for details of the loan provided. The Association charged interest of £14,620 in respect of the loan (see note 9). The Association also paid interest to Next Step Homes amounting to £6,911 (see note 10).

27. CONTINGENT LIABILITIES

Under component accounting HAG totalling £3,770,895 (2013 - £3,537,000) 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 2014

| | 2014 £'000 | 2013 £'000 |
|--|---------------|---------------|
| Housing Accommodation: | | |
| Services | 527 | 590 |
| Management | 2,896 | 2,751 |
| Routine maintenance | 1,451 | 1,201 |
| Cyclical maintenance including major repairs | 1,524 | 1,069 |
| Rent losses from bad debts | 446 | 510 |
| Depreciation | 1,175 | 1,091 |
| | <u>8,019</u> | <u>7,212</u> |
| Hostels: | | |
| Management | 24 | 31 |
| Routine maintenance | 59 | 93 |
| Cyclical maintenance including major repairs | 53 | 52 |
| | <u>136</u> | <u>176</u> |
| Lead tenancies: | | |
| Services | 41 | 28 |
| Management | 98 | 92 |
| Routine maintenance | 33 | 27 |
| Cyclical maintenance including major repairs | 165 | 9 |
| Rent losses/(profits) from bad debts | - | 10 |
| | <u>337</u> | <u>166</u> |
| Other: | | |
| Development administration | 137 | 231 |
| Managed associations | 59 | 58 |
| Commercial leases | 34 | 31 |
| Abortive costs | 2 | 2 |
| Other | 171 | 126 |
| | <u>403</u> | <u>448</u> |
| | <u>8,895</u> | <u>8,002</u> |