

Langstane Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No. HAL145

FCA Reference No. 1916R (S)

Scottish Charity No. SC011754

LANGSTANE HOUSING ASSOCIATION LIMITED

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LANGSTANE HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2016

BOARD OF MANAGEMENT

Ms S MacDonald	Chair
Mr J Fraser	Vice-Chair
Mr J Knowles	Treasurer
Mr F McCallum	Resigned 22/09/15
Mr K Hutchens	
Mr R Tait	Resigned 22/09/15
Mr E Bjorkelund	
Mr C Lynch	
Mr G Saluja	
Dr B Majumder	
Cllr J Morrison	Co-optee (ceased 22/09/15)
Cllr G Coull	Co-optee (ceased 22/09/15)
Ms E Cooper	Appointed 11/01/16
Mr R Davidson	Appointed 11/01/16
Mr I Jamieson	Appointed 11/01/16
Ms S Stephenson	Appointed 11/01/16

EXECUTIVE OFFICERS

Helen Gauld	Chief Executive
David Hutcheson	Director of Finance & Corporate Services
Marcie Ballance	Director of Asset Management
Judith Sutherland	Director of Housing & Social Justice

REGISTERED OFFICE

680 King Street
Aberdeen
AB24 1SL

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL AUDITORS

Henderson Loggie
48 Queen's Road
Aberdeen
AB15 4YE

BANKERS

Royal Bank of Scotland
Aberdeen Queen's Cross Branch
40 Albyn Place
Aberdeen
AB10 1YN

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

Santander Business Banking
Santander House
100 Ludgate Hill
London
EC4M 7RE

SOLICITORS

Grant Smith Law Practice
Amicable House
252 Union Street
Aberdeen
AB10 1TN

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2016.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1916R (S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC011754.

Principal Activities

The principal activities of the Association is the provision of rental accommodation.

Review of Business and Future Developments

The results for the year are set out in the Statement of Comprehensive Income on Page 9 as amplified in the various notes to the financial statements. The Association's turnover for the year was £14,162,166 (2015 - £13,598,275) and the surplus for the year was £1,373,835 (2015 - £624,062). *(Note : previous year's figures are restated to meet the requirements of FRS102 and the Housing SORP which are applied for the first time to these financial statements.)*

The results for the year represent another encouraging year of trading and the Board of Management is of the opinion that the state of the Association's affairs is satisfactory.

During the year the Association completed building work on 47 units, 40 of which were put into social housing stock and 7 of which were leased to a subsidiary company, Stockethill Homes Limited, for mid market rental. Work continues on further new builds and on preparatory work for future builds.

The Association continues to invest in the upgrade of existing properties to ensure that its stock meets the quality standards set out in the Scottish Housing Quality Standard (SHQS) as well as ensuring that properties meet upcoming standards for energy efficiency (EESH) . Programmes are in place to upgrade heating systems, improve insulation and to investigate innovative methods of improving the energy performance of the Association's housing stock.

The Association continues to manage stock on behalf of its subsidiaries Next Step Homes Limited and Stockethill Homes Limited and to investigate how these services can be best offered to tenants and prospective tenants across each of the companies.

Langstane continues to work closely with the various communities in which it has property available for rent. The main onus of this work is on tenancy sustainment, including through helping tenants to maximise their income, and to avoid falling into arrears with their rent payments. The Association also helps work towards developing sustainable communities through a range of community centred projects, both directly as Langstane and through partnerships with third party service providers. The Association works with a wide range of partners within the voluntary and public sectors, mainly through the provision of suitable properties for their services, but also through the provision of support services.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

The Future

Langstane will focus on maintaining the increased level of performance it has achieved over the last few years and will continue to develop a balance between new developments and improvements to the existing housing stock in order to maintain a high standard across the total property portfolio. Opportunities for development will continue to be sought across the range served by the Association both geographically and by client groups. The Association restates its determination to make a contribution to tackling the lack of affordable housing experienced in the area of its operation.

Langstane's overall focus will also be on working towards the objectives and targets agreed within the Business Plan. Key priorities will be on achieving value for money and improvement in all areas of operation.

Major challenges that Langstane will address over the coming year are:

- Tenant involvement
- Welfare reform
- Tenants' arrears
- Local economic climate in the various areas served
- Energy efficiency
- New procurement legislation

Board of Management and Executive Officers

The members of the Board of Management and the Executive Officers are listed on Page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

The members of the Board of Management are also Trustees of the Charity. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 require the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with UK GAAP.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Statement on Internal Financial Control

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board 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 mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £800 (2015 - £900).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Board of Management



HELEN GAULD

Secretary

Date: 29 August 2016

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT OF LANGSTANE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS



In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
Date: 29 August 2016

We have audited the financial statements of Langstane Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standards of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board 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 of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Board of Management's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LANGSTANE HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception (contd.)

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
Date: 29 August 2016

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016 £	2015 £
REVENUE	2.	14,162,166	13,598,275
Operating Costs	2.	(10,844,799)	(10,349,950)
OPERATING SURPLUS	9.	3,317,367	3,248,325
Gain On Sale Of Housing Stock	7.	120,193	-
Interest Receivable and Other Income		59,200	85,370
Interest Payable and Similar Charges	8.	(2,065,238)	(2,484,173)
Other Finance Charges	11	(57,687)	(225,460)
		(1,943,532)	(2,624,263)
SURPLUS FOR YEAR		1,373,835	624,062
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		1,373,835	624,062

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 13 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

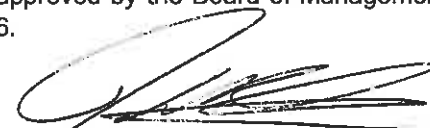
STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016


	Notes	2016		2015	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12.(a)		140,527,017		138,643,438
Other Non Current Assets	12.(b)		3,780,761		3,863,623
			<u>144,307,778</u>		<u>142,507,061</u>
INVESTMENTS					
Investment in subsidiaries	25.	1		1	
			1		1
CURRENT ASSETS					
Stock of Maintenance Materials		14,429		11,290	
Receivables	15.	2,812,843		3,186,725	
Cash at bank and in hand		810,310		4,733,820	
		<u>3,637,582</u>		<u>7,931,835</u>	
CREDITORS: Amounts falling due within one year	16.	<u>(5,236,093)</u>		<u>(5,269,455)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(1,598,511)</u>		<u>2,662,380</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			142,709,268		145,169,442
CREDITORS: Amounts falling due after more than one year	17.		<u>(43,106,828)</u>		<u>(45,153,768)</u>
DEFERRED INCOME					
Social Housing Grants	19.	(85,875,239)		(87,587,894)	
Other Grants	19.	(2,941,618)		(3,016,003)	
			<u>(88,816,857)</u>		<u>(90,603,897)</u>
NET ASSETS			<u>10,785,583</u>		<u>9,411,777</u>
EQUITY					
Share Capital	20.		106		135
Revenue Reserves			10,785,477		9,411,642
			<u>10,785,583</u>		<u>9,411,777</u>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 29 August 2016.


Chairperson


Vice-Chairperson


Secretary

The notes on pages 13 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
Net Cash Inflow from Operating Activities	18.	4,434,922	4,989,753
Investing Activities			
Acquisition and Construction of Properties	(5,204,741)	(4,828,299)	
Purchase of Other Fixed Assets	(106,523)	(164,988)	
Social Housing Grant Received	618,197	3,924,904	
Social Housing Grant Repaid	(16,685)	-	
Proceeds on Disposal of Properties	124,138	-	
Proceeds on Disposal of Other Fixed Assets	2,983	-	
Net Cash Outflow from Investing Activities		(4,582,631)	(1,068,383)
Financing Activities			
Loan Advances Received	-	2,000,000	
Interest Received on Cash and Cash Equivalents	59,200	72,818	
Interest Paid on Loans	(2,189,573)	(2,556,764)	
Loan Principal Repayments	(1,645,436)	(4,403,181)	
Share Capital Issued	7	1	
Net Cash Outflow from Financing		(3,775,801)	(4,887,126)
Decrease in Cash		(3,923,510)	(965,756)
Opening Cash & Cash Equivalents		4,733,820	5,699,576
Closing Cash & Cash Equivalents		810,310	4,733,820
Cash and Cash equivalents as at 31 March 2016.			
Cash		810,310	4,733,820
		810,310	4,733,820

The notes on pages 13 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	134	8,787,580	8,787,714
Issue of Shares	1	-	1
Cancellation of Shares	-	-	-
Surplus for Year	-	624,062	624,062
Balance as at 31st March 2015	135	9,411,642	9,411,777
Balance as at 1st April 2015	135	9,411,642	9,411,777
Issue of Shares	7	-	7
Cancellation of Shares	(36)	-	(36)
Surplus for Year	-	1,373,835	1,373,835
Balance as at 31st March 2016	106	10,785,477	10,785,583

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised when expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of of the asset to which the Grant relates.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within Note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	Not depreciated
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

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

Depreciation And Impairment Of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Website and Software	4 years
Commercial properties	50 years
Association Office Buildings	50 years
Vehicles	5 years
Office Equipment	5 years
Computer Equipment	4 years

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

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.

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.

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Key Judgements made in the application of Accounting Policies (Continued.)

c) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

d) Pensions

We have calculated the SHAPS past service deficit liability using the latest accounting estimates available, these being based on the 2015 triennial valuation, and believe these represent a fair estimate of liability due.

e) Financial Instrument Break Clause

The Association has considered the break clauses attached to the Financial Instruments that it has in place for its loan funding. In the judgement of the Management Committee these break clauses do not cause the Financial Instrument to be classified as a Complex Financial Instrument, and therefore they meet the definition of a Basic Financial Instrument.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

The Association's debt instruments are measured at amortised cost using the effective interest rate method

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	13,483,138	10,202,209	3,280,929	12,803,451	9,516,691	3,286,760
Other Activities	4.	679,028	642,590	36,438	794,824	833,259	(38,435)
Total		14,162,166	10,844,799	3,317,367	13,598,275	10,349,950	3,248,325

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing			Lead Tenancies	2016 Total £	2015 Total £
	£	£	£			
Revenue from Lettings						
Rent Receivable net of service charges	10,660,084	228,587	131,160	11,019,831	10,427,775	
Service charges	479,748	997	27,490	508,235	528,042	
Gross income from rent and service charges	11,139,832	229,584	158,650	11,528,066	10,955,817	
Less: Rent losses from voids	106,066	-	5,528	111,594	180,511	
Net Rents Receivable	11,033,766	229,584	153,122	11,416,472	10,775,306	
Grants released from deferred income	2,066,666	-	-	2,066,666	2,028,145	
Total turnover from affordable letting activities	13,100,432	229,584	153,122	13,483,138	12,803,451	
Expenditure on affordable letting activities						
Management and maintenance administration costs	3,099,003	64,170	10,066	3,173,239	3,291,877	
Service costs	502,209	10,712	10,063	522,984	423,943	
Planned and cyclical maintenance, including major repairs	1,132,579	16,430	7,330	1,156,339	941,594	
Reactive maintenance costs	1,811,894	27,355	36,270	1,875,519	1,560,924	
Bad Debts - rents and service charges	275,512	-	1,078	276,590	271,071	
Depreciation of affordable let properties	3,152,964	27,180	17,394	3,197,538	3,027,282	
Operating costs of affordable letting activities	9,974,161	145,847	82,201	10,202,209	9,516,691	
Operating surplus on affordable letting activities	3,126,271	83,737	70,921	3,280,929	3,286,760	
2015	2,619,671	651,925	15,164			

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES:

	Grants From Scottish Ministers	Other Revenue	Supporting People Income	Other Income	Total Turnover	Operating Costs	Operating Costs	Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit)
	£	£	£	£	£	£	Bad Debts	Other	2016	2015
	£	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	168,416	-	168,416	190,133	-	-	(21,717)	(69,413)
Development Administration	-	-	6,045	-	6,045	337,344	-	-	(331,299)	(506,484)
Commercial Leases	-	-	105,421	-	105,421	2,826	2,826	40,870	61,725	87,029
Managed Association	-	-	89,079	-	89,079	-	-	71,417	17,662	9,295
Charitable Donations	-	-	220,000	-	220,000	-	-	-	220,000	398,208
Other activities	-	-	3,248	-	3,248	-	-	-	3,248	42,930
Rechargeable Repair - Bad Debts	-	-	86,819	-	86,819	-	-	-	86,819	-
Total From Other Activities	108,400	-	679,028	-	679,028	2,826	639,764	36,438	(38,435)	
2015			686,424	-	794,824	-	833,259	(38,435)		

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

	2016	2015
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>267,123</u>	<u>66,930</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>32,366</u>	<u>8,321</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>80,823</u>	<u>16,532</u>
Total Compensation paid to key management personnel	<u>299,489</u>	<u>257,847</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	3	1
£80,001 to £90,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>78</u>	<u>76</u>
The average total number of Employees employed during the year was	<u>91</u>	<u>85</u>
Staff Costs were:	£	£
Wages and Salaries	2,252,950	2,127,441
Social Security Costs	182,868	173,703
Other Pension Costs	263,302	234,720
Temporary, Agency and Seconded Staff	35,201	26,904
	<u>2,734,321</u>	<u>2,562,768</u>

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2016 £	2015 £
Sales Proceeds	124,138	-
Cost of Sales	3,945	-
Gain On Sale Of Housing Stock	<u>120,193</u>	<u>-</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016 £	2015 £
On Bank Loans & Overdrafts	2,163,315	2,542,281
On Other Loans	14,429	14,483
	<u>2,177,744</u>	<u>2,556,764</u>
Less: Interest Capitalised	112,506	72,591
	<u>2,065,238</u>	<u>2,484,173</u>

Interest capitalised was incurred at 5.22%.

9. SURPLUS FOR YEAR

	2016 £	2015 £
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	3,357,806	3,273,329
Auditors' Remuneration - Audit Services	19,686	16,800
Auditors' Remuneration - Other Services	2,520	3,000
Operating Lease Rentals - Land & Buildings	7,608	9,619
Repairs -Cyclical, Major & Day to Day	2,944,473	2,502,518
Gain on sale of other fixed assets	(2,983)	-

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / CHARGES

	2016 £	2015 £
Unwinding of Discounted Liabilities	<u>57,687</u>	<u>225,460</u>

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS				
a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Lead Tenancies for lettings £	Total £
COST				
As at 1st April 2015	166,087,959	8,463,156	1,098,000	175,649,115
Additions	1,000,116	4,078,785	-	5,078,901
Disposals	(387,574)	-	-	(387,574)
Schemes Completed	6,079,720	(6,079,720)	-	-
As at 31st March 2016	<u>172,780,221</u>	<u>6,462,221</u>	<u>1,098,000</u>	<u>180,340,442</u>
DEPRECIATION				
As at 1st April 2015	37,005,677	-	-	37,005,677
Charge for Year	3,125,106	-	-	3,125,106
Disposals	(317,358)	-	-	(317,358)
As at 31st March 2016	<u>39,813,425</u>	<u>-</u>	<u>-</u>	<u>39,813,425</u>
NET BOOK VALUE				
As at 31st March 2016	<u>132,966,796</u>	<u>6,462,221</u>	<u>1,098,000</u>	<u>140,527,017</u>
As at 31st March 2015	<u>129,082,282</u>	<u>8,463,156</u>	<u>1,098,000</u>	<u>138,643,438</u>

Additions to housing properties includes capitalised development administration costs of £118,616 (2015 - £129,420) and capitalised major repair costs to existing properties of £nil (2015 £nil).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £1,975,709. The amount capitalised is £914,762, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £914,762 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £86,871,262 (2015 - £87,895,589).

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Commerical property £	Office land and buildings £	Furniture & Equipment £	Total £
COST				
As at 1st April 2015	1,279,705	3,480,435	1,928,020	6,688,160
Additions	-	-	106,523	106,523
Eliminated on Disposals	-	-	(837,797)	(837,797)
As at 31st March 2016	1,279,705	3,480,435	1,196,746	5,956,886
AGGREGATE DEPRECIATION				
As at 1st April 2015	599,959	517,643	1,706,935	2,824,537
Charge for year	17,429	62,172	109,784	189,385
Eliminated on disposal	-	-	(837,797)	(837,797)
As at 31st March 2016	617,388	579,815	978,922	2,176,125
NET BOOK VALUE				
As at 31st March 2016	662,317	2,900,620	217,824	3,780,761
As at 31st March 2015	679,746	2,962,792	221,085	3,863,623

13. CAPITAL COMMITMENTS

	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	472,819	4,060,793

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

14. COMMITMENTS UNDER OPERATING LEASES

	2016 £	2015 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,343	-
Later than one year and not later than five years	8,726	17,677

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES

	2016 £	2015 £
Arrears of Rent & Service Charges	2,014,262	1,525,873
Less: Provision for Doubtful Debts	(1,674,972)	(1,188,483)
	<u>339,290</u>	<u>337,390</u>
Social Housing Grant Receivable	-	160,943
Other Receivables	571,281	593,369
Amounts Due from Group Undertakings	181,607	224,734
	<u>1,092,178</u>	<u>1,316,436</u>
<i>Amounts falling due after one year</i>		
Amounts due from Group Undertakings	1,720,565	1,870,289

16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing Loans	1,644,887	1,645,436
Trade Payables	1,799,900	712,814
Rent in Advance	212,252	165,714
Other Taxation and Social Security	5,777	47,886
Other Payables	766,130	82,366
Liability for Past Service Contributions	455,275	442,356
Accruals and Deferred Income	351,872	2,172,883
	<u>5,236,093</u>	<u>5,269,455</u>

At the balance sheet date there were pension contributions outstanding of £76,259 (2015 £73,949)

17. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Housing Loans	40,867,878	42,512,764
Liability for Past Service Contributions	2,238,950	2,641,004
	<u>43,106,828</u>	<u>45,153,768</u>
<i>Housing Loans</i>		
Amounts due within one year	1,644,887	1,645,436
Amounts due in one year or more but less than two years	1,645,564	1,645,497
Amounts due in two years or more but less than five years	13,365,745	13,365,496
Amounts due in more than five years	25,856,569	27,501,771
	<u>42,512,765</u>	<u>44,158,200</u>
Less: Amount shown in Current Liabilities	1,644,887	1,645,436
	<u>40,867,878</u>	<u>42,512,764</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	455,275	442,356
Amounts due in one year or more but less than two years	448,607	445,527
Amounts due in two years or more but less than five years	1,364,590	1,327,987
Amounts due in more than five years	425,753	867,490
	<u>2,694,225</u>	<u>3,083,360</u>
Less: Amount shown in Current Liabilities	455,275	442,356
	<u>2,238,950</u>	<u>2,641,004</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Scottish Government	No security over properties	10.75%	2047	Fixed
Lloyds Bank PLC	Standard Security over 1335 properties	5.36%	2031	Fixed
Bank of Scotland	Standard Security over 237 properties	LIBOR + 1.5%	2018	Variable
Santander plc	Standard Security over 251 properties	5.55%	2040	Fixed

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.29% (2015 2.22%).

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

	2016 £	2015 £
<i>Reconciliation of operating surplus to surplus for the year</i>		
Operating Surplus	3,317,367	3,248,325
Depreciation	3,357,806	3,273,329
Amortisation of Capital Grants	(2,066,666)	(2,028,145)
Change in debtors	(97,628)	(12,419)
Change in creditors	(184,692)	645,292
Change in Stock	(3,139)	(623)
Gain on sale of other fixed assets	19,973	-
Unwinding of Discount on Pension Liability (Increase)/Decrease in Loan to Subsidiary	(57,687)	(225,460)
Share Capital Cancelled in the year	149,624	89,454
	(36)	-
Net Cash Inflow from Operating Activities	<u>4,434,922</u>	<u>4,989,753</u>

19. DEFERRED INCOME

	2016 £	2015 £
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	87,587,894	86,007,637
Additions in year	296,311	3,537,960
Released / Repaid as the result of property disposal	(16,685)	-
Amortisation in Year	(1,992,281)	(1,957,704)
Balance as at 31st March 2016	<u>85,875,239</u>	<u>87,587,894</u>
<i>Other Grants</i>		
Balance as at 1st April 2015	3,016,003	3,086,444
Amortisation in Year	(74,385)	(70,441)
Balance as at 31st March 2016	<u>2,941,618</u>	<u>3,016,003</u>
Total	<u>88,816,857</u>	<u>90,603,897</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2016 £	2015 £
Amounts due within one year	2,066,666	2,028,145
Amounts due after one year or more	86,750,191	88,575,752
	<u>88,816,857</u>	<u>90,603,897</u>

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	135
Issued in year	7
Cancelled in year	(36)
At 31st March 2016	<u>106</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016	2015
	No.	No.
General Needs	2,737	2,697
Hostels (bed spaces)	76	76
Lead Tenancies	42	42
	<u>2,855</u>	<u>2,815</u>

Housing Units managed by the Association but owned by another body:

Name of Provider	2016	2015
Next Step Homes Limited	<u>107</u>	<u>108</u>

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is based in Scotland.

The Association's principal place of business is 680 King Street, Aberdeen, AB24 1SL.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Aberdeen, Aberdeenshire and Moray.

23. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £nil in the year by way of reimbursement of expenses (2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102.

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with governing body members (and their close family) were as follows:

Rent Received from Tenants on the Board	£ 13,106
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At the year end total rent arrears owed by the tenant members of the Board were £nil.

Forbes McCallum acts as a Director of Grampian Regional Equality Council. During the year, Langstane Housing Association Limited received translation services from Grampian Regional Equality Council totalling £558 (2015 - £230), of which £97 (2015 - £150) was outstanding at the year end. Langstane Housing Association Limited provided office hire to Grampian Regional Equality Council totalling £13,758 (2015 - 13,531) of which £nil (2015 - £nil) was outstanding at the year end.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INVESTMENTS

	2016 £	2,015 £
Investments in Subsidiaries		
As at 31st March 2016 & 31st March 2015	<u>1</u>	<u>1</u>

In the opinion of the Board of Management the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a subsidiary Next Step Homes Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, Langstane Housing Association provided development, management, maintenance and financial services to Next Step Homes Limited for which a charge of £86,455 (2015 - £91,223) was made of which £961 (2015 - £37,712) was outstanding at the year end. A donation of £220,000 (2015 - £390,000) was also received from Next Step Homes Limited during the year.

In December 2013, Langstane Housing Association provided a loan to Next Step Homes Limited. During the year, the Association charged interest of £48,852 (2015 - £52,211) in respect of the loan. At the year end, the balance outstanding was £1,870,290 (2015 - £2,019,914). The loan is repayable in equal quarterly installements with the final installment due on 29 September 2028. The loan carries interest at a rate of 2% above LIBOR, payable quarterly.

The aggregate amount of capital and reserves and the results of Next Step Homes Limited for the year ended 31st March 2016 were as follows:

	2016 £	2015 £
Capital & Reserves	<u>2,274,197</u>	<u>2,336,655</u>
Loss for the year	<u>(62,460)</u>	<u>25,208</u>

Next Step Homes Limited has a 100% owned subsidiary; Stockethill Homes Limited.

During the year Langstane Housing Association Limited provided leased premises to Stockethill Homes Limited for which a charge of £94,651 (2015 - £51,893) was made, of which £31,022 (2015 - £30,773) was outstanding at the year end. A donation of £nil (2015 - £8,208) was also received from Stockethill Homes Limited during the year.

The aggregate amount of capital and reserves and the results of Stockethill Homes Limited for the year ended 31st March 2016 were as follows:

	2016 £	2015 £
Capital & Reserves	<u>(1,506)</u>	<u>(72)</u>
Loss for the year	<u>(1,434)</u>	<u>(73)</u>

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

Langstane Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme operates on a 'last man standing' basis, meaning that, in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is re-apportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the provisional valuation the Scheme has provided an estimate of the contributions required to fund the past service deficit. Under the new proposals the Association will make payments of £457,690 from 1 April 2017. Payments are expected to increase by 3% per annum and continue until February 2022. Once finalised the proposals will replace the original plan which was expected to have lasted 10 years.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £2,678,170 (2015 - £3,065,368). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29% (2015: 2.22%).

The Association also participated in the growth fund within the scheme. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £16,448 (2015 - £18,567). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.29% (2015: 2.22%).

During the accounting period Langstane Housing Association Limited paid contributions at the rate of 9.6% - 12.3% of pensionable salaries. Member contributions were made at rates between 4% and 12.3% of pensionable salary.

As at the date of the financial statements there were 72 active members of the scheme employed by Langstane Housing Association Limited. Langstane continues to offer membership of the scheme to new employees.

The Association made payments totalling £710,124 (2015: £668,527) to the pension scheme during the year.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those adopted previously.

The following sets out the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves						
At 31 March 2015			At 31 March 2014			
Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated
	£	£	£	£	£	£
Non Current Assets	(i) 49,244,899	93,262,162	142,507,061	49,166,292	91,547,119	140,713,411
Investments	1	-	1	1	-	1
Current Assets	7,931,835	-	7,931,835	9,348,395	-	9,348,395
Current Liabilities	(ii) (4,774,278)	(495,177)	(5,269,455)	(4,612,808)	(469,263)	(5,082,071)
Non Current Liabilities	(iii) (42,512,764)	(2,641,004)	(45,153,768)	(44,626,800)	(2,453,615)	(47,080,415)
Deferred Income	(i) -	(90,603,897)	(90,603,897)	-	(89,111,607)	(89,111,607)
Capital & Reserves	(9,889,693)	477,916	(9,411,777)	(9,275,080)	487,366	(8,787,714)

Reconciliation of Retained Surpluses for the Year				
Year Ended 31 March 2015				
Note	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£
Revenue	(i) 11,570,130	2,028,145	13,598,275	
Operating Costs	(i) & (ii) (8,556,715)	(1,793,235)	(10,349,950)	
Interest Receivable	85,370	-	85,370	
Interest Payable	(2,484,173)	-	(2,484,173)	
Other Finance Income / Costs	(iii) -	(225,460)	(225,460)	
Surplus	614,612	9,450	624,062	

Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A.