



**Alexander Sloan**  
Accountants and Business Advisors

# **Langstane Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2017**

**Registered Housing Association No. HAL145**

**FCA Reference No. 1916R(S)**

**Scottish Charity No. SCO011754**

# LANGSTANE HOUSING ASSOCIATION LIMITED

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# LANGSTANE HOUSING ASSOCIATION LIMITED

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## BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

### BOARD OF MANAGEMENT

Ms S MacDonald	Chair
Mr J Fraser	Vice-Chair
Mr J Knowles	Treasurer
Mr K Hutchens	
Mr E Bjorkelund	
Mr C Lynch	
Mr G Saluja	Deceased 9 February 2017
Dr B Majumder	
Ms E Cooper	
Mr R Davidson	
Mr I Jamieson	
Ms S Stephenson	Appointed 21 March 2017
Ms J Greener	Appointed 24 April 2017
Mr R Stewart	

### EXECUTIVE OFFICERS

Helen Gauld	Chief Executive
David Hutchens	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  
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 2017

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The Board of Management presents its report and the Financial Statements for the year ended 31st March 2017.

### 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 SCO011754.

### Principal Activities

The principal activities of the Association are the provision and management of affordable rented 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 £14,846,972 (2016 - £14,162,166) and the surplus for the year was £4,000,821 (2016 - £1,373,835).

The results for the year include a donation from the Association's subsidiary, Next Step Homes Limited, which amounted to £2,295,538.

On 6th March 2017 a special general meeting of the Association approved the acquisition of all of the assets and trading of Next Step Homes Limited by means of a Transfer of Engagements. The Transfer of Engagements was completed with effect on 31st March 2017. The donation referred to above substantially arose out of the completion of this transaction.

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.

The completion of the Transfer of Engagements will allow Langstane to improve operating efficiency across all of its units and tenure types, and will allow greater flexibility in its use of the total housing stock, so that best use can be made of the assets owned.

During the year Langstane completed building work on 35 units, 20 units of which were put into mid-market stock and the remaining 15 units were put into general social housing stock. Work continues on additional new builds and on preparatory work for further social housing units to meet Langstane's ambitious development programme over the mid term period.

Langstane also continues to invest in the upgrade of existing properties through its component replacement programme. Langstane strives to ensure that all of its housing stock meets the quality standards set out in the Scottish Housing Quality Standard (SHQS) as well as ensuring that properties meet the deadline of 2020 for meeting the revised standards for energy efficiency (EESH).

During the year the total spend on property planned maintenance amounted to £3,814,662 of which £2,230,182 was spent on replacement of component items such as kitchens, bathrooms and heating systems.

Programmes are in place to upgrade heating systems, improve insulation and to investigate innovative methods of improving the energy efficiency performance of Langstane's housing stock. Langstane continues to manage stock on behalf of its subsidiary Stockethill Homes Limited which provides mid-market rental accommodation. Langstane continues to develop services to meet the needs of tenants and prospective tenants across all of the companies in the Group, and to invest in new technologies to best provide services to stakeholders.

# LANGSTANE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

### Review of Business and Future Developments (Contd.)

The Association continues to work with various partners and communities working towards the development of sustainable communities. The main onus of the work is on tenancy affordability and sustainability, helping tenants to maximise their income and manage their resources to avoid falling into tenancy arrears.

Langstane continues to be involved in community centred projects to improve the living environment for tenants and communities. Much of this work is carried out in partnership with specialist third party service providers where each participant can bring its expertise and strength to the project. Langstane can use its expertise in housing provision and management to support these projects.

Langstane will continue to 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 existing 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 commitment to make a contribution to tackling the lack of affordable housing existing in its area of operation.

Langstane's staff are very important in driving forward the Association's ambitions and Langstane will continue to invest in staff development to make Langstane a favoured employer in the area.

Overall focus will be on working towards the achievement of the strategic goals agreed within the Business Plan. Key priorities will be on achieving value for money and improvement in all areas of operation.

Major challenges lie ahead and Langstane considers the following to be the key challenges it will face in the short term:-

- Welfare Reform
- Tenancy Sustainment
- Affordability
- Energy Efficiency
- Tenant Involvement

Working with our tenants and other organisations and agencies will ensure that the Association is focused and meets these challenges in coming years. This will ensure the best possible outcome for all involved, particularly our tenants.

# LANGSTANE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

### 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.

### Statement of Board of Management's Responsibilities

The Co-operative and Community Benefit Act 2014 requires 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 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 items in the statement of comprehensive income and statement of financial position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

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 members of 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 2017

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### 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 2017. 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 £300 (2016 - £800).

### 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

28 August 2017

# LANGSTANE HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS 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 issued 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*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
28 August 2017



**Alexander Sloan**  
Accountants and Business Advisers



We have audited the financial statements of Langstane Housing Association Limited for the year ended 31st March 2017 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, is 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 Financial Reporting Council's (FRC) 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 misstatement or inconsistencies we consider the implications for 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 2017 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**

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**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*

**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
28 August 2017



**Alexander Sloan**  
Accountants and Business Advisers

# LANGSTANE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
<b>REVENUE</b>	2.	14,846,972	14,162,166
Operating Costs	2.	(11,185,906)	(10,844,799)
<b>OPERATING SURPLUS</b>	9.	3,661,066	3,317,367
Transfer of assets from subsidiary undertaking		2,295,538	-
Gain On Sale Of Housing Stock	7.	71,406	120,193
Interest Receivable and Other Income		45,019	59,200
Interest Payable and Similar Charges	8.	(2,015,777)	(2,065,238)
Other Finance Charges	11.	(56,431)	(57,687)
		339,755	(1,943,532)
<b>SURPLUS FOR YEAR</b>		<b>4,000,821</b>	<b>1,373,835</b>

The notes on pages 13 to 28 form part of these financial statements.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12.(a)		146,629,478		140,527,017
Other Non Current Assets	12.(b)		3,729,417		3,780,761
			<u>150,358,895</u>		<u>144,307,778</u>
<b>INVESTMENTS</b>					
Investment in subsidiaries	26.	2		1	
			<u>2</u>		<u>1</u>
<b>CURRENT ASSETS</b>					
Stock of maintenance materials		10,000		14,429	
Receivables	16.	953,768		2,812,843	
Cash at bank and in hand		2,407,891		810,310	
		<u>3,371,659</u>		<u>3,637,582</u>	
<b>CREDITORS: Amounts falling due within one year</b>	17.	(4,449,273)		(5,236,093)	
<b>(NET CURRENT LIABILITIES)</b>			<u>(1,077,614)</u>		<u>(1,598,511)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>149,281,283</u>		<u>142,709,268</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	18.		(45,685,946)		(43,106,828)
<b>DEFERRED INCOME</b>					
Social Housing Grants	20.	(85,740,296)		(85,875,239)	
Other Grants	20.	(3,068,629)		(2,941,618)	
		<u>(88,808,925)</u>		<u>(88,816,857)</u>	
<b>NET ASSETS</b>			<u>14,786,412</u>		<u>10,785,583</u>
<b>EQUITY</b>					
Share Capital	21.		114		106
Revenue Reserves			14,786,298		10,785,477
			<u>14,786,412</u>		<u>10,785,583</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 28 August 2017.

  
Chairperson

  
Vice-Chairperson

  
Secretary

The notes on pages 13 to 28 form part of these financial statements.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	19.		8,643,658		4,434,922
<b>Investing Activities</b>					
Acquisition and Construction of Properties		(9,962,118)		(5,204,741)	
Purchase of Other Fixed Assets		(160,373)		(106,523)	
Social Housing Grant Received		2,059,454		618,197	
Social Housing Grant Repaid		-		(16,685)	
Investment in subsidiaries		1		-	
Proceeds on Disposal of Properties		82,871		124,138	
Proceeds on Disposal of Other Fixed Assets		22,017		2,983	
<b>Net Cash Outflow from Investing Activities</b>			(7,958,148)		(4,582,631)
<b>Financing Activities</b>					
Loan Advances Received		4,500,000		-	
Other Finance Received		98,405		-	
Interest Received on Cash and Cash Equivalents		45,019		59,200	
Interest Paid on Loans		(2,069,375)		(2,189,573)	
Loan Principal Repayments		(1,645,497)		(1,645,435)	
Other Finance Repayments		(16,495)		-	
Share Capital Issued		14		7	
<b>Net Cash Inflow / (Outflow) from Financing</b>			912,071		(3,775,801)
<b>Increase / (decrease) in Cash</b>			1,597,581		(3,923,510)
<b>Opening Cash &amp; Cash Equivalents</b>			810,310		4,733,820
<b>Closing Cash &amp; Cash Equivalents</b>			<b>2,407,891</b>		<b>810,310</b>
<b>Cash and Cash equivalents as at 31 March 2017</b>					
Cash			2,407,891		810,310
			<b>2,407,891</b>		<b>810,310</b>

The notes on pages 13 to 28 form part of these financial statements.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1st April 2015</b>	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
<b>Balance as at 31st March 2016</b>	<b>106</b>	<b>10,785,477</b>	<b>10,785,583</b>
<b>Balance as at 1st April 2016</b>	106	10,785,477	10,785,583
Issue of Shares	14		14
Cancellation of Shares	(6)		(6)
Surplus for Year	-	4,000,821	4,000,821
<b>Balance as at 31st March 2017</b>	<b>114</b>	<b>14,786,298</b>	<b>14,786,412</b>

The reserves opening balance at 1st April 2015 has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# LANGSTANE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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 with expenditure as it 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 the asset to which it 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.

<b>Component</b>	<b>Useful Economic Life</b>
Land	Not depreciated
Structure	80 years
Roof	60 years
Kitchen	15 years
Electrics	30 years
Bathrooms	25 years
Heating Systems	20 years
Entry Systems	20 years
Windows	25 years
Lifts	30 years

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 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.

#### 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 or 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.

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management 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:

##### a) 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.

##### b) 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.

##### c) 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 assessment.

##### d) Costs of shared ownership

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



# LANGSTANE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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.

##### **Housing Property Managed By Agents**

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

##### **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) 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.

###### **b) 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.

###### **c) Financial instrument break clauses**

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 Board of Management, 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.

###### **d) Pension Liability**

In March 2017 the Association received details from the Pension Trust of the valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Board of Management feels this is the best available estimate of the past service liability.

##### **Financial Instruments - Basic**

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES							
Notes	2017			2016			Operating Surplus / (Deficit) £
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	
Affordable letting activities	3.	13,893,319	10,357,893	3,535,426	13,483,138	10,202,209	3,280,929
Other Activities	4.	953,653	828,013	125,640	679,028	642,590	36,438
<b>Total</b>		<b>14,846,972</b>	<b>11,185,906</b>	<b>3,661,066</b>	<b>14,162,166</b>	<b>10,844,799</b>	<b>3,317,367</b>

	General			2017 Total £	2016 Total £
	Needs Housing £	Hostels £	Lead Tenancies £		
<b>Revenue from Lettings</b>					
Rent Receivable Net of Service Charges	11,020,477	232,680	133,664	11,386,821	11,019,831
Service Charges	567,407	1,615	27,808	596,630	508,235
<b>Gross income from rent and service charges</b>	<b>11,587,884</b>	<b>234,295</b>	<b>161,272</b>	<b>11,983,451</b>	<b>11,528,066</b>
Less: Rent losses from voids	137,056	-	11,525	148,581	111,594
<b>Net Rents Receivable</b>	<b>11,450,828</b>	<b>234,295</b>	<b>149,747</b>	<b>11,834,870</b>	<b>11,416,472</b>
Grants released from deferred income	2,014,475	26,402	17,572	2,058,449	2,066,666
<b>Total turnover from affordable letting activities</b>	<b>13,465,303</b>	<b>260,697</b>	<b>167,319</b>	<b>13,893,319</b>	<b>13,483,138</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	2,796,582	-	-	2,796,582	3,173,239
Service Costs	620,781	12,910	13,979	647,670	522,984
Planned and cyclical maintenance, including major repairs	1,410,140	7,156	8,138	1,425,434	1,156,339
Reactive maintenance costs	1,873,335	24,042	29,343	1,926,720	1,875,519
Bad Debts - rents and service charges	178,876	-	4,627	183,503	276,590
Depreciation of affordable let properties	3,334,250	26,340	17,394	3,377,984	3,197,538
<b>Operating costs of affordable letting activities</b>	<b>10,213,964</b>	<b>70,448</b>	<b>73,481</b>	<b>10,357,893</b>	<b>10,202,209</b>
<b>Operating surplus on affordable letting activities</b>	<b>3,251,339</b>	<b>190,249</b>	<b>93,836</b>	<b>3,535,426</b>	<b>3,280,929</b>
<b>2016</b>	<b>3,126,271</b>	<b>83,737</b>	<b>70,921</b>		

# LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 3. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants		Other Revenue		Total Turnover	Operating Costs		Operating Costs		Operating Surplus (Deficit)	
	From Scottish Ministers	Other	Grants	Other		Bad Debts	Other	2017	2016	2017	2016
	£	£	£	£	£	£	£	£	£	£	£
Wider Role activities	-	-	172,483	-	172,483	-	189,539	-	189,539	(17,056)	(21,717)
Development administration	-	-	-	5,198	5,198	-	302,231	-	302,231	(297,033)	(331,299)
Commercial leases	-	-	-	83,416	83,416	22,184	42,080	-	42,080	19,172	61,725
Managed association	-	-	-	139,819	139,819	-	48,927	-	48,927	50,992	17,882
Charitable donations	-	-	-	403,199	403,199	-	-	-	-	403,199	220,000
Other activities	3,075	-	-	5,712	8,787	-	14,824	-	14,824	(6,037)	3,248
Rechargeable repairs	-	-	-	140,751	140,751	98,414	109,834	-	109,834	(67,497)	86,819
<b>Total From Other Activities</b>	<b>3,075</b>	<b>-</b>	<b>172,483</b>	<b>778,096</b>	<b>953,653</b>	<b>120,598</b>	<b>707,415</b>	<b>2,826</b>	<b>707,415</b>	<b>125,640</b>	<b>36,438</b>
<b>2016</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>679,028</b>	<b>679,028</b>	<b>2,826</b>	<b>639,764</b>	<b>-</b>	<b>639,764</b>	<b>36,438</b>	<b>-</b>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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 Board of Management, managers and employees of the Association.

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	269,585	267,123
Pension contributions made on behalf of Officers with emoluments greater than £60,000	33,487	32,366
Emoluments payable to Chief Executive (excluding pension contributions)	81,624	80,823
Total Emoluments paid to key management personnel	303,072	299,489

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	3
£80,001 to £90,000	1	1

#### 6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	78	78
The average total number of Employees employed during the year was	87	91
Staff Costs were:	£	£
Wages and Salaries	2,394,273	2,252,950
Social Security Costs	232,335	182,868
Other Pension Costs	268,031	263,302
Temporary, Agency and Seconded Staff	16,488	35,201
	2,911,127	2,734,321

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	82,871	124,138
Cost of Sales	<u>11,465</u>	<u>3,945</u>
Gain On Sale Of Housing Stock	<u>71,406</u>	<u>120,193</u>

#### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	2,083,074	2,163,315
On Other Loans	<u>15,193</u>	<u>14,429</u>
	2,098,267	2,177,744
<b>Less: Interest Capitalised</b>	<u>82,490</u>	<u>112,506</u>
	<u>2,015,777</u>	<u>2,065,238</u>

Interest capitalised was incurred at 4.95% (2016 - 5.22%).

#### 9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	3,447,772	3,357,806
Auditors' Remuneration - Audit Services	20,400	19,686
Auditors' Remuneration - Other Services	1,416	2,520
Operating Lease Rentals - Land & Buildings	7,716	7,608
Gain on sale of fixed assets	<u>(77,117)</u>	<u>(2,983)</u>

#### 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

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>56,431</u>	<u>57,687</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### 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 £	Completed Shared Ownership £	Total £
<b>COST</b>					
As at 1st April 2016	172,780,221	6,462,221	1,098,000	-	180,340,442
Additions	2,523,610	2,277,241	-	-	4,800,851
Disposals	(1,110,212)	-	-	-	(1,110,212)
Transferred	8,409,072	(5,702,072)	-	2,152,725	4,859,725
As at 31st March 2017	182,602,691	3,037,390	1,098,000	2,152,725	188,890,806
<b>DEPRECIATION</b>					
As at 1st April 2016	39,791,173	-	22,252	-	39,813,425
Charge for Year	3,230,109	-	22,252	-	3,252,361
Disposals	(804,458)	-	-	-	(804,458)
As at 31st March 2017	42,216,824	-	44,504	-	42,261,328
<b>NET BOOK VALUE</b>					
As at 31st March 2017	140,385,867	3,037,390	1,053,496	2,152,725	146,629,478
As at 31st March 2016	132,989,048	6,462,221	1,075,748	-	140,527,017

Additions to housing properties include capitalised development administration costs of £260,631 (2016 - £118,616) and capitalised major repair costs to existing properties of £nil (2016 - £nil).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,814,662 (2016 - £1,975,709). The amount capitalised is £2,230,182 (2016 - £914,762), with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £2,230,182 (2016 - £914,762) and improvement of £nil (2016 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £86,527,203 (2016 - £86,871,262).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Commercial Property £	Office land and buildings £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2016	1,279,705	3,480,435	1,196,746	5,956,886
Additions	-	-	160,373	160,373
Eliminated on Disposals	-	-	(42,386)	(42,386)
As at 31st March 2017	1,279,705	3,480,435	1,314,733	6,074,873
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2016	617,388	579,815	978,922	2,176,125
Charge for year	17,429	62,160	115,822	195,411
Eliminated on disposals	-	-	(26,080)	(26,080)
As at 31st March 2017	634,817	641,975	1,068,664	2,345,456
<b>NET BOOK VALUE</b>				
As at 31st March 2017	644,888	2,838,460	246,069	3,729,417
As at 31st March 2016	662,317	2,900,620	217,824	3,780,761

#### 13. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	777,313	472,819

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

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
<b>Land and Buildings</b>		
Not later than one year	73,873	72,164
Later than one year and not later than five years	42,734	116,606
<b>Other</b>		
Not later than one year	4,363	1,343
Later than one year and not later than five years	-	8,726

# LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Arrears of Rent & Service Charges	1,910,937	2,014,262
<b>Less:</b> Provision for Doubtful Debts	(1,581,297)	(1,674,972)
	<u>329,640</u>	<u>339,290</u>
Other Receivables	608,059	571,281
Amounts Due from Group Undertakings	16,069	181,607
	<u>953,768</u>	<u>1,092,178</u>
<i>Amounts falling due after one year</i>		
Amounts Due from Group Undertakings	-	1,720,665
	<u>-</u>	<u>1,720,665</u>

## 17. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Housing Loans	1,645,564	1,644,887
Finance leases	15,201	-
Trade Payables	802,342	1,799,900
Rent in Advance	167,127	212,252
Other Taxation and Social Security	133,081	5,777
Other Payables	251,396	766,130
Liability for Past Service Contributions	461,423	455,275
Accruals and Deferred Income	973,139	351,872
	<u>4,449,273</u>	<u>5,236,093</u>

At the balance sheet date there were pension contributions outstanding of £76,958 (2016 - £76,259).



# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. PAYABLES: AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	1,897,533	2,238,950
Finance leases	66,709	-
Housing Loans	43,721,704	40,867,878
	<b>45,685,946</b>	<b>43,106,828</b>
<b>Housing Loans</b>		
Amounts due within one year	1,645,564	1,644,887
Amounts due in one year or more but less than two years	14,145,639	1,645,564
Amounts due in two years or more but less than five years	4,937,450	13,365,745
Amounts due in more than five years	24,638,615	25,856,569
	<b>45,367,268</b>	<b>42,512,765</b>
Less: Amount shown in Current Liabilities	1,645,564	1,644,887
	<b>43,721,704</b>	<b>40,867,878</b>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	461,423	455,275
Amounts due in one year or more but less than two years	470,281	448,607
Amounts due in two years or more but less than five years	1,424,630	1,364,590
Amounts due in more than five years	2,622	425,753
	<b>2,358,956</b>	<b>2,694,225</b>
Less: Amount shown in Current Liabilities	461,423	455,275
	<b>1,897,533</b>	<b>2,238,950</b>
<b>Finance leases</b>		
Amounts due within one year	15,201	-
Amounts due in one year or more but less than two years	16,063	-
Amounts due in two years or more but less than five years	50,646	-
	<b>81,910</b>	<b>-</b>
Less: Amount shown in Current Liabilities	15,201	-
	<b>66,709</b>	<b>-</b>

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 1,335 properties	5.36%	2031	Fixed
Bank of Scotland PLC	Standard Security over 237 properties	LIBOR + 1.5%	2018	Variable
Santander	Standard Security over 251 properties	5.55%	2035	Fixed

All of the Association's bank borrowings are repayable in a quarterly or six-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 1.06% (2016 - 2.29%).

# LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 19. STATEMENT OF CASH FLOWS

### Reconciliation of operating surplus to net cash inflow from operating activities

	2017 £	2016 £
Operating Surplus	3,661,066	3,317,367
Depreciation	3,733,307	3,357,806
Amortisation of Capital Grants	(2,058,832)	(2,066,666)
Change in Stock	4,429	(3,139)
Change in debtors	138,408	(97,628)
Change in creditors	(788,975)	(184,692)
Gain on sale of other fixed assets	(5,711)	19,973
Unwinding of Discount on Pension Liability	(56,431)	(57,687)
Transfer of assets from subsidiary undertaking	2,295,538	
Change in loan to subsidiary	1,720,665	149,624
Share Capital Written Off	(6)	(36)
	<u>8,643,658</u>	<u>4,434,922</u>

## 20. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Commercial Leases £	Shared Ownership Properties £	Total £
<b>Social Housing Grants</b>					
Balance as at 1st April 2016	112,869,140	3,503,162	19,190	-	116,391,492
Additions in the year	2,154	1,269,821	-	-	1,271,975
Transferred	2,210,675	(2,210,675)	-	591,932	591,932
Eliminated on disposal components and property	(8,092)	-	-	-	(8,092)
Balance as at 31st March 2017	<u>115,073,877</u>	<u>2,562,308</u>	<u>19,190</u>	<u>591,932</u>	<u>118,247,307</u>
<b>Amortisation</b>					
Balance as at 1st April 2016	30,516,253	-	-	-	30,516,253
Amortisation in year	1,990,253	-	505	-	1,990,758
Balance as at 31st March 2017	<u>32,506,506</u>	<u>-</u>	<u>505</u>	<u>-</u>	<u>32,507,011</u>
<b>Net book value</b>					
Balance as at 31st March 2017	<u>82,567,371</u>	<u>2,562,308</u>	<u>18,685</u>	<u>591,932</u>	<u>85,740,296</u>
Balance as at 31st March 2016	<u>82,352,887</u>	<u>3,503,162</u>	<u>19,190</u>	<u>-</u>	<u>85,875,239</u>
<b>Other Grants</b>					
Balance as at 1st April 2016	3,798,953	-	175,250	-	3,974,203
Transferred	-	-	-	195,547	195,547
Eliminated on disposal components and property	(662)	-	-	-	(662)
Balance as at 31st March 2017	<u>3,798,291</u>	<u>-</u>	<u>175,250</u>	<u>195,547</u>	<u>4,169,088</u>
<b>Amortisation</b>					
Balance as at 1st April 2016	990,525	-	42,060	-	1,032,585
Amortisation in year	84,874	-	3,000	-	87,874
Balance as at 31st March 2017	<u>1,055,399</u>	<u>-</u>	<u>45,060</u>	<u>-</u>	<u>1,100,459</u>
<b>Net book value</b>					
Balance as at 31st March 2017	<u>2,742,892</u>	<u>-</u>	<u>130,190</u>	<u>195,547</u>	<u>3,068,629</u>
Balance as at 31st March 2016	<u>2,808,428</u>	<u>-</u>	<u>133,190</u>	<u>-</u>	<u>2,941,618</u>
<b>Total grants net book value as at 31 March 2017</b>	<u>85,310,263</u>	<u>2,562,308</u>	<u>148,875</u>	<u>787,479</u>	<u>88,808,925</u>
<b>Total grants net book value as at 31 March 2016</b>	<u>85,161,315</u>	<u>3,503,162</u>	<u>152,380</u>	<u>-</u>	<u>88,816,857</u>

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

	2017 £	2016 £
Amounts due within one year	2,058,832	2,066,666
Amounts due after more than one year	86,750,293	86,750,191
	<u>88,808,925</u>	<u>88,816,857</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 21. SHARE CAPITAL

### Shares of £1 each Issued and Fully Paid

At 1st April 2016	£
Issued in year	106
Cancelled in year	14
	(6)
At 31st March 2017	<u>114</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.

## 22. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

	2017 No.	2016 No.
General Needs	2,813	2,737
Hostels (bed spaces)	76	76
Lead Tenancies	42	42
Shared Ownership	63	-
	<u>2,994</u>	<u>2,855</u>

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

	2017 No.	2016 No.
Next Step Homes Limited	-	<u>107</u>

Housing Units managed by the Association and leased to another body:

Stockethill Homes Limited	<u>41</u>	<u>21</u>
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# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 23. RELATED PARTY TRANSACTIONS

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

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

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

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

	2017 £	2016 £
Rent received from Tenants on the Board of Management and their close family members	8,600	13,106

At the year end total rent arrears and factoring owed by the tenant members of the Board of Management (and their close family) were £nil (2016 - £nil).

Forbes McCallum acted as a Director of Grampian Regional Equality Council (GREC) and a member of the Langstane Housing Association Board of Management during 2015-16, before resigning from his role on the Langstane Board of Management during 2015-16. During the current year Langstane Housing Association Limited received services from GREC totalling £nil (2016 - £558), of which £nil (2016 - £97) was outstanding at the year end. Langstane Housing Association Limited provided services to GREC totalling £nil (2016 - £13,758) of which £nil (2016 - £nil) was outstanding at the year end.

#### 24. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled 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 City, Aberdeenshire and Moray.

#### 25. GOVERNING BODY MEMBER EMOLUMENTS

Board of Management members received £907 (2016 - £869) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Management members in respect of their duties to the Association.

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. INVESTMENTS

	2017 £	2016 £
<b>Investments in Subsidiaries</b>		
As at 31st March 2016	1	1
Additions	1	-
As at 31st March 2017	<u>2</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 100% owned 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 Limited provided development, management, maintenance and financial services to Next Step Homes Limited for which a charge of £132,460 (2016 - £86,455) was made of which £4,966 (2016 - £961) was outstanding at the year end. A donation of £403,199 (2016 - £220,000) was also received from Next Step Homes Limited during the year.

In December 2013, Langstane Housing Association Limited provided a loan to Next Step Homes Limited. During the year, the Association charged interest of £42,052 (2016 - £48,852) in respect of the loan. At the year end, the balance outstanding was cleared as Next Step Homes Limited donated all of its properties to Langstane Housing Association Limited at a value of £2,295,538.

The aggregate amount of capital and reserves and the results of Next Step Homes Limited for the year ended 31st March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	-	<u>2,274,197</u>
Loss for the year	<u>(2,274,160)</u>	<u>(62,460)</u>

The Association 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 £122,643 (2016 - £94,651) was made, of which £11,625 (2016 - £31,022) was outstanding at the year end. A donation of £nil (2016 - £nil) 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 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	<u>(6,639)</u>	<u>(1,506)</u>
Loss for the year	<u>(5,133)</u>	<u>(1,434)</u>

# LANGSTANE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 27. RETIREMENT BENEFIT OBLIGATIONS

##### General

Langstane Housing Association Limited participated 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 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 employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

Based on the final 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.

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 statement of financial position date the present value of this obligation was £2,358,956 (2016 - £2,694,225). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06% (2016 - 2.29%).

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 and is included within the present value of the obligation noted in the paragraph above. For clarity, at the statement of financial position date, the present value of this obligation can be separately identified as £15,004 (2016 - £16,448). 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 1.06% (2016 - 2.29%).

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

As at the statement of financial position date 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 £729,454 (2016: £710,124) to the pension scheme during the year.