



Alexander Sloan
Accountants and Business Advisers

Langstane Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

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

BOARD OF MANAGEMENT , EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

BOARD OF MANAGEMENT

| | |
|-----------------|----------------------------|
| Mr J Knowles | Chair |
| Mr J Fraser | Vice-Chair |
| Ms J Greener | Treasurer |
| Ms S MacDonald | Resigned 19 September 2017 |
| Mr K Hutchens | |
| Mr E Bjorkelund | Resigned 18 February 2018 |
| Mr C Lynch | |
| Dr B Majumder | Resigned 20 July 2018 |
| Ms E Cooper | |
| Mr R Davidson | Resigned 26 June 2017 |
| Mr I Jamieson | |
| Ms S Stephenson | |
| Mr R Stewart | |

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

EXTERNAL AUDITORS

Alexander Sloan
Chartered Accountants
180 St Vincent Street
Glasgow
G2 5SG

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

BANKERS

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

BANKERS

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 31 MARCH 2018

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2018.

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 Association made a surplus of £1,443,222 in the year (2017 - £ 4,000,821). These results are in line with the previous year's performance after taking into account the effect in the previous year of the transfer of engagements from its former subsidiary, Next Step Homes Limited.

The year saw the successful integration of the Next Step Homes Limited properties, which were the subject of a transfer of engagements at 31 March 2017, into the Langstane operations.

Mission, Vision and Values

Langstane's vision is to "be the best we can be" to achieve the stated mission of providing homes and services that make a positive difference to people's lives. The Association's principal area of operation is Aberdeen City and surrounding areas, together with the counties of Aberdeenshire and Moray.

To help the Association achieve its vision, Langstane will continue to invest in:-

it's customers

it's people

it's homes

it's organisation

it's communities

Langstane maintains a five year Business Plan setting out its mission, aims, priorities and resources and which is reviewed and approved by the Board each year. The Plan is designed to ensure that its strategy, products and services are delivered in accordance with its overall ambition and goals, that resources are in place according to the agreed plans, and that risks are identified and mitigated.

Langstane is committed to learn and improve in pursuit of delivering excellent services which provide value for money to its customers. The Association will adapt to changing circumstances, needs and expectations and deliver its services within a culture of continuous improvement.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

Review of Business and Future Developments (Continued)

Corporate Governance

Langstane has a Board that is elected by the members of the Association. It is the responsibility of the Board to undertake the Strategy, setting of policy and overall direction of the Association. It also monitors the operational activities of the Association. The members of the Board are unpaid.

Langstane also has the following sub-committees which operate under a scheme of delegation from the Board:-

- Audit Sub-Committee
- Operational Services Sub-Committee
- Resources and Investment Sub-Committee

Board members take their governance responsibilities very seriously and Langstane continues to provide training and support to Board members to ensure standards of governance are maintained at the highest levels.

Risk Management

Langstane adopts a robust risk management approach which identifies and records the types of risk facing the Association, at both strategic and operational level, prioritises them in terms of potential impact and likelihood of occurrence, and adopting action plans by which risks can be mitigated.

Performance Management / Budgetary Process

Langstane operates a robust performance management system based on the annual internal management plan.

Each year the Board approves the annual budget. Key risk areas are identified and mitigation measures identified to minimise these risks.

Langstane monitors and reviews performance in a number of ways. Key performance indicators are reported to the Board, identifying trends and detailing any actions needed. Quarterly financial reports are presented to Board, including forecasts of future performance together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

Langstane has an active treasury management function, which operates in accordance with the treasury policy approved by the Board. In this way Langstane manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. Langstane, as a matter of policy, does not enter into transactions of a speculative nature.

Housing Issues

Langstane has put a number of measures in place to help tackle the effects of welfare reform and the instigation of Universal Credit. A team of welfare and tenancy sustainment officers has been established to assist tenants who may face difficulties with the new systems and to ensure that problems are identified at an earlier stage and assistance provided. The Association will make provisions to provide on-line service help for those who require assistance. Langstane will also work in partnership with other agencies for the benefit of customers.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

Review of Business and Future Developments (Continued)

New Developments

During the year ended 31 March 2018 Langstane completed and let for occupancy 15 units of social rented accommodation in Peterhead. Langstane is actively building another 58 units which are scheduled for completion in 2018/19 in Aberdeen City, Macduff and Portsoy. All of these units will be for social housing.

Langstane is also pursuing a number of further development opportunities which will allow the addition of a number of further units across the Association's area of operation over the next five year period.

Langstane also continues to invest in the upgrade of existing property through its component replacement programme. Langstane is working to ensure that all of its properties meet the standards for energy efficiency set out in the EESSH requirements which are required to be met by 2020.

Credit Payment Policy

Langstane follows the guidance set out in the Prompt Payment Code with regards to payment of trade creditors. The average payment period is 30 days.

Customer Engagement

Tenant involvement and participation is extremely important to Langstane and the Association continues to investigate new opportunities to communicate with tenants and to encourage participation in tenant-led initiatives to shape the future of Langstane.

Employee Involvement and Health and Safety

Langstane's policy is to discuss and consult with employees on all matters likely to affect employees' interests. Langstane encourages employee involvement in all initiatives and believes that training, career development and promotion opportunities should be available to all employees. Langstane strives to afford equal opportunities to all individuals and sections of the community and the policy is to encourage recruitment of disabled people for all suitable vacancies. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the Association can continue, including, if necessary, re-training to a role more suited to their aptitudes and abilities.

Langstane is committed to maintaining high Health and Safety standards in all areas.

Communities

Langstane continues to work closely with many partner organisations in order to develop and improve services to local communities. The Association will continue to explore all avenues for community involvement.

Going Concern

The Board has reviewed the results for this year and has also reviewed the financial projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Future Developments

Over the next five year period of the Business Plan Langstane will continue to develop new properties where need is identified. Langstane will also invest in improvements to existing properties, especially in areas which are of particular concern to tenants, such as energy efficiency and fire safety.

Langstane also intends to conduct a major exercise in respect of the affordability of its properties to ensure that tenancies can be sustained in the long term.

Langstane will also invest in its IT systems to improve operational efficiency and improve working practices for employees. Investment will also be made in digital services to give customers a greater input into the management of their properties and services.

LANGSTANE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

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 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 judgements 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 items in the statement of comprehensive income and the 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 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 31 MARCH 2018

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 2018. 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

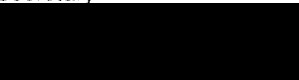
During the year the Association made charitable donations amounting to £623 (2017 - £300).

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


LANGSTANE HOUSING ASSOCIATION LIMITED

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 6 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 6 has provided the disclosures required by the relevant Regulatory Standards within 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

Accountants and Business Advisers
Statutory Auditors
GLASGOW



Alexander Sloan
Accountants and Business Advisers

LANGSTANE HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Langstane Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

LANGSTANE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LANGSTANE HOUSING ASSOCIATION LIMITED (Continued)

Other information

The Board of Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Board of Management.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on Page 5, the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

LANGSTANE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LANGSTANE HOUSING ASSOCIATION LIMITED (Continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management .
- Conclude on the appropriateness of the Board of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW



Alexander Sloan
Accountants and Business Advisers

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 | 2017 |
|--|-------|-------------------------|-------------------------|
| | | £ | £ |
| REVENUE | 2 | 14,891,505 | 14,846,972 |
| Operating Costs | 2 | <u>(11,598,787)</u> | <u>(11,185,906)</u> |
| OPERATING SURPLUS | | 3,292,718 | 3,661,066 |
| Gain On Sale Of Housing Stock | 7 | 137,865 | 71,406 |
| Transfer of assets from subsidiary undertaking | | - | 2,295,538 |
| Interest Receivable and Other Income | | 3,112 | 45,019 |
| Interest Payable and Similar Charges | 8 | (1,944,284) | (2,015,777) |
| Other Finance Charges | 11 | <u>(46,189)</u> | <u>(56,431)</u> |
| | | <u>(1,849,496)</u> | <u>339,755</u> |
| SURPLUS FOR THE YEAR | 9 | <u>1,443,222</u> | <u>4,000,821</u> |

The notes on pages 15 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

| | Notes | 2018 | | 2017 | |
|--|--------|------------------|---------------------|------------------|---------------------|
| | | £ | £ | £ | £ |
| NON-CURRENT ASSETS | | | | | |
| Housing Properties - Depreciated Cost | 12 (a) | | 150,597,182 | | 146,629,478 |
| Other Non-current Assets | 12 (b) | | 3,584,235 | | 3,729,417 |
| | | | <u>154,181,417</u> | | <u>150,358,895</u> |
| INVESTMENTS | | | | | |
| Investment in subsidiaries | 25 | 1 | | 2 | |
| | | | 1 | | 2 |
| CURRENT ASSETS | | | | | |
| Stock of maintenance materials | | 10,000 | | 10,000 | |
| Receivables | 15 | 1,039,448 | | 953,768 | |
| Cash at bank and in hand | | 854,633 | | 2,407,891 | |
| | | <u>1,904,081</u> | | <u>3,371,659</u> | |
| CREDITORS: Amounts falling due within one year | | | | | |
| | 16 | (17,747,722) | | (4,449,273) | |
| NET CURRENT LIABILITIES | | | | | |
| | | | <u>(15,843,641)</u> | | <u>(1,077,614)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 138,337,777 | | 149,281,283 |
| CREDITORS: Amounts falling due after more than one year | | | | | |
| | 17 | | (31,088,260) | | (45,685,946) |
| DEFERRED INCOME | | | | | |
| Social Housing Grants | 19 | (87,646,875) | | (85,740,296) | |
| Other Grants | 19 | (3,373,016) | | (3,068,629) | |
| | | | <u>(91,019,891)</u> | | <u>(88,808,925)</u> |
| NET ASSETS | | | | | |
| | | | <u>16,229,626</u> | | <u>14,786,412</u> |
| EQUITY | | | | | |
| Share Capital | 20 | | 106 | | 114 |
| Revenue Reserves | | | 16,229,520 | | 14,786,298 |
| | | | <u>16,229,626</u> | | <u>14,786,412</u> |

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on [REDACTED]

[REDACTED]
Secretary

The notes on pages 15 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

| | Notes | 2018 | 2017 |
|--|-------------|----------------|------------------|
| | | £ | £ |
| Net cash inflow from operating activities | 18 | 4,830,323 | 8,643,658 |
| Investing Activities | | | |
| Acquisition and Construction of Properties | (7,186,290) | (9,962,118) | |
| Purchase of Other Fixed Assets | (39,928) | (160,373) | |
| Social Housing Grant Received | 3,930,713 | 2,059,454 | |
| Social Housing Grant Repaid | (21,708) | - | |
| Investment in subsidiaries | (1) | 1 | |
| Other Grants Received | 358,000 | - | |
| Proceeds on Disposal of Properties | 192,383 | 82,871 | |
| Proceeds on Disposal of Other Fixed Assets | - | 22,017 | |
| Net cash outflow from investing activities | | (2,766,831) | (7,958,148) |
| Financing Activities | | | |
| Loan Advances Received | - | 4,500,000 | |
| Other Finance Received | 48,764 | 98,405 | |
| Interest Received on Cash and Cash Equivalents | 3,112 | 45,019 | |
| Interest Paid on Loans | (1,994,107) | (2,069,375) | |
| Loan Principal Repayments | (1,645,563) | (1,645,497) | |
| Other Finance Repayments | (28,956) | (16,495) | |
| Share Capital Issued | - | 14 | |
| Net cash (outflow) / inflow from financing activities | | (3,616,750) | 912,071 |
| (Decrease) / increase in cash | | (1,553,258) | 1,597,581 |
| Opening Cash & Cash Equivalents | | 2,407,891 | 810,310 |
| Closing Cash & Cash Equivalents | | <u>854,633</u> | <u>2,407,891</u> |
| Cash and Cash equivalents as at 31 March | | | |
| Cash | | 854,633 | 2,407,891 |
| | | <u>854,633</u> | <u>2,407,891</u> |

The notes on pages 15 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

| | Share Capital | Revenue Reserve | Total |
|------------------------------------|------------------|--------------------|-------------------|
| | £ | £ | £ |
| Balance as at 1 April 2016 | 106 | 10,785,477 | 10,785,583 |
| Issue of Shares | 14 | - | 14 |
| Cancellation of Shares | (6) | - | (6) |
| Surplus for the year | - | 4,000,821 | 4,000,821 |
| Balance as at 31 March 2017 | <u>114</u> | <u>14,786,298</u> | <u>14,786,412</u> |
| Balance as at 1 April 2017 | 114 | 14,786,298 | 14,786,412 |
| Cancellation of Shares | (8) | - | (8) |
| Surplus for the year | - | 1,443,222 | 1,443,222 |
| Balance as at 31 March 2018 | <u>106</u> | <u>16,229,520</u> | <u>16,229,626</u> |

The notes on pages 15 to 29 form part of these financial statements.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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', the Statement of Recommended Practice for Registered social housing providers 2014 and the Co-operative and Community Benefits Societies Act 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods beginning on or after 1 January 2015.

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice for Registered social housing providers 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

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 they relate.

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 a 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.

| Component | Useful Economic Life |
|-----------------|----------------------|
| 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 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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:

| Asset Category | Depreciation Rate |
|------------------------------|-------------------|
| 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 they relate.

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 costs. 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.

Taxation

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

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 an percentage basis split across the number of properties the Association owns.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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.

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 2018 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 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

| | Notes | 2018 | | | 2017 | | |
|-------------------------------|-------|-------------------|-------------------------|--|-------------------|-------------------------|--|
| | | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ | Turnover £ | Operating Costs £ | Operating Surplus / (Deficit) £ |
| Affordable letting activities | 3 | 14,349,535 | 10,885,285 | 3,464,250 | 13,893,319 | 10,357,893 | 3,535,426 |
| Other Activities | 4 | 541,970 | 713,502 | (171,532) | 953,653 | 828,013 | 125,640 |
| Total | | 14,891,505 | 11,598,787 | 3,292,718 | 14,846,972 | 11,185,906 | 3,661,066 |

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

| | General Needs Housing £ | Hostels £ | Shared Ownership £ | 2018 Total £ | 2017 Total £ |
|---|----------------------------------|----------------|--------------------------|--------------------|--------------------|
| Revenue from Lettings | | | | | |
| Rent receivable net of service charges | 11,383,175 | 236,601 | 109,009 | 11,728,785 | 11,386,821 |
| Service charges receivable | 694,822 | 2,159 | 13,405 | 710,386 | 596,630 |
| Gross income from rent and service charges | 12,077,997 | 238,760 | 122,414 | 12,439,171 | 11,983,451 |
| Less: Rent losses from voids | 178,408 | - | 210 | 178,618 | 148,581 |
| Net Rents Receivable | 11,899,589 | 238,760 | 122,204 | 12,260,553 | 11,834,870 |
| Grants released from deferred income | 2,061,656 | 26,524 | 802 | 2,088,982 | 2,058,449 |
| Total turnover from affordable letting activities | 13,961,245 | 265,284 | 123,006 | 14,349,535 | 13,893,319 |
| Expenditure on affordable letting activities | | | | | |
| Management and maintenance administration costs | 2,800,120 | 5,962 | 31,539 | 2,837,621 | 2,796,582 |
| Service Costs | 681,427 | 9,352 | - | 690,779 | 647,670 |
| Planned and cyclical maintenance, including major repairs | 1,967,509 | 23,503 | 224 | 1,991,236 | 1,425,434 |
| Reactive maintenance costs | 1,797,210 | 14,188 | 502 | 1,811,900 | 1,926,720 |
| Bad Debts - rents and service charges | 118,775 | - | 752 | 119,527 | 183,503 |
| Depreciation of affordable let properties | 3,400,908 | 26,339 | 6,975 | 3,434,222 | 3,377,984 |
| Operating costs of affordable letting activities | 10,765,949 | 79,344 | 39,992 | 10,885,285 | 10,357,893 |
| Operating surplus on affordable letting activities | 3,195,296 | 185,940 | 83,014 | 3,464,250 | 3,535,426 |
| 2017 | 3,251,339 | 190,249 | 93,838 | | |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 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 Grants | Other Income | Total Turnover | Operating Costs Bad Debts | Operating Costs Other | Operating Surplus / (Deficit) 2018 | Operating Surplus / (Deficit) 2017 |
|------------------------------------|---|----------------------------|-----------------|-------------------|---------------------------------|-----------------------------|---|---|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | - | - | 149,629 | 149,629 | - | 144,320 | 5,309 | (17,056) |
| Commercial leases | - | - | 86,870 | 86,870 | 3,573 | 45,794 | 37,503 | 19,172 |
| Managed association | - | - | 189,524 | 189,524 | - | 35,721 | 153,803 | 90,892 |
| Development administration | 4,024 | - | - | 4,024 | - | 280,212 | (276,188) | (297,033) |
| Other activities | - | - | 3,127 | 3,127 | - | 58,941 | (55,814) | (6,037) |
| Charitable donations | - | - | - | - | - | 623 | (623) | 403,199 |
| Rechargeable repairs | - | - | 108,796 | 108,796 | 58,689 | 85,629 | (35,522) | (67,497) |
| Total From Other Activities | 4,024 | - | 537,946 | 541,970 | 62,262 | 651,240 | (171,532) | 125,640 |
| 2017 | 3,075 | 172,483 | 778,095 | 953,653 | 120,598 | 707,415 | 125,640 | |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

| | 2018 | 2017 |
|---|---------|---------|
| | £ | £ |
| Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions) | 274,139 | 269,585 |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | 34,090 | 33,487 |
| Emoluments payable to Chief Executive (excluding pension contributions) | 83,153 | 81,624 |
| Total Emoluments paid to key management personnel | 308,229 | 303,072 |

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

| | 2018 | 2017 |
|--|-----------|-----------|
| | 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: | 89 | 87 |
| Staff Costs were: | £ | £ |
| Wages and Salaries | 2,421,703 | 2,394,273 |
| Social Security Costs | 238,396 | 232,335 |
| Other Pension Costs | 260,160 | 268,031 |
| Temporary, Agency and Seconded Staff | 577 | 16,488 |
| | 2,920,836 | 2,911,127 |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

| | 2018 | 2017 |
|-------------------------------|----------------|---------------|
| | £ | £ |
| Sales Proceeds | 192,383 | 82,871 |
| Cost of Sales | <u>54,518</u> | <u>11,465</u> |
| Gain On Sale Of Housing Stock | <u>137,865</u> | <u>71,406</u> |

8. INTEREST PAYABLE & SIMILAR CHARGES

| | 2018 | 2017 |
|----------------------------|------------------|------------------|
| | £ | £ |
| On Bank Loans & Overdrafts | 1,971,956 | 2,083,074 |
| On Other Loans | <u>14,240</u> | <u>15,193</u> |
| | 1,986,196 | 2,098,267 |
| Less: Interest Capitalised | <u>41,912</u> | <u>82,490</u> |
| | <u>1,944,284</u> | <u>2,015,777</u> |

Interest capitalised was incurred at 4.74% (2017 - 4.95%).

9. SURPLUS FOR THE YEAR

| | 2018 | 2017 |
|--|------------------|-----------------|
| | £ | £ |
| Surplus For The Year is stated after charging/(crediting): | | |
| Depreciation - Tangible Owned Fixed Assets | 3,632,707 | 3,447,772 |
| Auditors' Remuneration - Audit Services | 21,180 | 20,400 |
| Auditors' Remuneration - Other Services | 6,873 | 1,416 |
| Operating Lease Rentals - Other | 6,366 | 7,716 |
| Gain on sale of fixed assets | <u>(137,865)</u> | <u>(77,117)</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 CHARGES

| | 2018 | 2017 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| Unwinding of Discounted Liabilities | <u>46,189</u> | <u>56,431</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
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 £ |
|------------------------|---|--|--|---------------------------------------|--------------------|
| COST | | | | | |
| As at 1 April 2017 | 182,602,691 | 3,037,390 | 1,098,000 | 2,152,725 | 188,890,806 |
| Additions | 1,622,846 | 5,838,724 | - | - | 7,461,570 |
| Disposals | (246,778) | - | - | (35,308) | (282,086) |
| Transfers | 2,316,959 | (2,245,959) | - | (71,000) | - |
| As at 31 March 2018 | <u>186,295,718</u> | <u>6,630,155</u> | <u>1,098,000</u> | <u>2,046,417</u> | <u>196,070,290</u> |
| DEPRECIATION | | | | | |
| As at 1 April 2017 | 42,216,824 | - | 44,504 | - | 42,261,328 |
| Charge for Year | 3,344,317 | - | 28,403 | 74,877 | 3,447,597 |
| Disposals | (235,817) | - | - | - | (235,817) |
| As at 31 March 2018 | <u>45,325,324</u> | <u>-</u> | <u>72,907</u> | <u>74,877</u> | <u>45,473,108</u> |
| NET BOOK VALUE | | | | | |
| As at 31 March 2018 | <u>140,970,394</u> | <u>6,630,155</u> | <u>1,025,093</u> | <u>1,971,540</u> | <u>150,597,182</u> |
| As at 31 March 2017 | <u>140,385,867</u> | <u>3,037,390</u> | <u>1,053,496</u> | <u>2,152,725</u> | <u>146,629,478</u> |

Additions to housing properties include capitalised development administration costs of £261,634 (2017 - £260,631) and capitalised major repair costs to existing properties of £Nil (2017 - £Nil).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,614,082 (2017 - £3,814,662). The amount capitalised is £1,622,846 (2017 - £2,230,182) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,622,846 (2017 - £2,230,182) and improvement of £Nil (2017 - £Nil).

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

The Association's Lenders have standard securities over Housing Property with a carrying value of £84,888,050 (2017 - £86,527,203).

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

| (b) Other Tangible Assets | Office Land & Buildings £ | Furniture & Equipment £ | Commercial Property £ | Total £ |
|-------------------------------|---------------------------------|-------------------------------|-----------------------------|------------|
| COST | | | | |
| As at 1 April 2017 | 3,480,435 | 1,314,733 | 1,279,705 | 6,074,873 |
| Additions | - | 39,928 | - | 39,928 |
| As at 31 March 2018 | 3,480,435 | 1,354,661 | 1,279,705 | 6,114,801 |
| AGGREGATE DEPRECIATION | | | | |
| As at 1 April 2017 | 641,975 | 1,068,664 | 634,817 | 2,345,456 |
| Charge for year | 62,160 | 104,066 | 18,884 | 185,110 |
| As at 31 March 2018 | 704,135 | 1,172,730 | 653,701 | 2,530,566 |
| NET BOOK VALUE | | | | |
| As at 31 March 2018 | 2,776,300 | 181,931 | 626,004 | 3,584,235 |
| As at 31 March 2017 | 2,838,460 | 246,069 | 644,888 | 3,729,417 |

13. CAPITAL COMMITMENTS

| | 2018 £ | 2017 £ |
|--|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | 1,858,584 | 777,313 |

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

| | 2018 £ | 2017 £ |
|---|-----------|-----------|
| At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:- | | |
| Land and Buildings | | |
| Not later than one year | 30,192 | 73,873 |
| Later than one year and not later than five years | 12,541 | 42,734 |
| Other | | |
| Not later than one year | 13,002 | 4,363 |
| Later than one year and not later than five years | 29,550 | - |

15. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 £ | 2017 £ |
|-------------------------------------|-------------|-------------|
| Arrears of Rent & Service Charges | 1,887,305 | 1,910,937 |
| Less: Provision for Doubtful Debts | (1,508,493) | (1,581,297) |
| | 378,812 | 329,640 |
| Social Housing Grant Receivable | 28,199 | - |
| Other Receivables | 603,935 | 608,059 |
| Amounts Due from Group Undertakings | 28,502 | 16,069 |
| | 1,039,448 | 953,768 |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2018 | 2017 |
|--|-------------------|------------------|
| | £ | £ |
| Housing Loans | 14,145,639 | 1,645,564 |
| Finance leases | 23,142 | 15,201 |
| Trade Payables | 786,936 | 802,342 |
| Rent Received in Advance | 160,259 | 167,127 |
| Other Taxation and Social Security | 134,810 | 133,081 |
| Other Payables | 358,420 | 251,396 |
| Liability for Past Service Contributions | 474,300 | 461,423 |
| Accruals and Deferred Income | 1,664,216 | 973,139 |
| | <u>17,747,722</u> | <u>4,449,273</u> |

At the balance sheet date there were pension contributions outstanding of £76,793 (2017 - £76,958).

17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | £ | £ |
| Liability for Past Service Contributions | 1,433,617 | 1,897,533 |
| Finance leases | 78,577 | 66,709 |
| Housing Loans | 29,576,066 | 43,721,704 |
| | <u>31,088,260</u> | <u>45,685,946</u> |
| Housing Loans | | |
| Amounts due within one year | 14,145,639 | 1,645,564 |
| Amounts due in one year or more but less than two years | 1,645,722 | 14,145,639 |
| Amounts due in two years or more but less than five years | 4,937,760 | 4,937,450 |
| Amounts due in more than five years | 22,992,584 | 24,638,615 |
| | <u>43,721,705</u> | <u>45,367,268</u> |
| Less: Amount shown in Current Liabilities | 14,145,639 | 1,645,564 |
| | <u>29,576,066</u> | <u>43,721,704</u> |
| Finance leases | | |
| Amounts due within one year | 23,142 | 15,201 |
| Amounts due in one year or more but less than two years | 25,265 | 16,063 |
| Amounts due in two years or more but less than five years | 53,312 | 50,646 |
| | <u>101,719</u> | <u>81,910</u> |
| Less: Amount shown in Current Liabilities | 23,142 | 15,201 |
| | <u>78,577</u> | <u>66,709</u> |
| Liability for Past Service Contributions | | |
| Amounts due within one year | 474,300 | 461,423 |
| Amounts due in one year or more but less than two years | 481,257 | 470,281 |
| Amounts due in two years or more but less than five years | 945,572 | 1,424,630 |
| Amounts due in more than five years | 6,788 | 2,622 |
| | <u>1,907,917</u> | <u>2,358,956</u> |
| Less: Amount shown in Current Liabilities | 474,300 | 461,423 |
| | <u>1,433,617</u> | <u>1,897,533</u> |

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 1.51% (2017 - 1.06%).

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 (Year) | 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.

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

| <i>Reconciliation of operating surplus to net cash inflow from operating activities</i> | 2018 £ | 2017 £ |
|---|------------------|------------------|
| Operating Surplus | 3,292,718 | 3,661,066 |
| Depreciation | 3,632,710 | 3,733,307 |
| Amortisation of Capital Grants | (2,092,487) | (2,058,632) |
| Change in stock | - | 4,429 |
| Change in debtors | (57,481) | 138,408 |
| Change in creditors | 101,060 | (788,975) |
| Gain on sale of fixed assets | - | (5,711) |
| Unwinding of Discount on Pension Liability | (46,189) | (56,431) |
| Transfer of assets from Subsidiary Undertaking | - | 2,295,538 |
| Change in loan to subsidiary | - | 1,720,665 |
| Share Capital Written Off | (8) | (6) |
| Net cash inflow from operating activities | <u>4,830,323</u> | <u>8,643,658</u> |

19. DEFERRED INCOME

| | Housing Properties Held for Letting £ | Housing Properties In course of Construction £ | Commercial Leases £ | Completed Shared Ownership £ | Total £ |
|--|---|--|---------------------------|---------------------------------------|--------------------|
| Social Housing Grants | | | | | |
| As at 1 April 2017 | 115,073,877 | 2,562,308 | 19,190 | 591,932 | 118,247,307 |
| Additions in the year | 480,000 | 3,478,912 | - | - | 3,958,912 |
| Eliminated on disposal of components and property | - | - | - | (13,459) | (13,459) |
| Transferred | 1,446,387 | (1,403,212) | (19,190) | (23,985) | - |
| As at 31 March 2018 | <u>117,000,264</u> | <u>4,638,008</u> | <u>-</u> | <u>554,488</u> | <u>122,192,760</u> |
| Amortisation | | | | | |
| As at 1 April 2017 | 32,506,506 | - | 505 | - | 32,507,011 |
| Amortisation in year | 2,007,627 | - | - | 31,247 | 2,038,874 |
| Transferred | 505 | - | (505) | - | - |
| As at 31 March 2018 | <u>34,514,638</u> | <u>-</u> | <u>-</u> | <u>31,247</u> | <u>34,545,885</u> |
| Net book value | | | | | |
| As at 31 March 2018 | <u>82,485,626</u> | <u>4,638,008</u> | <u>-</u> | <u>523,241</u> | <u>87,646,875</u> |
| As at 31 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> |
| Other Grants | | | | | |
| As at 1 April 2017 | 3,798,291 | - | 175,250 | 195,547 | 4,169,088 |
| Additions in the year | 358,000 | - | - | - | 358,000 |
| As at 31 March 2018 | <u>4,156,291</u> | <u>-</u> | <u>175,250</u> | <u>195,547</u> | <u>4,527,088</u> |
| Amortisation | | | | | |
| As at 1 April 2017 | 1,055,399 | - | 45,060 | - | 1,100,459 |
| Amortisation in year | 49,603 | - | 4,010 | - | 53,613 |
| As at 31 March 2018 | <u>1,105,002</u> | <u>-</u> | <u>49,070</u> | <u>-</u> | <u>1,154,072</u> |
| Net book value | | | | | |
| As at 31 March 2018 | <u>3,051,289</u> | <u>-</u> | <u>126,180</u> | <u>195,547</u> | <u>3,373,016</u> |
| As at 31 March 2017 | <u>2,742,892</u> | <u>-</u> | <u>130,190</u> | <u>195,547</u> | <u>3,068,629</u> |
| Total grants net book value as at 31 March 2018 | <u>85,536,915</u> | <u>4,638,008</u> | <u>126,180</u> | <u>718,788</u> | <u>91,019,891</u> |
| Total grants net book value as at 31 March 2017 | <u>85,310,263</u> | <u>2,562,308</u> | <u>148,875</u> | <u>787,479</u> | <u>88,808,925</u> |

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

| | 2018 £ | 2017 £ |
|---------------------------------|-------------------|-------------------|
| Amounts due within one year | 2,092,487 | 2,058,632 |
| Amounts due in one year or more | 88,927,404 | 86,750,293 |
| | <u>91,019,891</u> | <u>88,808,925</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

| Shares of £1 each Issued and Fully Paid | 2018 | 2017 |
|---|------------|------------|
| | £ | £ |
| As at 1 April 2017 | 114 | 106 |
| Issued in year | - | 14 |
| Cancelled in year | (8) | (6) |
| At 31 March 2018 | <u>106</u> | <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.

21. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | 2018 | 2017 |
|--|--------------|--------------|
| | No. | No. |
| General Needs | 2,828 | 2,813 |
| Hostels (bed spaces) | 76 | 76 |
| Lead Tenancies | 42 | 42 |
| Shared Ownership | 62 | 63 |
| | <u>3,008</u> | <u>2,994</u> |

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

| Name of Organisation | Number of Units | |
|---------------------------|-----------------|-----------|
| | 2018 | 2017 |
| | No. | No. |
| Stockethill Homes Limited | <u>41</u> | <u>41</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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 positions to their advantage.

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

Transactions with Board of Management members (and their close family) were as follows:

| | 2018 £ | 2017 £ |
|--|---------------|--------------|
| Rent received from tenants on the Board of Management and their close family members | <u>13,280</u> | <u>8,600</u> |
| At the year end total rent arrears owed by the tenant members on the Board of Management (and their close family) were £200 (2017 - £Nil). | | |
| Members of the Board of Management who are tenants | <u>2</u> | <u>2</u> |

23. 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.

24. BOARD OF MANAGEMENT MEMBER EMOLUMENTS

Board of Management members received £1,547 (2017 - £907) 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 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INVESTMENTS

| Investments in Subsidiaries | 2018 £ | 2017 £ |
|-----------------------------|------------|-----------|
| Cost | | |
| As at 1 April 2017 | 2 | 1 |
| Additions | - | 1 |
| Disposals | (1) | - |
| | <u>(1)</u> | <u>2</u> |
| NBV | | |
| As at 31 March 18 | <u>1</u> | <u>2</u> |
| As at 31 March 17 | <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 had a 100% owned subsidiary named Next Step Homes Limited. The relationship between the Association and its subsidiary was 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 £Nil (2017 - £132,460) was made of which £Nil (2017 - £4,966) was outstanding at the year end.

A donation of £Nil (2017 - £403,199) 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 £Nil (2017 - £42,052) in respect of the loan. The balance was cleared in full during financial year 2016/17.

In the year ended 31 March 2017, Next Step Homes Limited donated all of its properties to Langstane Housing Association at a value of £2,295,538.

Next Step Homes Limited was removed from the Register of Social Landlords on 31 January 2018.

The aggregate amount of capital and reserves and the results of Next Step Homes Limited for the year ended 31 March 2018 were as follows:

| | 2018 £ | 2017 £ |
|----------------------|-----------|--------------------|
| Capital & Reserves | <u>-</u> | <u>-</u> |
| Deficit for the year | <u>-</u> | <u>(2,274,160)</u> |

The Association has a 100% owned subsidiary named Stockethill 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 leased premises to Stockethill Homes Limited for which a charge of £181,315 (2017 - £122,643) was made, of which £28,502 (2017 - £11,625) was outstanding at the year end.

The aggregate amount of capital and reserves and the results of Stockethill Homes Limited for the year ended 31 March 2018 were as follows:

| | 2018 £ | 2017 £ |
|--------------------|-----------------|----------------|
| Capital & Reserves | <u>(13,372)</u> | <u>(6,639)</u> |
| Loss for the year | <u>(6,733)</u> | <u>(5,133)</u> |

LANGSTANE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

Langstane Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the 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 £616m. 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 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 £474,300 from 1 April 2018 (2017 - £457,690). Payments are expected to increase by 3% per annum and continue until February 2022.

All employer's 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 £1,907,917 (2017 - £2,358,956). 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. The discount rate used was 1.51% (2017 - 1.06%).

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 £19,142 (2017 - £15,004). 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. The discount rate used was 1.71% (2017 - 1.32%).

During the accounting period, Langstane Housing Association Limited paid contributions at rates between 10.2% and 12.6% of pensionable salaries. Member contributions were made at rates between 4.0% and 12.5% of pensionable salary.

At the statement of financial position date the present value of this obligation was £474,300 (2017 - £461,423). 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. The discount rate used was 1.51% (2017 - 1.06%).

As at the statement of financial position date there were 76 active members of the scheme (2017 - 72 active members) employed by Langstane Housing Association Limited. Langstane Housing Association Limited continues to offer membership of the scheme to new employees.

The Association made payments totalling £723,817 (2017 - £729,454) to the pension scheme during the year.