



**Alexander Sloan**  
Accountants and Business Advisers

# **Linstone Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31 March 2018**

**Registered Housing Association No. HEP299**

**FCA Reference No. 2524R(S)**

**Scottish Charity No. SC027454**

# LINSTONE HOUSING ASSOCIATION LIMITED

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# LINSTONE HOUSING ASSOCIATION LIMITED

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## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

### MANAGEMENT COMMITTEE

Elizabeth Arnott	Chairperson
Nanette J Reid BEM	Vice-Chairperson
Sandy Hewitt	Secretary
Councillor Mags MacLaren	Appointed 18/05/17
Jamie Irvine	
Elaine Hunter	
Isaac Nwokeabia	
Tom Wallace	Appointed 12/09/17
Christine Boyland	Appointed 12/09/17
Janine Ballantyne	Co-optee 12/09/17
Michael Wilkie	Co-optee 24/10/17
Audrey Simpson	Resigned 16/01/18
Elizabeth McAlpine	Resigned 12/09/17
Colin Turnbull	Resigned 12/09/17
Bernard Singleton	Resigned 12/09/17
Elizabeth Bell	Resigned 12/09/17
Councillor John Hood	Resigned 18/05/17

### EXECUTIVE OFFICERS

Adele Fraser	Chief Executive Officer
David Adam	Director of Housing & Property Services
Lesley-Anne Junner	Director of Finance & Corporate Services (appointed May 2017)

### REGISTERED OFFICE

17 Bridge Street  
Linwood  
Renfrewshire  
PA3 3DB

### EXTERNAL AUDITORS

Alexander Sloan  
Accountants and Business Advisers  
180 St Vincent Street  
Glasgow  
G2 5SG

### BANKERS

Bank of Scotland Corporate Specialist Banking - RM (not for profit)  
2nd Floor Pentland House  
8 Lochside Avenue  
Edinburgh Park  
EH12 9DJ

### SOLICITORS

HBJ Gateley  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

# LINSTONE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

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

### **Legal Status**

Linstone Housing Association Limited ("the Association") is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2524R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC027454.

### **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 has now completed its nineteenth year of business and 2017/18 has been successful in terms of its performance and activities. The rent increase for the year was set at 2.5%, which is lower than the current level of inflation. Our major expenditure during the year was targeted on improving our stock, including major improvements such as rewiring, roofing, new windows and doors to tenants' homes. For these works the Association invested around £1.3 million. This has allowed us to continue our major programme of investment in our tenants' homes.

Expenditure in relation to other works including reactive maintenance, cyclical works and minor planned maintenance amounted to a further £1.3 million. Following the tragic fire at Grenfell Tower in London, Linstone has focussed on fire safety in our own high rise blocks in Linwood, to ensure that these are meeting all the required standards for fire safety. Regular inspections by Scottish Fire and Rescue are carried out and any findings are implemented. Linstone have invested in the blocks to further enhance the fire safety standards.

Linstone continues to focus on providing training opportunities through placements and temporary positions for people in our communities. This year Linstone was able to start a new large scale, community-based employment training programme, for 32 local people, funded through Invest in Renfrewshire. Linstone has continued to provide (on behalf of FLAIR and other partners) our 3 year Connect4Renfrewshire project, aimed at supporting tenants suffering from financial exclusion. The second phase of the Lottery funded project, Connect4Renfrewshire, commenced in December 2015 and will continue until the end of 2018. Working with several third sector partners, the project provides assistance in home energy, financial literacy, mental health support and furniture provision. The project offers significant support to our tenants to enable them to sustain their tenancies successfully.

# LINSTONE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

### **Review of Business and Future Developments (Continued)**

Linstone has also been successful in obtaining continued funding for our wider role projects, including the "social prescribing" project - Community Connectors, which is part-funded through the Health and Social Care Partnership.

Linstone has also been focussing on using digital communication with our tenants and customers with the aim of improving our customer service. We have focussed on communications through social media and also send out regular newsletters to our tenants and factored owners.

Annual Return on the Charter report for tenants this year shows Linstone performing well in areas like tenancy sustainment, debt control and re-letting of homes. Linstone has been classified as "Low Engagement" by the Scottish Housing Regulator.

Overall, Linstone has made significant progress throughout the year and this has allowed us to meet a range of commitments to our tenants and customers and deliver a programme of long term improvements in our homes.

#### Business plan development

We have been consulting on a five year business plan with tenants, staff and other stakeholders and this will form the basis of our work from 2018-2023.

### **Management Committee and Executive Officers**

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

Each member of the Management Committee 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 Management Committee.

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

### **Statement of Management Committee's Responsibilities**

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee 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 Management Committee 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; and
- prepare a statement on Internal Financial Control.

# LINSTONE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee 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 Management Committee 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 Management Committee are aware:

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

### Statement on Internal Financial Control

The Management Committee 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; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements 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 Management Committee 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;

# LINSTONE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

- 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 Management Committee;
- the Management Committee receive reports from management and from the external 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; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee 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.

The Management Committee have agreed to undertake a full governance review in 2018/19 to gain independent assessment of the governance environment.

### **Auditors**

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

### **By order of the Management Committee**

**SANDY HEWITT**  
Secretary  
21 August 2018



# LINSTONE HOUSING ASSOCIATION LIMITED

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## REPORT BY THE AUDITORS TO THE MEMBERS OF LINSTONE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 4 and 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 pages 4 and 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee'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  
21 August 2018



**Alexander Sloan**  
Accountants and Business Advisers



# LINSTONE HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINSTONE HOUSING ASSOCIATION LIMITED

### Opinion

We have audited the financial statements of Linstone 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 Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee 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.

### Other information

The Management Committee 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

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 Management Committee.

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.

# LINSTONE HOUSING ASSOCIATION LIMITED

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

### Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 4, the Management Committee 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 Management Committee 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 Management Committee 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 Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.


### 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 Management Committee.
- Conclude on the appropriateness of the Management Committee 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's 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  
21 August 2018

  
**Alexander Sloan**  
Accountants and Business Advisers

# LINSTONE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes		2018	2017
		£	£	£
<b>REVENUE</b>	2		7,362,820	8,648,335
Operating Costs	2		<u>(6,054,586)</u>	<u>(6,394,929)</u>
<b>OPERATING SURPLUS</b>			1,308,234	2,253,406
Gain On Sale Of Housing Stock	7	-		47,435
Exceptional Item	26/18	-		1,100,000
Interest Receivable and Other Income		11,941		17,936
Interest Payable and Similar Charges	8	(285,239)		(299,517)
Other Finance Income / (Charges)	11	<u>(9,000)</u>		<u>(88,000)</u>
			<u>(282,298)</u>	<u>777,854</u>
<b>SURPLUS FOR THE YEAR</b>	9		<b>1,025,936</b>	<b>3,031,260</b>
Other Comprehensive Income			203,000	(108,000)
<b>TOTAL COMPREHENSIVE INCOME</b>			<b><u>1,228,936</u></b>	<b><u>2,923,260</u></b>

The notes on pages 13 to 30 form part of these financial statements.

# LINSTONE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12 (a)		21,143,543		21,314,792
Other Non-current Assets	12 (b)		448,985		490,364
			<u>21,592,528</u>		<u>21,805,156</u>
<b>CURRENT ASSETS</b>					
Receivables	15	530,630		507,522	
Investments	25	1,500,000		-	
Cash at bank and in hand		4,708,990		5,510,612	
		<u>6,739,620</u>		<u>6,018,134</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>(2,253,673)</u>		<u>(1,819,623)</u>	
<b>NET CURRENT ASSETS</b>			<u>4,485,947</u>		<u>4,198,511</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			26,078,475		26,003,667
<b>CREDITORS: Amounts falling due after more than one year</b>	17		(10,003,563)		(10,809,871)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Other Provision	28.	-		(211,000)	
				-	(211,000)
<b>DEFERRED INCOME</b>					
Social Housing Grants	19	<u>(4,077,077)</u>		<u>(4,213,903)</u>	
			<u>(4,077,077)</u>		<u>(4,213,903)</u>
<b>NET ASSETS</b>			<u>11,997,835</u>		<u>10,768,893</u>
<b>EQUITY</b>					
Share Capital	20		102		96
Revenue Reserves			11,997,733		10,768,797
			<u>11,997,835</u>		<u>10,768,893</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 21 August 2018.

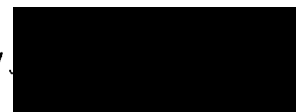
Chairperson



Board member



Secretary



The notes on pages 13 to 30 form part of these financial

# LINSTONE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
<b>Net cash inflow from operating activities</b>	18	2,409,832	2,707,318
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(863,103)	(1,189,259)	
Social Housing Grant Received	-	81,941	
Changes on short term deposits with banks	(1,500,000)	-	
Proceeds on Disposal of Properties	-	63,268	
<b>Net cash outflow from investing activities</b>		(2,363,103)	(1,044,050)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	11,941	26,577	
Interest Paid on Loans	(285,239)	(299,517)	
Loan Principal Repayments	(575,071)	(561,691)	
Share Capital Issued	18	2	
<b>Net cash outflow from financing activities</b>		(848,351)	(834,629)
<b>(Decrease) / increase in cash</b>		(801,622)	828,639
<b>Opening Cash &amp; Cash Equivalents</b>		5,510,612	4,681,973
<b>Closing Cash &amp; Cash Equivalents</b>		<u>4,708,990</u>	<u>5,510,612</u>
<b>Cash and Cash equivalents as at 31 March</b>			
Cash		4,708,990	5,510,612
		<u>4,708,990</u>	<u>5,510,612</u>

The notes on pages 13 to 30 form part of these financial statements.

# LINSTONE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1 April 2016</b>	159	7,845,537	7,845,696
Issue of Shares	2	-	2
Cancellation of Shares	(65)	-	(65)
Other comprehensive income - pension scheme	-	(108,000)	(108,000)
Surplus for the year	-	3,031,260	3,031,260
<b>Balance as at 31 March 2017</b>	<u>96</u>	<u>10,768,797</u>	<u>10,768,893</u>
<b>Balance as at 1 April 2017</b>	96	10,768,797	10,768,893
Issue of Shares	18	-	18
Cancellation of Shares	(12)	-	(12)
Other comprehensive income - pension scheme	-	203,000	203,000
Surplus for the year	-	1,025,936	1,025,936
<b>Balance as at 31 March 2018</b>	<u>102</u>	<u>11,997,733</u>	<u>11,997,835</u>

The notes on pages 13 to 30 form part of these financial statements.

# LINSTONE 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' and the Statement of Recommended Practice - Accounting by Registered Social Landlords 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.

#### Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 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 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 has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

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.

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

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

#### 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	50 years
Kitchens	15 years
Bathrooms	25 years
Central Heating	20 years
Windows	35 years
Door Entry System	16 years
Lifts	40 years

# LINSTONE 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	Useful economic life
Leasehold Office Improvements	15 years
Computer Equipment	5 year
Furniture and Office Equipment	10 years
Office Premises	20 years

The carrying value of non-current assets is 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 FRS102. 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.

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

##### 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) Strathclyde Pension Fund

Accounting entries in respect of transactions regarding the Strathclyde Pension Scheme within the accounts is based on the actuary's report per the scheme. The actuary has used a number of assumptions in their calculation and details of any key assumptions are included within the notes to the financial statements.



# LINSTONE 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.

### **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 Management Committee 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.

# LINSTONE 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	6,712,616	5,442,355	1,270,261	7,885,525	5,785,138	2,100,387
Other Activities 4	650,204	612,231	37,973	762,810	609,791	153,019
<b>Total</b>	<b>7,362,820</b>	<b>6,054,586</b>	<b>1,308,234</b>	<b>8,648,335</b>	<b>6,394,929</b>	<b>2,253,406</b>

## 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General		2018 Total £	2017 Total £
	Needs Housing £	Supported Housing £		
<b>Revenue from Lettings</b>				
Rent receivable net of service charges	5,954,842	295,705	6,250,547	6,238,953
Service charges receivable	32,460	186,260	218,720	233,130
<b>Gross income from rent and service charges</b>	<b>5,987,302</b>	<b>481,965</b>	<b>6,469,267</b>	<b>6,472,083</b>
Less: Rent losses from voids	86,613	9,956	96,569	119,389
<b>Net Rents Receivable</b>	<b>5,900,689</b>	<b>472,009</b>	<b>6,372,698</b>	<b>6,352,694</b>
Grants released from deferred income	77,746	59,080	136,826	134,031
Revenue grants from Scottish Ministers	100,203	-	100,203	137,000
Other revenue grants	70,781	32,108	102,889	1,261,800
<b>Total turnover from affordable letting activities</b>	<b>6,149,419</b>	<b>563,197</b>	<b>6,712,616</b>	<b>7,885,525</b>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	2,202,847	99,545	2,302,392	2,189,888
Service Costs	95,638	115,776	211,414	151,469
Planned and cyclical maintenance, including major repairs	1,174,322	45,502	1,219,824	1,766,281
Reactive maintenance costs	600,847	29,845	630,692	657,430
Bad Debts - rents and service charges	43,681	-	43,681	26,865
Depreciation of affordable let properties	955,173	79,179	1,034,352	993,205
<b>Operating costs of affordable letting activities</b>	<b>5,072,508</b>	<b>369,847</b>	<b>5,442,355</b>	<b>5,785,138</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,076,911</b>	<b>193,350</b>	<b>1,270,261</b>	<b>2,100,387</b>
<b>2017</b>	<b>1,860,962</b>	<b>239,425</b>		

# LINSTONE 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	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£	£	£
Wider role activities	23,000	228,487	-	80,787	332,274	-	359,967	(27,693)	12,137
Support activities	-	-	-	-	-	-	-	-	(1,230)
Factoring	-	-	-	255,474	255,474	2,723	191,169	61,582	105,284
Other activities	-	43,123	-	8,215	51,338	-	47,254	4,084	36,828
Rechargeable repairs	-	-	-	11,118	11,118	-	11,118	-	-
<b>Total From Other Activities</b>	<b>23,000</b>	<b>271,610</b>	<b>-</b>	<b>355,594</b>	<b>650,204</b>	<b>2,723</b>	<b>609,508</b>	<b>37,973</b>	<b>153,019</b>
<b>2017</b>	<b>24,000</b>	<b>175,749</b>	<b>28,013</b>	<b>535,048</b>	<b>762,810</b>	<b>-</b>	<b>609,791</b>	<b>153,019</b>	

# LINSTONE 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 Management Committee, managers and employees of the Association.

	2018	2017
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>73,333</u>	<u>70,885</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>8,727</u>	<u>7,911</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>73,333</u>	<u>70,885</u>
Total Emoluments paid to key management personnel	<u>221,678</u>	<u>220,648</u>

Key Management Personnel are considered to be the members of the Management Committee and the Executive Officers as outlined on Page 1 of these financial statements.

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
£70,001 to £80,000	<u>1</u>	<u>1</u>

### 6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>47</u>	<u>49</u>
The average total number of Employees employed during the year was:	<u>56</u>	<u>53</u>
Staff Costs were:	£	£
Wages and Salaries	1,432,458	1,425,360
Social Security Costs	131,974	135,040
Other Pension Costs	119,617	116,128
Temporary, Agency and Seconded Staff	26,894	6,904
	<u>1,710,943</u>	<u>1,683,432</u>

# LINSTONE 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	-	63,268
Cost of Sales	-	15,833
Gain On Sale Of Housing Stock	<u>-</u>	<u>47,435</u>

## 8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>285,239</u>	<u>299,517</u>

## 9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	1,020,950	999,488
Auditors' Remuneration - Audit Services	14,052	9,300
Auditors' Remuneration - Other Services	714	1,728
Operating Lease Rentals - Other	12,274	12,626
Gain on sale of fixed assets	<u>-</u>	<u>(47,435)</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

	2018	2017
	£	£
Unwinding of Discounted Liabilities	3,000	84,000
Finance (Gain)/Cost on Strathclyde Pension Fund	<u>6,000</u>	<u>4,000</u>
	<u>9,000</u>	<u>88,000</u>

# LINSTONE 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 £	Total £
<b>COST</b>		
As at 1 April 2017	33,148,277	33,148,277
Additions	863,103	863,103
Disposals	(186,432)	(186,432)
Schemes Completed	-	-
As at 31 March 2018	<u>33,824,948</u>	<u>33,824,948</u>
<b>DEPRECIATION</b>		
As at 1 April 2017	11,833,485	11,833,485
Charge for Year	979,571	979,571
Disposals	(131,651)	(131,651)
As at 31 March 2018	<u>12,681,405</u>	<u>12,681,405</u>
<b>NET BOOK VALUE</b>		
As at 31 March 2018	<u>21,143,543</u>	<u>21,143,543</u>
As at 31 March 2017	<u>21,314,792</u>	<u>21,314,792</u>

Additions to housing properties include capitalised major repair costs to existing properties of £682,025 (2017 - £1,003,561), and acquisitions of £181,078 (2017 - £242,482).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £2,532,541 (2017 - £3,266,086). The amount capitalised is £682,025 (2017 - £1,003,561) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £662,495 (2017 - £1,003,561) and improvement of £19,530 (2017 - £0).

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 £13,485,568 (2017 - £13,637,472).

# LINSTONE HOUSING ASSOCIATION LIMITED

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

## 12. NON CURRENT ASSETS (Continued)

<b>(b) Other Tangible Assets</b>				
	Office Premises £	Furniture & Equipment £	Office Computers £	Total £
<b>COST</b>				
As at 1 April 2017	501,020	63,681	49,800	614,501
As at 31 March 2018	501,020	63,681	49,800	614,501
<b>AGGREGATE DEPRECIATION</b>				
As at 1 April 2017	75,153	19,104	29,880	124,137
Charge for year	25,051	6,368	9,960	41,379
As at 31 March 2018	100,204	25,472	39,840	165,516
<b>NET BOOK VALUE</b>				
As at 31 March 2018	400,816	38,209	9,960	448,985
As at 31 March 2017	425,867	44,577	19,920	490,364

## 13. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	63,859	-

The above commitments will be financed by 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:-		
<b>Other</b>		
Not later than one year	9,328	12,274
Later than one year and not later than five years	9,804	15,623

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

	2018 £	2017 £
Arrears of Rent & Service Charges	314,219	284,731
Less: Provision for Doubtful Debts	(139,117)	(136,757)
	175,102	147,974
Other Receivables	355,528	359,548
	530,630	507,522

# LINSTONE 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	586,243	579,007
Trade Payables	240,374	663,910
Rent Received in Advance	196,367	192,623
Other Taxation and Social Security	39,819	35,498
Other Payables	91,889	113,755
Liability for Past Service Contributions	227,000	220,000
Accruals and Deferred Income	871,975	14,830
	<u>2,253,667</u>	<u>1,819,623</u>

At the balance sheet date there were pension contributions outstanding of £nil (2017 - £36,099).

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

	2018	2017
	£	£
Liability for Past Service Contributions	675,000	899,000
Housing Loans	9,328,563	9,910,871
	<u>10,003,563</u>	<u>10,809,871</u>
<b>Housing Loans</b>		
Amounts due within one year	586,243	579,007
Amounts due in one year or more but less than two years	601,012	592,228
Amounts due in two years or more but less than five years	1,898,702	1,862,583
Amounts due in more than five years	6,828,849	7,456,060
	<u>9,914,806</u>	<u>10,489,878</u>
Less: Amount shown in Current Liabilities	586,243	579,007
	<u>9,328,563</u>	<u>9,910,871</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	227,000	220,000
Amounts due in one year or more but less than two years	234,000	227,000
Amounts due in two years or more but less than five years	441,000	672,000
Amounts due in more than five years	-	-
	<u>902,000</u>	<u>1,119,000</u>
Less: Amount shown in Current Liabilities	227,000	220,000
	<u>675,000</u>	<u>899,000</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Nationwide	Standard security over 1,049 properties	5.2%	2032	Fixed
Nationwide	Standard security over 1,049 properties	LIBOR + 0.5%	2032	Variable

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

### Past Service Deficit Contributions

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%).



# LINSTONE 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	1,308,234	2,253,406
Depreciation	1,075,731	1,040,017
Amortisation of Capital Grants	(136,826)	(134,165)
Change in debtors	(23,108)	(67,569)
Change in creditors	202,813	(1,385,306)
Unwinding of Discount on Pension Liability	(3,000)	(84,000)
Remeasurement of Pension Liability	-	1,100,000
Service cost on Defined Benefit Scheme (Strathclyde Pension Fund)	14,000	14,000
Defined benefit pension scheme (Strathclyde Pension Fund)	(28,000)	(29,000)
Share Capital Written Off	(12)	(65)
Net cash inflow from operating activities	<u>2,409,832</u>	<u>2,707,318</u>

### 19. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
<b>Social Housing Grants</b>		
As at 1 April 2017	5,667,650	5,667,650
Eliminated on disposal of components and property	(18,462)	(18,462)
As at 31 March 2018	<u>5,649,188</u>	<u>5,649,188</u>
<b>Amortisation</b>		
As at 1 April 2017	1,453,747	1,453,747
Amortisation in year	131,523	131,523
Eliminated on disposal	(13,159)	(13,159)
As at 31 March 2018	<u>1,572,111</u>	<u>1,572,111</u>
<b>Net Book Value</b>		
As at 31 March 2018	<u>4,077,077</u>	<u>4,077,077</u>
As at 31 March 2017	<u>4,213,903</u>	<u>4,213,903</u>

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

	2018 £	2017 £
Amounts due within one year	131,523	132,588
Amounts due in one year or more	3,945,554	4,081,315
	<u>4,077,077</u>	<u>4,213,903</u>

# LINSTONE 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	96	159
Issued in year	18	2
Cancelled in year	(12)	(65)
At 31 March 2018	<u>102</u>	<u>96</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 - Built by Association	1,509	1,504
Supported Housing	76	76
	<u>1,585</u>	<u>1,580</u>

## 22. RELATED PARTY TRANSACTIONS

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

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

	2018	2017
	£	£
Rent received from tenants on the Management Committee and their close family members	16,639	16,916
Factoring charges received from factored owners on the Management Committee	-	38

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £nil (2017 - £nil).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £nil (2017 - £nil).

Members of the Management Committee who are tenants	4	4
Members of the Management Committee who are owner occupiers	-	1
Members of the Management Committee who are local councillors	1	1

# LINSTONE HOUSING ASSOCIATION LIMITED

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

## 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 17 Bridge Street, Linwood, Renfrewshire.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Linwood.

## 24. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £nil (2017 - £nil) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

## 25. INVESTMENTS

	2018	2017
	£	£
Short term deposits	<u>1,500,000</u>	<u>-</u>

# LINSTONE HOUSING ASSOCIATION LIMITED

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

### 26. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Linstone 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 employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

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 £902,000 (2017 - £1,119,000). 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 1.51% (2017 - 1.06%).

The Association made payments totalling £339,862 (2017- £313,605) to the past service deficit and the defined contribution scheme. The payment towards the past service deficit liability was £220,245 (2017 - £197,477) and payments towards the defined contribution scheme were £119,617 (2017 - £116,128).

# LINSTONE HOUSING ASSOCIATION LIMITED

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

### 27. RETIREMENT BENEFIT OBLIGATIONS

#### Strathclyde Pension Fund Defined Benefit Scheme

The Association operates a defined benefit scheme as an admitted body under the Strathclyde Pension Fund, the assets of which are held in a separate trustee administered fund.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there was 1 (2017 - 2) active member of the scheme employed by the Association. Total pension contributions made by the Association for the year were £28,000. Gross pensionable salaries for the year were £29,000.

The following figures are prepared by the Actuaries in accordance with their understanding of Financial Reporting Standard 102 - Employee Benefits.

#### Principal Actuarial Assumptions

Assumptions as at	2018 %p.a.	2017 %p.a.	2016 %p.a.
Salary increases	3.6%	4.4%	4.2%
Pension increases	2.4%	2.4%	2.2%
Discount rate	2.7%	2.6%	3.5%

The defined benefit obligation is estimated to comprise of the following:

	2018 £000	2017 £000	2016 £000
Employee members	616	777	588
Deferred pensioners	768	811	584
Pensioners	383	377	366
	<u>1,767</u>	<u>1,965</u>	<u>1,538</u>

#### Expected Return on Assets

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period as follows:

Asset Class	2018 % p.a.	2017 % p.a.	2016 % p.a.
Equities	2.7%	2.6%	3.5%
Bonds	2.7%	2.6%	3.5%
Property	2.7%	2.6%	3.5%
Cash	2.7%	2.6%	3.5%
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>

#### Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	21.4	23.7
Future Pensioners	23.4	25.8

# LINSTONE HOUSING ASSOCIATION LIMITED

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

## 27. RETIREMENT BENEFIT OBLIGATIONS

### Fair value of scheme assets by category

	2018	2017	2016
	£000	£000	£000
Equities	1,251	1,280	1,025
Bonds	322	210	228
Property	197	175	171
Cash	18	89	-
	<u>1,788</u>	<u>1,754</u>	<u>1,424</u>

### Net Pension Liability

	2018	2017	2016
	£000	£000	£000
Fair value of employer's assets	1,788	1,754	1,424
Present value of scheme liabilities	(1,767)	(1,965)	(1,538)
	<u>21</u>	<u>(211)</u>	<u>(114)</u>

### Reconciliation of fair value of employer assets

	2018	2017	2016
	£000	£000	£000
Opening fair value of employer assets	1,754	1,424	1,386
Expected Return on Assets	45	50	44
Contributions by Members	2	3	3
Contributions by the Employer	28	29	30
Actuarial Gains / (Losses)	13	280	(8)
Estimated Benefits Paid	(54)	(32)	(31)
	<u>1,788</u>	<u>1,754</u>	<u>1,424</u>

### Reconciliation of defined benefit obligations

	2018	2017	2016
	£000	£000	£000
Opening defined benefit obligation	1,965	1,538	1,675
Current Service Cost	14	14	19
Interest Cost	51	54	53
Contributions by members	2	3	3
Actuarial Gains	(211)	388	(181)
Estimated Benefits Paid	(54)	(32)	(31)
	<u>1,767</u>	<u>1,965</u>	<u>1,538</u>

# LINSTONE HOUSING ASSOCIATION LIMITED

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

## 27. RETIREMENT BENEFIT OBLIGATIONS

### Analysis of amount charged to the Income and Expenditure Account

	2018 £000	2017 £000	2016 £000
Charged to operating costs:			
Service cost	14	14	19
	<u>14</u>	<u>14</u>	<u>19</u>
Charged to Other Finance Costs / (Income)			
Expected Return on employer assets	(45)	(50)	(44)
Interest on pension scheme liabilities	51	54	53
	<u>6</u>	<u>4</u>	<u>9</u>
<b>Net Charge to the Income and Expenditure Account</b>	<u>20</u>	<u>18</u>	<u>28</u>
<b>Actual Return on Plan Assets</b>	<u>34</u>	<u>330</u>	<u>36</u>

### Amounts for the current and previous accounting periods:

	2018 £000	2017 £000	2016 £000
Fair value of employer assets	1,788	1,754	1,424
Present value of defined benefit obligations	(1,767)	(1,965)	(1,538)
Surplus	21	(211)	(114)
Experience gains on assets	13	280	(8)
Experience gains on liabilities	-	-	(25)

### Actuarial Gain / (Loss) recognised in the Statement of Recognised Gains and Losses

	2018 £000	2017 £000	2016 £000
Actuarial gain/(loss) recognised in year	224	(108)	173
Cumulative actuarial gains	(511)	(287)	(179)

### Analysis of projected amount to be charged to the Statement of Comprehensive Income for the year ended 31 March 2018

	£000	% of pay
Projected current service cost	(12)	-40.9%
Interest on obligation	1	3.4%
Expected return on plan assets	-	0.0%
Past service cost	-	0.0%
Losses / (gains) on curtailments and settlements	-	0.0%
Estimated contributions for the coming year	28	0.2%
	<u>17</u>	<u>-37%</u>

Contributions made by the Association for the year ended 31 March 2019 are estimated to be approximately £28,000.

# LINSTONE HOUSING ASSOCIATION LIMITED

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

## 28. PROVISIONS FOR LIABILITIES AND CHARGES

### Strathclyde Pension Fund- Net Asset/(Liability)

	2018	2017
	£	£
As at 1 April 2017	(211,000)	(114,000)
Increase / (decrease) in Provision	211,000	(97,000)
	<u>          </u>	<u>          </u>
Balance as at 31 March 2018	-	(211,000)
	<u>          </u>	<u>          </u>

As the Association has no commitment to reduce future contributions nor to receive refunds from the Fund, in accordance with Paragraph 28.22 of FRS 102, the surplus on the fund (noted as £21,000 in note 27) has not been recognised as an asset on the Statement of Financial Position at 31 March 2018.