



Alexander Sloan
Accountants and Business Advisers

Linstone Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

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

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

MANAGEMENT COMMITTEE

Elizabeth Arnott	Chairperson
Jamie Irvine	Vice-Chairperson
Sandy Hewitt	Secretary
Councillor Mags MacLaren	
Isaac Nwokeabia	
Christine Boyland	
Janine Ballantyne	
Michael Wilkie	
Elaine Hunter	
Mary Clark	Co-optee 09/10/18
Darren Keddie	Co-optee 07/05/19
Nanette J Reid BEM	Resigned 03/09/18
Tom Wallace	Resigned 12/10/18
Colin Robertson	Elected 03/09/18 - Resigned 23/04/19
Sean Fitzharris	Co-optee 09/10/18 - Resigned 07/05/19

EXECUTIVE OFFICERS

Adele Fraser	Chief Executive Officer
David Adam	Director of Housing & Property Services
Lesley-Anne Junner	Director of Finance & Corporate Services

REGISTERED OFFICE

17 Bridge Street
Linwood
Renfrewshire
PA3 3DB

EXTERNAL AUDITORS

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

BANKERS

Bank of Scotland Corporate Specialist Banking
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

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

Legal Status

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

Linstone celebrated its 20th Anniversary during this financial year which saw a year of celebrations to mark the occasion, starting with a Civic Reception hosted by the Provost of Renfrewshire and continuing throughout the year with several fun events including a tea dance, garden of the year competition and a Home of the Future competition with local primary schools.

2018 also marked the start of our new 5 Year Business plan which seeks to realise the 20 year vision of being:

"A successful, thriving and sustainable housing association - our priority is to provide excellent homes and services for our tenants and to make a positive difference in our communities"

This new business plan also incorporated Linstone's 4 key values of being Inclusive, Customer Focussed, Respectful and Sustainable, all of which underpin the strategic objectives for the next 5 years. One of the key components of our 5 year plan was a governance review which was carried out during the year by an independent consultant. The review process involved consultation with staff and management committee and resulted in an action plan being created which will be implemented over the coming year. Initial progress includes a review of the current meeting structure, the format of the meetings and the modernisation of communication methods to embrace a digital approach to the governance process. To further enhance effective governance an Internal Audit service was procured during the year and this will ensure there is a systematic approach to review of the effectiveness of internal policies, procedures and their associated control mechanisms.

We aim to keep our rents as low as possible and despite a 2.5% increase in order to meet increases in our delivery costs, our average weekly rent of £79.76 still remains one of the lowest in Renfrewshire and is below the Scottish average for other social housing providers. Data collected from the ARC return shows that 97% of our tenants believe that their rent represents good value for money.

The ongoing commitment to investment and improvement of Linstone properties continued this year with expenditure totalling £3.3m on our stock. This comprises £1.3m of capitalised costs, £1.5m on planned and cyclical maintenance and £0.5m on reactive repairs with a focus during the year on replacing windows, boilers and rewiring of properties. We continue to achieve excellent response times in relation to our repairs and were pleased to report in the Annual Return on the Charter (ARC) that our average response time for emergency repairs was under 2 hours and less than 5 days for non-emergency repairs demonstrating our commitment to excellent customer service.

The launch of full-service Universal Credit during the year has proved challenging for Linstone and our tenants, resulting in a small increase in our arrears at the end of this financial year. The staff have been working hard with tenants and the DWP to try and minimise the impact to our tenants and we have provided additional Welfare Rights support to help existing and potential tenants understand their full rights and responsibilities under the new regime.

Following the end of our Community Based Employment training programme in 2018, we were delighted to be able to help secure jobs for many of the participants on the programme and Linstone were able to offer positions to 6 participants which has helped bolster our estates team, allowing us to reduce costs by bringing some of the previously contracted services in-house and also, more importantly, allowed us to offer improved customer service to our tenants and owners. We were fortunate to secure funding of £230k from the Scottish Government's Social Economy Growth Fund to launch our Linstone 2020 project allowing us to recruit community engagers and a youth engager to improve community engagement in the areas we operate within. This has already had an impact on the provision of services in our community flats which are turning into vibrant local hubs offering space to other like-minded organisations to engage with the local community. Linstone also continues to focus on providing training opportunities through placements and temporary positions for people in our communities such as work experience for local high school pupils and work placement schemes through SCVO (Scottish Council for Voluntary Organisations).

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

We have had funding success for our other wider role projects, including the third sector and Health and Social Care Partnership project - Community Connectors, funding through the Flightpath fund to work in partnership with LEAP to help bring a car club to Linwood, funding for electric vehicle charging points and other community projects such as The Village Garden and Craft Café sessions.

We have also been working hard at keeping in touch with our tenants and engaging with them on our plans and works due. We are actively embracing digital technology to communicate with tenants through social media, texting and our website as well as the more traditional methods such as print newsletters, social events and consultation events in the local community.

Overall it has been a very successful year for Linstone and a good start to our new five-year business plan, managing to provide safe, warm and affordable homes alongside support and community initiatives which help improve the lives of people in Renfrewshire.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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;
- prepare a statement on Internal Financial Control.

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 2010, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. 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 the Housing 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 Housing Association's auditors are aware of that information.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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;
- 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;
- 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 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 Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. 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 £120 (2018 - £50).

Auditors

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

By order of the Management Committee

SANDY HEWITT
Secretary
27 August 2019

LINSTONE HOUSING ASSOCIATION LIMITED

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 page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' 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 'Regulation of Social Housing in Scotland' 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
27 August 2019



Alexander Sloan
Accountants and Business Advisers

LINSTONE HOUSING ASSOCIATION LIMITED

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 2019 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 2019 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 2010 and the Determination of Accounting Requirements 2019.

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 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 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

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 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
27 August 2019



LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018
		£	£	£
REVENUE	2		7,709,657	7,362,820
Operating Costs	2		(6,379,319)	(6,054,586)
OPERATING SURPLUS			1,330,338	1,308,234
Interest Receivable and Other Income		36,460		11,941
Interest Payable and Similar Charges	7	(289,364)		(285,239)
Other Finance Income / (Charges)	10	(42,000)		(9,000)
			(294,904)	(282,298)
SURPLUS FOR THE YEAR	8		1,035,434	1,025,936
Other comprehensive income				
Adjustment relating to Opening Pension Liability	24		(816,000)	-
Actuarial Gains/ (Losses) on defined benefit Pension Plan	24		(288,000)	203,000
TOTAL COMPREHENSIVE INCOME			(68,566)	1,228,936

The notes on pages 13 to 31 form part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	11 (a)		21,416,689		21,143,543
Other Non-current Assets	11 (b)		451,598		448,985
			<u>21,868,287</u>		<u>21,592,528</u>
CURRENT ASSETS					
Receivables	14	645,322		530,630	
Investments		5,724,693		1,500,000	
Cash at bank and in hand		566,321		4,708,990	
		<u>6,936,336</u>		<u>6,739,620</u>	
CREDITORS: Amounts falling due within one year	15	<u>(2,202,844)</u>		<u>(2,253,673)</u>	
NET CURRENT ASSETS			<u>4,733,492</u>		<u>4,485,947</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>26,601,779</u>		<u>26,078,475</u>
CREDITORS: Amounts falling due after more than one year	16		<u>(8,738,637)</u>		<u>(10,003,563)</u>
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	24	(1,876,000)		-	
Strathclyde pension fund	24	(36,000)		-	
			<u>(1,912,000)</u>		<u>-</u>
DEFERRED INCOME					
Social Housing Grants	17	<u>(4,021,876)</u>		<u>(4,077,077)</u>	
			<u>(4,021,876)</u>		<u>(4,077,077)</u>
NET ASSETS			<u>11,929,266</u>		<u>11,997,835</u>
EQUITY					
Share Capital	19.		99		102
Revenue Reserves			13,841,167		11,997,733
Pension Reserves			<u>(1,912,000)</u>		<u>-</u>
			<u>11,929,266</u>		<u>11,997,835</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 27 August 2019.

Chairperson

Board

The notes on pages 13 to 31 form part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
Net cash inflow from operating activities	18.		2,215,157		2,409,832
Investing Activities					
Acquisition and Construction of Properties		(1,321,696)		(863,103)	
Purchase of Other Fixed Assets		(54,990)		-	
Social Housing Grant Received		76,957		-	
Changes on short term deposits with banks		(4,224,693)		(1,500,000)	
Net cash outflow from investing activities			(5,524,422)		(2,363,103)
Financing Activities					
Interest Received on Cash and Cash Equivalents		36,460		11,941	
Interest Paid on Loans		(289,364)		(285,239)	
Loan Principal Repayments		(580,505)		(575,071)	
Share Capital Issued		5		18	
Net cash outflow from financing activities			(833,404)		(848,351)
Decrease in cash			(4,142,669)		(801,622)
Opening Cash & Cash Equivalents			4,708,990		5,510,612
Closing Cash & Cash Equivalents			566,321		4,708,990
Cash and Cash equivalents as at 31 March					
Cash			566,321		4,708,990
			566,321		4,708,990

The notes on pages 13 to 31 form part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Share Capital	Strathclyde Pension Reserve	Scottish Housing Association Pension Reserve	Revenue Reserve	Total
	£	£	£	£	£
Balance as at 1 April 2017	96	-	-	10,768,797	10,768,893
Issue of Shares	18	-	-	-	18
Cancellation of Shares	(12)	-	-	-	(12)
Other comprehensive income	-	-	-	203,000	203,000
Surplus for the year	-	-	-	1,025,936	1,025,936
Balance as at 31 March 2018	102	-	-	11,997,733	11,997,835
Balance as at 1 April 2018	102	-	-	11,997,733	11,997,835
Issue of Shares	5	-	-	-	5
Cancellation of Shares	(8)	-	-	-	(8)
Other comprehensive income	-	(36,000)	(1,876,000)	603,000	(1,104,000)
Surplus for the year	-	-	-	1,035,434	1,035,434
Balance as at 31 March 2019	99	(36,000)	(1,876,000)	13,841,167	11,929,266

The notes on pages 13 to 31 form part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

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

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 2019. 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 Associations Defined Benefit Pension Scheme where 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

The Association closed membership of the Defined Benefit Scheme to all staff members on 31 March 2015 and since 1 April 2015 have operated the Defined Contribution scheme whereby fixed contributions are paid in to the fund. These contributions are recognised when they are due.

The Association participates in the Strathclyde Pension Fund 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

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

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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
Leasehold Office Improvements	15 years
Computer Equipment	5 years
Furniture and Office Equipment	10 years
Office Premises	20 years

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

Social Housing Grant and Other Grants in Advance/Arrears

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

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

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

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

Taxation

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

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.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The funds are administered by the Pensions Trust. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Accounting entries in respect of transactions regarding the Strathclyde Pension Scheme within the financial statements are based on the actuary's report on 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.

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.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting judgements and 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) Defined pension liability

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

e) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust in respect of the Scottish Housing Association Pension Scheme.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2019			2018		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	6,914,934	5,566,053	1,348,881	6,712,616	5,442,355	1,270,261
Other Activities	4	784,723	813,266	(18,543)	650,204	612,231	37,973
Total		7,709,657	6,379,319	1,330,338	7,362,820	6,054,586	1,308,234

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Supported Housing £	2019 Total £	2018 Total £
Revenue from Lettings				
Rent receivable net of service charges	6,099,665	309,873	6,409,538	6,250,547
Service charges receivable	30,929	193,296	224,225	218,720
Gross income from rent and service charges	6,130,594	503,169	6,633,763	6,469,267
Less: Rent losses from voids	79,103	6,694	85,797	96,569
Net Rents Receivable	6,051,491	496,475	6,547,966	6,372,698
Grants released from deferred income	74,736	57,422	132,158	136,826
Revenue grants from Scottish Ministers	90,248	-	90,248	100,203
Other revenue grants	114,749	29,813	144,562	102,889
Total turnover from affordable letting activities	6,331,224	583,710	6,914,934	6,712,616
Expenditure on affordable letting activities				
Management and maintenance administration costs	2,250,696	98,760	2,349,456	2,302,392
Service Costs	54,224	133,855	188,079	211,414
Planned and cyclical maintenance, including major repairs	1,437,172	13,733	1,450,905	1,219,824
Reactive maintenance costs	514,511	24,424	538,935	630,692
Bad Debts - rents and service charges	(9,872)	-	(9,872)	43,681
Depreciation of affordable let properties	963,124	85,426	1,048,550	1,034,352
Operating costs of affordable letting activities	5,209,855	356,198	5,566,053	5,442,355
Operating surplus on affordable letting activities	1,121,369	227,512	1,348,881	1,270,261
2018	1,076,911	193,350		

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	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£	£	£	£
Wider role activities	22,205	14,502	279,823	316,530	-	364,226	(47,696)	(27,693)
Factoring	-	-	256,204	256,204	(15,627)	235,615	36,216	61,582
Development administration	-	-	-	-	-	19,159	(19,159)	-
Other activities	-	189,789	23,714	213,503	-	201,407	12,096	4,084
Rechargeable repairs	-	-	8,486	8,486	-	8,486	-	-
Total From Other Activities	22,205	204,291	568,227	794,723	(15,627)	828,893	(18,543)	37,973
2018	23,000	271,610	355,594	650,204	2,723	609,508	37,973	

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2019	2018
	£	£
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.		
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>137,496</u>	<u>73,333</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>16,725</u>	<u>8,727</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>76,508</u>	<u>73,333</u>
Pension contribution spayable in respect of Chief Executive	<u>9,393</u>	<u>8,727</u>
Total emoluments payable to Chief Executive	<u>85,901</u>	<u>82,060</u>
Total Emoluments paid to key management personnel	<u>243,506</u>	<u>221,678</u>

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

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

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

6. EMPLOYEE INFORMATION

	2019	2018
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>56</u>	<u>47</u>
The average total number of Employees employed during the year was	<u>72</u>	<u>56</u>
Staff Costs were:	£	£
Wages and Salaries	1,702,002	1,432,458
Social Security Costs	145,530	131,974
Other Pension Costs	132,560	119,617
Temporary, Agency and Seconded Staff	6,875	26,894
	<u>1,986,967</u>	<u>1,710,943</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. INTEREST PAYABLE & SIMILAR CHARGES

	2019 £	2018 £
On Bank Loans & Overdrafts	<u>289,364</u>	<u>285,239</u>

8. SURPLUS FOR THE YEAR

	2019 £	2018 £
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	1,058,783	1,020,950
Auditors' Remuneration - Audit Services	7,231	14,052
Auditors' Remuneration - Other Services	-	714
Operating Lease Rentals - Other	<u>8,604</u>	<u>12,274</u>

9. 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.

10. OTHER FINANCE INCOME / CHARGES

	2019 £	2018 £
Unwinding of Discounted Pension Liabilities	-	3,000
Net Interest on Pension Obligation	42,000	6,000
	<u>42,000</u>	<u>9,000</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1 April 2018	33,824,948	33,824,948
Additions	1,321,696	1,321,696
Disposals	(321,837)	(321,837)
As at 31 March 2019	<u>34,824,807</u>	<u>34,824,807</u>
DEPRECIATION		
As at 1 April 2018	12,681,405	12,681,405
Charge for Year	1,006,406	1,006,406
Disposals	(279,693)	(279,693)
As at 31 March 2019	<u>13,408,118</u>	<u>13,408,118</u>
NET BOOK VALUE		
As at 31 March 2019	<u>21,416,689</u>	<u>21,416,689</u>
As at 31 March 2018	<u>21,143,543</u>	<u>21,143,543</u>

Additions to housing properties include capitalised major repair costs to existing properties of £1,090,213 (2018 - £682,025).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,080,053 (2018 - £2,532,541). The amount capitalised is £1,090,213 (2018 - £682,025) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £1,090,213 (2018 - £662,495) and improvement of £Nil (2018 - £19,530). Additions also include property additions of £231,483 (2018 - £181,078).

The Association's Lenders have standard securities over Housing Property with a carrying value of £13,622,968 (2018 - £13,485,568).

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

(c) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Office Computers £	Total £
COST				
As at 1 April 2018	501,020	63,681	49,800	614,501
Additions	-	-	54,990	54,990
As at 31 March 2019	501,020	63,681	104,790	669,491
AGGREGATE DEPRECIATION				
As at 1 April 2018	100,204	25,472	39,840	165,516
Charge for year	25,051	6,368	20,958	52,377
As at 31 March 2019	125,255	31,840	60,798	217,893
NET BOOK VALUE				
As at 31 March 2019	375,765	31,841	43,992	451,598
As at 31 March 2018	400,816	38,209	9,960	448,985

12. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	422,445	63,859

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-	2019 £	2018 £
Other		
Not later than one year	13,202	9,328
Later than one year and not later than five years	17,946	9,804

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Arrears of Rent & Service Charges	323,323	314,219
Less: Provision for Doubtful Debts	(138,078)	(139,117)
Other Receivables	185,245	175,102
	460,077	355,528
	645,322	530,630

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Housing Loans	595,664	586,243
Trade Payables	901,464	240,374
Rent Received in Advance	162,852	196,367
Other Taxation and Social Security	38,861	39,819
Other Payables	39,044	91,889
Liability for Past Service Contributions	-	227,000
Accruals and Deferred Income	464,959	871,981
	2,202,844	2,253,673

At the balance sheet date there were pension contributions outstanding of £23,975 (2018 - £39,487).

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2019	2018
	£	£
Liability for Past Service Contributions	-	675,000
Housing Loans	8,738,637	9,328,563
	<u>8,738,637</u>	<u>10,003,563</u>
Housing Loans		
Amounts due within one year	595,664	586,243
Amounts due in one year or more but less than two years	612,014	601,012
Amounts due in two years or more but less than five years	1,941,748	1,898,702
Amounts due in more than five years	6,184,875	6,828,849
	<u>9,334,301</u>	<u>9,914,806</u>
Less: Amount shown in Current Liabilities	595,664	586,243
	<u>8,738,637</u>	<u>9,328,563</u>
Liability for Past Service Contributions		
Amounts due within one year	-	227,000
Amounts due in one year or more but less than two years	-	234,000
Amounts due in two years or more but less than five years	-	441,000
	<u>-</u>	<u>902,000</u>
Less: Amount shown in Current Liabilities	-	227,000
	<u>-</u>	<u>675,000</u>

In 2018, the liability for the past service deficit was accounted for in accordance with FRS 102 para 28.13A and represented the present value of the contributions payable. The cash flows in the prior year were disclosed at a rate of 1.51%.

In 2019, the defined benefit obligation is shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. Further details are provided in note 24.

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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
Social Housing Grants		
As at 1 April 2018	5,649,188	5,649,188
Additions in the year	76,957	76,957
Amortisation in year	(132,158)	(132,158)
As at 31 March 2019	5,593,987	5,593,987
Amortisation		
As at 1 April 2018	1,572,111	1,572,111
Amortisation in year	132,158	132,158
As at 31 March 2019	1,704,269	1,704,269
Net book value		
As at 31 March 2019	4,021,876	4,021,876
As at 31 March 2018	4,077,077	4,077,077

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

	2019 £	2018 £
Amounts due within one year	132,158	131,523
Amounts due in one year or more	3,889,718	3,945,554
	4,021,876	4,077,077

18. STATEMENT OF CASH FLOWS

Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 £	2018 £
Surplus for the year	1,035,434	1,025,936
Depreciation	1,100,927	1,075,731
Service cost on Defined Benefit Scheme (Strathclyde Pension Fund)	-	14,000
Amortisation of Capital Grants	(132,158)	(136,826)
Change in debtors	(114,692)	(23,108)
Change in creditors	166,750	202,813
Adjustments in relation to defined benefit pension schemes	(94,000)	(3,000)
Transfer of interest to financial activities	252,904	282,298
Defined benefit pension scheme (Strathclyde Pension Fund)	-	(28,000)
Share Capital Written Off	(8)	(12)
Net cash inflow from operating activities	2,215,157	2,409,832

Reconciliation of net cash flow to movement in net debt

	2019 £		2018 £
Decrease in cash	(4,142,669)		(801,622)
Cashflow from change in net debt	580,505		575,072
Increase in liquid resources	4,224,693		1,500,000
Movement in net debt during the year		662,529	1,273,450
Net debt at 1st April 2018		(3,705,816)	(4,979,266)
Net debt at 31 March 2019		(3,043,287)	(3,705,816)

Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	4,709,890	(4,142,669)	-	566,321
Liquid resources	4,709,890	(4,142,669)	-	566,321
Debt: Due within one year	1,500,000	4,224,693	-	5,724,693
Due after more than one year	(586,243)	580,505	(589,926)	(595,664)
	(9,328,563)	-	589,926	(8,738,637)
Net Debt	(3,705,816)	662,529	-	(3,043,287)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid

	2019 £	2018 £
As at 1 April 2018		
Issued in year	102	96
Cancelled in year	(8)	(12)
As at 31 March 2019	99	102

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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2019 No.	2018 No.
General Needs - Built by Association	1,513	1,509
Supported Housing	76	76
	<u>1,589</u>	<u>1,585</u>

21. RELATED PARTY TRANSACTIONS

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

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

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

	2019 £	2018 £
Rent received from tenants on the Management Committee and their close family members	<u>9,277</u>	<u>16,639</u>
Factoring charges received from factored owners on the Management Committee and their close family members	<u>93</u>	<u>-</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £Nil (2018 - £Nil).

At the year end total factoring arrears owed by the factored owners on the Management Committee (and their close family) were £Nil (2018 - £Nil).

Members of the Management Committee who are tenants	2	4
Members of the Management Committee who are owner occupiers	1	-
Members of the Management Committee who are local councillors	1	1

22. 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.

23. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £Nil (2018 - £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.

23. INVESTMENTS

Short term deposits	2019 £	2018 £
Short term deposits	<u>5,724,693</u>	<u>1,500,000</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. 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 (2018 - 1) 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 £30,000.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at	2019 %p.a.	2018 %p.a.	2017 %p.a.
Salary increases	3.7%	3.6%	4.4%
Pension increases (CPI)	2.5%	2.4%	2.4%
Discount rate	2.4%	2.7%	2.6%

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

	2019 £000	2018 £000	2017 £000
Employee members	671	616	777
Deferred pensioners	864	768	811
Pensioners	371	383	377
	<u>1,906</u>	<u>1,767</u>	<u>1,965</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 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2019 £000	2018 £000	2017 £000
Equities	1,197	1,251	1,280
Gilts	-	-	-
Bonds	449	322	210
Property	187	197	175
Cash	37	18	89
	<u>1,870</u>	<u>1,788</u>	<u>1,754</u>

Net Pension Liability

	2019 £000	2018 £000	2017 £000
Fair value of employer's assets	1,870	1,788	1,754
Present value of scheme liabilities	(1,906)	(1,767)	(1,965)
	<u>(36)</u>	<u>21</u>	<u>(211)</u>

Reconciliation of fair value of employer assets

	2019 £000	2018 £000	2017 £000
Opening fair value of employer assets	1,788	1,754	1,424
Expected Return on Assets	48	45	50
Contributions by Members	-	-	-
Contributions by the Employer	2	2	3
Actuarial Gains / (Losses)	57	13	280
Estimated Benefits Paid	(53)	(54)	(32)
	<u>1,870</u>	<u>1,788</u>	<u>1,754</u>

The return on the Fund in market value terms for the period to 31 March 2019 is based on actual Fund returns as provided by the Administering Authority was 5.9%.

Reconciliation of defined benefit obligations

	2019 £000	2018 £000	2017 £000
Opening defined benefit obligation	1,767	1,965	1,538
Current Service Cost	12	14	14
Interest Cost	47	51	54
Contributions by members	2	2	3
Actuarial (Gains) / Losses	131	(211)	388
Estimated Benefits Paid	(53)	(54)	(32)
	<u>1,906</u>	<u>1,767</u>	<u>1,965</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Statement of Comprehensive Income

	2019 £000	2018 £000	2017 £000
Charged to operating costs:			
Service cost	12	14	14
Charged to Other Finance Costs / (Income)			
Expected Return on employer assets	(48)	(45)	(50)
Interest on pension scheme liabilities	47	51	54
	(1)	6	4
Net Charge to the Statement of Comprehensive Income	11	20	18

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

	2019 £000	2018 £000	2017 £000
Actuarial gain/(loss) recognised in year	(53) *	203 *	(108)

Analysis of projected amount to be charged to the Statement of Comprehensive Income for the year ended 31 March 2020

	£000	% of pay
Projected current service cost	13	-44.7%
Interest on obligation	45	-150.0%
Expected return on plan assets	(45)	150.0%
Estimated contributions for the coming year	28	0.2%
	<u>41</u>	<u>-45%</u>

Contributions made by the Association for the year ended 31 March 2020 are estimated to be approximately £28,000 (2019 - £28,000).

Provision for Liabilities and Charges

	2019 £000	2018 £000	2017 £000
As at 1 April 2018	-	(211,000)	(114,000)
Increase / (decrease) in Provision	(36,000)	211,000	(97,000)
	<u>(36,000)</u>	<u>-</u>	<u>(211,000)</u>

At 31 March 2018 the the fund reported a surplus of £21,000. As the Association had no commitment to reduce the future contributions nor to receive refunds from the Fund, in accordance with Paragraph 28.22 of FRS 102, the surplus on the Fund at the previous year end (noted as £21,000 in the Net Pension Liability note on page 26) was not recognised as an asset on the Statement of Financial Position at 31 March 2018. The actuarial gain was restricted to £203,000 * (rather than £224,000). In the year ended 31 March 2019 the actuarial loss reported in the Statement of Recognised Gains and Losses in respect of this Scheme is £53,000 * rather than £74,000 as the £21,000 was restricted in the previous year.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. 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 contracted out of the state scheme. The Association is an admitted body under the Scottish Housing Association Pension Fund, the assets of which are held in a separate Trustee administered fund.

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

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

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.

Change in Accounting Estimate

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pensions Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. The change has been reflected in Other Comprehensive Income as follows:

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

	£
Opening defined benefit obligation as at 1 April 2018 (per actuary)	1,718,000
Opening past service deficit liability under previous recognition basis	
- Disclosed within Payables : Amounts falling due within 1 year	(227,000)
- Disclosed within Payables : Amounts falling due after more than 1 year	(675,000)
	<u>(902,000)</u>
Movement to other comprehensive income	<u>816,000</u>

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at

Salary increases

Inflation RPI

Inflation CPI

Discount rate

	2019	2018
	%p.a.	%p.a.
Salary increases	3.3%	3.2%
Inflation RPI	3.3%	3.2%
Inflation CPI	2.3%	2.2%
Discount rate	2.3%	2.6%

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

Employee members

Deferred pensioners

Pensioners

	2019
	£000
Employee members	48
Deferred pensioners	24
Pensioners	14
	<u>81</u>

Allowance for commutation of pension for cash retirement is 75% of maximum allowance for both years.

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	Females
	(Years)	(Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2019 £000	2018 £000
Growth Assets	3,146	3,025
Matching Plus	4,136	3,863
Liability Driven Investment	582	423
Net Current Assets	8	14
	<u>7,872</u>	<u>7,325</u>

None of the above assets includes any direct involvement in the Association's assets.

Net Pension Liability

	2019 £000
Fair value of employer's assets	7,872
Present value of scheme liabilities	(9,748)
	<u>(1,876)</u>

Reconciliation of fair value of employer assets

	2019 £000
Opening fair value of employer assets	7,325
Expected Return on Assets	192
Contributions by Members	124
Contributions by the Employer	358
Actuarial Gains	189
Estimated Benefits Paid	(316)
Closing fair value of assets	<u>7,872</u>

Return on plan assets over the period ended 31 March 2019 was £381,000.

Reconciliation of defined benefit obligations

	2019 £000
Opening defined benefit obligation	9,043
Current Service Cost	238
Interest Cost	235
Contributions by members	124
Actuarial Losses	424
Estimated Benefits Paid	(316)
Closing defined benefit obligation	<u>9,748</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Statement of Comprehensive Income

	2019 £000
Charged to operating costs:	
Service cost	238
	<hr/>
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(192)
Interest on pension scheme liabilities	235
	<hr/>
	43
	<hr/>
Net Charge to the Statement of Comprehensive Income	281

Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019 £000
Experience on plan assets	189
Experience gains and losses arising on the plan liabilities - gain/(loss)	270
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(25)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss)	(669)
	<hr/>
Total actuarial gains and losses (before restrictions due to some of the surplus not being recognisable) - gain/(loss)	(235)

