

Linstone Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HEP299

FCA Reference No. 2524R(S)

Scottish Charity No. SC027454

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Contents

	Page
Members of the Board, Executives and Advisers	1
Report of the Board	2 - 6
Report by the Auditors on corporate governance matters	7
Report of the Auditors	8
Statement of comprehensive income	10
Statement of financial position	11
Statement of cash flows	12
Statement of changes in equity	13
Notes to the financial statements	14 - 35

LINSTONE HOUSING ASSOCIATION LIMITED

BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

Board

Jamie Irvine	Chairperson
Christine Boyland	Vice-Chairperson
Sandy Hewitt	Secretary
Councillor Mags MacLaren	
Janine Ballantyne	
Michael Wilkie	
Kirsty Sweenie	Elected to Board 17/09/19
Darren Keddie	Membership 17/09/19, Elected to Board 17/09/19
Mary Clark	Co-optee 09/10/18, Elected to Board 17/09/19
Robert Finlay	Co-optee 04/02/20
Jan Johnston	Co-optee 04/02/20
Jill Galbraith	Co-optee 04/02/20
Colin Robertson	Resigned 23/04/19
Sean Fitzharris	Resigned as Co-optee 07/05/19
Elizabeth Arnott	Resigned 17/09/19 Former Chairperson
Issac Nwokeabia	Resigned 17/09/19
Elaine Hunter	Board Membership ended 18/06/19

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 and 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
EH3 8EH

SOLICITORS

HBJ Gateley
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

The Board presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No.2524R(S)), the Scottish Housing Regulator as a registered social landlord (No.HEP299) and as 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 reported a deficit of £199,557 (2019 - surplus of £1,035,434) and, after accounting for the pension movements, recorded total comprehensive income of £1,692,443 (2019 - deficit of £68,566). The deficit this year was planned and mainly due to an increase in spend in relation to property maintenance, health and safety compliance, and the provision of office space for our enhanced Estates Team.

Linstone had another successful year to 31 March 2020. This was the second year of our 5 year Business plan and we successfully completed all our business objectives for the year.

Linstone has a 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."

It has 4 key values of being Inclusive, Customer Focussed, Respectful and Sustainable, all of which underpin the strategic objectives for the next 5 years. We have been working this year to further embed our values into all our working practices and we are developing a values based appraisal process for our staff.

We aim to keep our rents as affordable as possible and despite a 2% increase in order to meet increases in our delivery costs, our average weekly rent of £80.35 still remains one of the lowest in Renfrewshire. A full consultation was carried out in relation to the rent increase and 65% of tenants were in agreement with the increase. 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 £3.5m on our stock. This comprises £0.9m of capitalised costs, £2m on planned and cyclical maintenance and £0.6m on reactive repairs with a focus during the year on 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.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Review of Business and Future Developments (Continued)

This was the second year of the full roll out of Universal Credit with many tenants continuing to move to the new system as their circumstances change. Initial system issues for tenants seem to have resolved although continuing delays in processing of claims has had a small impact on our overall arrears. 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.

The Linstone 2020 project, Funded by £230k from the Scottish Government's Social Economy Growth Fund, came to an end in March 2020. The project had a very successful year and leaves a legacy of much more connected communities, stronger community groups and better community resilience which has been crucial due to the impact COVID-19 has had on our communities towards the end of the financial year. 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.

We have had funding success for our other wider role projects, including the continuation of the third sector and Health and Social Care Partnership project - the Community Connectors' Housing Hub, funding through the Energy Saving Trust to continue working in partnership with LEAP to help deliver the car club in Linwood and expand it to Johnstone, funding for electric vehicle charging points from the Energy Savings Trust and other community projects such as The Village Garden and Breakfast Blether. We were also successful in securing some funding for youth engagement across Renfrewshire through the Celebrating Renfrewshire fund which was voted on by local young people.

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 printed newsletters, social events and consultation events in the local community.

The end of the financial year was dominated by the COVID-19 pandemic, which resulted in our offices being closed and all staff having to work remotely. Although the impact of the virus has not impacted this year's accounts it is unclear exactly what impact it will have in the next 12 months as there is a great deal of uncertainty about timescales for a return to "normal" life. Linstone have successfully transitioned to home working and have followed Government guidance on safe working practices to ensure the health and safety of our staff, tenants and contractors. We continue to engage with tenants remotely and have been fortunate to be recognised as a Community Anchor Organisation by the Scottish Government and awarded funding through the Supporting Communities fund. We set up a "Linstone COVID-19 Response" service to be able to offer help and support to our tenants and communities.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Board and Executive Officers

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

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

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

Statement of Board's Responsibilities

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

The Board 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 2010 and the Determination of Accounting Requirements 2019. It is 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.

Going Concern

Based on its budgetary and forecasting processes the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control

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

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

It is the Board'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 Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- the Board receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. 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 £250 (2019 - £120).

LINSTONE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2020

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

Auditors

Following procurement through Quick Quotes on the Public Contracts Scotland website, Alexander Sloan were re-appointed and a resolution to confirm their appointment will be proposed at the Annual General Meeting.

By order of the Board



SANDY HEWITT

Secretary

25 August 2020

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 '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 Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

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

Through enquiry of certain members of the Board, and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board'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
25 August 2020



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 2020 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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 Benefit 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 Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board 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 Board 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.

LINSTONE HOUSING ASSOCIATION LIMITED

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

Matters on which we are required to report by exception

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities as set out on page 4, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.



ALEXANDER SLOAN

Accountants and Business Advisers

Statutory Auditors

GLASGOW

25 August 2020



Alexander Sloan

Accountants and Business Advisers

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Revenue	2	7,577,241	7,709,657
Operating costs	2	7,499,430	6,379,319
OPERATING SURPLUS		77,811	1,330,338
Interest receivable and other income		44,671	36,460
Interest payable and similar charges	7	(280,039)	(289,364)
Other Finance income/(charges)	10	(42,000)	(42,000)
		(277,368)	(294,904)
(Deficit) / surplus on ordinary activities before taxation	8	(199,557)	1,035,434
(DEFICIT) / SURPLUS FOR THE YEAR		(199,557)	1,035,434
Other comprehensive income			
Adjustment relating to opening pension liability	18	-	(816,000)
Actuarial gains/(losses) on defined benefit pension plan	18	1,892,000	(288,000)
TOTAL COMPREHENSIVE INCOME		1,692,443	(68,566)

The results relate wholly to continuing activities.

The notes on pages 14 to 35 form an integral part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	11		21,307,212		21,416,689
Other tangible assets	11		418,885		451,598
			<u>21,726,097</u>		<u>21,868,287</u>
CURRENT ASSETS					
Receivables	12	775,641		645,322	
Investments	13	4,569,729		5,724,693	
Cash and cash equivalents	14	249,730		566,321	
		<u>5,595,100</u>		<u>6,936,336</u>	
CREDITORS: Amounts falling due within one year	15	<u>(1,614,565)</u>		<u>(2,202,844)</u>	
NET CURRENT ASSETS			<u>3,980,535</u>		<u>4,733,492</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			25,706,632		26,601,779
CREDITORS: Amounts falling due after more than one year	16		(8,115,042)		(8,738,637)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	18	-		(1,876,000)	
Strathclyde pension fund	18	-		(36,000)	
				<u>(1,912,000)</u>	
DEFERRED INCOME					
Social housing grants	19	<u>(3,969,867)</u>		<u>(4,021,876)</u>	
			<u>(3,969,867)</u>		<u>(4,021,876)</u>
NET ASSETS			<u>13,621,723</u>		<u>11,929,266</u>
EQUITY					
Share capital	20		113		99
Revenue reserves			13,621,610		13,841,167
Pension reserves			-		(1,912,000)
			<u>13,621,723</u>		<u>11,929,266</u>

The financial statements were approved by the Board and authorised for issue and signed on their behalf on 25 August 2020.



Committee Member



Committee Member



Secretary

The notes on pages 14 to 35 form an integral part of these financial statements.

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Surplus for the Year		(199,557)	1,035,434
<i>Adjustments for non-cash items:</i>			
Depreciation of tangible fixed assets	11	1,102,473	1,100,927
Impairment	11	148,453	-
Amortisation of capital grants	19	(134,651)	(132,158)
Non-cash adjustments to pension provisions		(20,000)	(94,000)
Share capital written off	20	(8)	(8)
		<u>1,096,267</u>	<u>874,761</u>
Interest receivable		(44,671)	(36,460)
Interest payable	7	280,039	289,364
		<u>1,132,078</u>	<u>2,163,099</u>
Operating cash flows before movements in working capital			
Change in debtors		(40,319)	(114,692)
Change in creditors		(618,802)	166,750
		<u>(659,121)</u>	<u>52,058</u>
Net cash inflow from operating activities		472,957	2,215,157
Investing Activities			
Acquisition and construction of properties		(1,186,562)	(1,321,696)
Purchase of other fixed assets		(12,174)	(54,990)
Social housing grant received		82,642	76,957
Changes on short term deposits with banks		1,154,964	(4,224,693)
		<u>38,870</u>	<u>(5,524,422)</u>
Net cash inflow / (outflow) from investing activities			
Financing Activities			
Interest received on cash and cash equivalents		44,671	36,460
Interest paid on loans		(280,039)	(289,364)
Loan principal repayments		(593,072)	(580,505)
Share capital issued	20	22	5
		<u>(828,418)</u>	<u>(833,404)</u>
Net cash outflow from financing activities			
Decrease in cash	21	(316,591)	(4,142,669)
Opening cash & cash equivalents		566,321	4,708,990
Closing cash & cash equivalents		<u>249,730</u>	<u>566,321</u>
Cash and cash equivalents as at 31 March			
Cash	21	249,730	566,321
		<u>249,730</u>	<u>566,321</u>

LINSTONE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Strathclyde Pension Reserve	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£	£
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	-	-	(1,104,000)	-	(1,104,000)
Revaluation in year	-	-	-	-	-
Other movements	-	(36,000)	(772,000)	808,000	-
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
Balance as at 1 April 2019	99	(36,000)	(1,876,000)	13,841,167	11,929,266
Issue of Shares	22	-	-	-	22
Cancellation of Shares	(8)	-	-	-	(8)
Other comprehensive income	-	120,000	1,772,000	-	1,892,000
Other movements	-	(84,000)	104,000	(20,000)	-
Deficit for the year	-	-	-	(199,557)	(199,557)
Balance as at 31 March 2020	113	-	-	13,621,610	13,621,723

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

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 2018. 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 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

Basis of Preparation

The Board is responsible for making an annual assessment of whether it is appropriate to prepare the accounts on a going concern basis. Linstone has significant net assets, investments and cash along with a track record of preparing and delivering against its long term business plan. In late 2019-20 and throughout 2020-21, COVID-19 will have a significant impact on the finance and operations of the Association. Work has commenced to assess and respond to the impact as outlined on page 3. The principal activities in this regard include: reforecasting based on the potential impact of COVID-19 on service delivery, economic forecasts and the effect on Linstone customers; assessing the funding facilities available (as detailed on page 3), compliance with loan covenants; and assessing ongoing repairs and development plans. Linstone considers that it is well placed to manage the impact of COVID-19 with significant cash and available funding facilities together with headroom on key covenants. It also considers that rental income is reasonably certain. Taken together, the Board has determined that it remains appropriate to prepare the financial statements on a going concern basis.

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sales of properties built for sale, other services provided, revenue grants receivable and government grants released to income in the period.

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

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association participates in the Strathclyde Pension Fund a multi-employer defined benefit scheme. 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 participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. 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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

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

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

Asset Category	Depreciation Rate
Leasehold Office Improvements	Over 15 years
Computer Equipment	Over 5 years
Furniture and Office Equipment	Over 10 years
Office Premises	Over 20 years

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

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

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 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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Taxation

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

Leases

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 or the term of the lease whichever is shorter.

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, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Housing Property Managed By Agents

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

VAT

The Association is VAT registered but the substantial 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.

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Association to exercise judgement in applying the its 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.

Key Judgements

a) Categorisation of Housing Properties

In the judgement of the Board 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 Board 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 Board has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement 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 fund is administered by the Pensions Trust. 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. In respect of defined benefit pension schemes, the Association is unable to incorporate a pension asset unless they have received written confirmation from the pension scheme confirming that the asset will be repaid or future contributions will be reduced.

Estimation Uncertainty

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. The impact of COVID-19 did not impact on this year's arrears figure but the policy for bad debt provision will be reviewed to ensure accuracy of the provision in future years following on from the pandemic.

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

In 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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	6,987,575	6,897,357	90,218	6,914,934	5,566,053	1,348,881
Other Activities	4	589,666	602,073	(12,407)	794,723	813,266	(18,543)
Total		7,577,241	7,499,430	77,811	7,709,657	6,379,319	1,330,338

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

	General Needs Housing £	Supported Housing £	2020 Total £	2019 Total £
Revenue from Lettings				
Rent receivable net of service charges	6,266,505	317,803	6,584,308	6,409,538
Service charges receivable	32,053	193,021	225,074	224,225
Gross income from rent and service charges	6,298,558	510,824	6,809,382	6,633,763
Less: Rent losses from voids	121,819	25,905	147,724	85,797
Income from rents and service charges	6,176,739	484,919	6,661,658	6,547,966
Grants released from deferred income	77,230	57,422	134,652	132,158
Revenue grants from Scottish Ministers	58,647	8,243	66,890	90,248
Other revenue grants	97,831	26,544	124,375	144,562
Total turnover from affordable letting activities	6,410,447	577,128	6,987,575	6,914,934
Expenditure on affordable letting activities				
Management and maintenance administration costs	2,693,594	79,664	2,773,258	2,349,456
Service costs	65,598	164,616	230,214	188,079
Planned and cyclical maintenance, including major repairs	2,022,731	24,991	2,047,722	1,450,905
Reactive maintenance costs	574,862	35,790	610,652	538,935
Bad Debts - rents and service charges	29,472	-	29,472	(9,872)
Depreciation of affordable let properties	1,120,427	85,612	1,206,039	1,048,550
Operating costs of affordable letting activities	6,506,684	390,673	6,897,357	5,566,053
Operating surplus / (deficit) on affordable letting activities	(96,237)	186,455	90,218	1,348,881
2019	1,121,369	227,512		

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 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	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£	£
Wider role activities	8,566	282,805	-	291,371	-	309,148	(17,777)	(47,696)
Factoring	-	-	277,486	277,486	(5,507)	268,634	14,359	36,216
Uncapitalised development administration costs	-	-	-	-	-	8,989	(8,989)	(19,159)
Other activities	-	-	8,724	8,724	-	8,724	-	12,096
Rechargeable Repairs	-	-	12,085	12,085	-	12,085	-	-
Total From Other Activities	8,566	282,805	298,295	589,666	(5,507)	607,580	(12,407)	(18,543)
2019	22,205	204,291	568,227	794,723	(15,627)	828,893	(18,543)	

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020	2019
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>201,789</u>	<u>137,496</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>23,268</u>	<u>16,725</u>
Emoluments payable to Chief Executive Officer (excluding pension contributions)	78,249	76,508
Pension contributions paid on behalf of the Chief Executive Officer	<u>9,312</u>	<u>9,393</u>
Total emoluments payable to the Chief Executive Officer	<u>87,561</u>	<u>85,901</u>
Total emoluments paid to key management personnel	<u>249,273</u>	<u>243,506</u>

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

	Number	Number
£60,001 to £70,000	2	1
£70,001 to £80,000	<u>1</u>	<u>1</u>

6. EMPLOYEE INFORMATION

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>55</u>	<u>56</u>
Average total number of employees employed during the year	<u>65</u>	<u>72</u>
Staff costs were:	£	£
Wages and salaries	1,715,557	1,702,002
National insurance costs	152,688	145,530
Pension costs	145,709	132,560
Temporary, agency and seconded staff	12,364	6,875
	<u>2,026,318</u>	<u>1,986,967</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	<u>280,039</u>	<u>289,364</u>

8. (DEFICIT) / SURPLUS FOR THE YEAR

	2020	2019
	£	£
(Deficit) / Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,078,082	1,058,783
Auditors' remuneration - audit services	10,530	7,231
Operating lease rentals - other	<u>8,271</u>	<u>8,604</u>

9. CORPORATION TAX

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)

	2020	2019
	£	£
Net interest on pension obligations	<u>(42,000)</u>	<u>(42,000)</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
At 1 April 2019	34,824,807	34,824,807
Additions	1,096,562	1,096,562
Disposals	(221,574)	(221,574)
At 31 March 2020	<u>35,699,795</u>	<u>35,699,795</u>
DEPRECIATION		
At 1 April 2019	13,408,118	13,408,118
Charge for Year	1,033,195	1,033,195
Disposals	(197,183)	(197,183)
Impairment	148,453	148,453
At 31 March 2020	<u>14,392,583</u>	<u>14,392,583</u>
NET BOOK VALUE		
At 31 March 2020	<u>21,307,212</u>	<u>21,307,212</u>
At 31 March 2019	<u>21,416,689</u>	<u>21,416,689</u>

	2020		2019	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Expenditure on Existing Properties				
Amounts capitalised	949,062	-	1,090,213	-
Amounts charged to the statement of comprehensive income	<u>2,658,374</u>	<u>-</u>	<u>1,989,840</u>	<u>-</u>

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £Nil (2019-£Nil)

Impairment Charges

An impairment review was carried out on housing land and buildings during the year. As a result of this the following impairment charges have been recognised and are included within depreciation charges.

	Housing Properties Held for Letting £	Total £
Impairment Charge	<u>148,453</u>	<u>148,453</u>

This impairment charge has resulted in reduction of surplus and the net Book value of housing properties by the amount of the charge. The impairment is in relation to properties which have been designated for demolition.

The Association's lenders have standard securities over housing property with a carry value of £13,629,811 (2019 - £13,622,968)

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

11. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
COST				
At 1 April 2019	501,020	63,681	104,790	669,491
Additions	-	-	12,174	12,174
Eliminated on disposals	-	-	(14,300)	(14,300)
At 31 March 2020	<u>501,020</u>	<u>63,681</u>	<u>102,664</u>	<u>667,365</u>
DEPRECIATION				
At 1 April 2019	125,255	31,840	60,798	217,893
Charge for year	25,051	6,369	13,467	44,887
Eliminated on disposals	-	-	(14,300)	(14,300)
At 31 March 2020	<u>150,306</u>	<u>38,209</u>	<u>59,965</u>	<u>248,480</u>
NET BOOK VALUE				
At 31 March 2020	<u>350,714</u>	<u>25,472</u>	<u>42,699</u>	<u>418,885</u>
At 31 March 2019	<u>375,765</u>	<u>31,841</u>	<u>43,992</u>	<u>451,598</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent and service charges	255,570	323,323
Less: Provision for doubtful debts	(110,200)	(138,078)
<i>Net arrears of rent and service charges</i>	145,370	185,245
Social housing grant receivable	95,979	49,734
Other receivables	534,292	410,343
	<u>775,641</u>	<u>645,322</u>

13. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Short term deposits	4,569,729	5,724,693
	<u>4,569,729</u>	<u>5,724,693</u>

14. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	249,730	566,321
	<u>249,730</u>	<u>566,321</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans	626,187	595,664
Trade payables	501,903	901,464
Rent received in advance	143,781	162,852
Other taxation and social security	42,903	38,861
Other payables	114,982	39,044
Accruals and deferred income	184,809	464,959
	<u>1,614,565</u>	<u>2,202,844</u>

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

	2020	2019
	£	£
Bank loans	8,115,042	8,738,637
	<u>8,115,042</u>	<u>8,738,637</u>

17. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Bank Loans		
Amounts due within one year	626,187	595,664
Amounts due in one year or more but less than two years	640,876	612,014
Amounts due in two years or more but less than five years	2,018,434	1,941,748
Amounts due in more than five years	5,455,732	6,184,875
	<u>8,741,229</u>	<u>9,334,301</u>

The Association has a number of bank loans the principal terms of which are as follows:

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

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Linstone Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

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 reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £-816000.

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
	£	£
Fair value of plan assets	9,433,000	7,872,000
Present value of defined benefit obligation	9,207,000	9,748,000
Surplus / (deficit) in plan	226,000	(1,876,000)
Unrecognised surplus	(226,000)	-
Defined benefit asset / (liability) to be recognised	-	(1,876,000)

Reconciliation of the impact of the asset ceiling

	2020	2019
	£	£
Actuarial losses / (gains) on asset ceiling	226,000	-
Impact of asset ceiling at end of period	226,000	-

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £	2019 £
Defined benefit obligation at the start of period	9,748,000	9,043,000
Current service cost	233,000	231,000
Expenses	7,000	7,000
Interest expense	233,000	235,000
Contributions by plan participants	174,000	124,000
Actuarial losses (gains) due to scheme experience	249,000	(270,000)
Actuarial losses (gains) due to changes in demographic assumptions	(56,000)	25,000
Actuarial losses (gains) due to changes in financial assumptions	(1,285,000)	669,000
Benefits paid and expenses	(96,000)	(316,000)
Defined benefit obligation at the end of period	<u>9,207,000</u>	<u>9,748,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £	2019 £
Fair value of plan assets at start of period	7,872,000	7,325,000
Interest income	191,000	192,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	906,000	189,000
Contributions by the employer	386,000	358,000
Contributions by plan participants	174,000	124,000
Benefits paid and expenses	(96,000)	(316,000)
Fair value of plan assets at the end of period	<u>9,433,000</u>	<u>7,872,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £1,097,000

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	233,000	231,000
Expenses	7,000	7,000
Net interest expense	42,000	43,000
	<u>282,000</u>	<u>281,000</u>
Defined benefit costs recognised in statement of comprehensive income	282,000	281,000

Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	906,000	189,000
Experience gains and losses arising on plan liabilities - gain / (loss)	(249,000)	270,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain / (loss)	56,000	(25,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	1,285,000	(669,000)
	<u>1,998,000</u>	<u>(235,000)</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,998,000	(235,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	(226,000)	-
	<u>1,772,000</u>	<u>(235,000)</u>
Total amount recognised in other comprehensive income - gain / (loss)	1,772,000	(235,000)

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets	2020	2019	2018
	£	£	£
Absolute Return	579,000	667,000	869,000
Alternative Risk Premia	756,000	440,000	277,000
Corporate Bond Fund	689,000	552,000	511,000
Credit Relative Value	227,000	137,000	-
Distressed Opportunities	172,000	134,000	33,000
Emerging Markets Debt	335,000	252,000	251,000
Fund of Hedge Funds	-	22,000	210,000
Global Equity	1,297,000	1,266,000	1,318,000
Infrastructure	556,000	330,000	134,000
Insurance-Linked Securities	253,000	204,000	200,000
Liability Driven Investment	2,484,000	2,801,000	2,579,000
Long Lease Property	231,000	96,000	-
Net Current Assets	71,000	8,000	14,000
Over 15 Year Gilts	120,000	202,000	237,000
Private Debt	187,000	102,000	68,000
Property	176,000	156,000	289,000
Risk Sharing	299,000	228,000	67,000
Secured Income	524,000	275,000	268,000
Opportunistic Illiquid Credit	230,000	-	-
Liquid Credit	247,000	-	-
Total assets	<u>9,433,000</u>	<u>7,872,000</u>	<u>7,325,000</u>

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.4%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	1.8%	3.3%	3.2%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years
	(years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	<u>24.5</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

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.

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 31 March	2020	2019	2018
	%p.a.	%p.a.	%p.a.
Pension Increase Rate (CPI)	1.90	2.50	3.60
Salary Increase Rate	3.00	3.70	2.40
Discount Rate	2.30	2.40	2.70

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

	2020	2019	2018
	£000	£000	£000
Employee members	614	671	616
Deferred pensioners	742	864	768
Pensioners	326	371	383
	<u>1,682</u>	<u>1,906</u>	<u>1,767</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	2020	2019	2018
	% p.a.	% p.a.	% p.a.
Equities	59%	64%	70%
Bonds	26%	24%	18%
Property	13%	10%	11%
Cash	2%	2%	1%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Mortality Rates

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model with an allowance for smoothing of recent mortality experience and long term rates of 1.5% p.a. for males and 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	20.7	22.9
Future Pensioners	22.2	24.6

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Strathclyde Pension Fund Defined Benefit Scheme (continued)

Fair value of scheme assets by category

	2020	2019
	%	%
Equities	59	64
Gilts	26	24
Bonds	13	10
Property	2	2
	<u>100</u>	<u>100</u>

Net Pension Liability	2020	2019	2018
	£	£	£
Fair value of employer's assets	1,682,000	1,870,000	1,788,000
Present value of scheme liabilities	(1,682,000)	(1,906,000)	(1,788,000)
	<u>-</u>	<u>(36,000)</u>	<u>-</u>

Reconciliation of fair value of employer assets

	2020	2019	2018
	£	£	£
Opening fair value of employer assets	1,870,000	1,788,000	1,754,000
Expected return on assets	45,000	48,000	45,000
Contributions by members	2,000	2,000	2,000
Contributions by the employer	27,000	28,000	28,000
Actuarial gains / (losses)	(124,000)	57,000	13,000
Estimated benefits paid	(50,000)	(53,000)	(54,000)
Surplus on assets not recognised	(88,000)	-	-
	<u>1,682,000</u>	<u>1,870,000</u>	<u>1,788,000</u>

Reconciliation of defined benefit obligations

	2020	2019	2018
	£	£	£
Opening defined benefit obligation	1,906,000	1,788,000	1,965,000
Current service cost	23,000	12,000	14,000
Interest cost	45,000	47,000	51,000
Contributions by members	2,000	2,000	2,000
Actuarial gains / (losses)	(244,000)	131,000	(211,000)
Estimated benefits paid	(50,000)	(53,000)	(54,000)
	<u>1,682,000</u>	<u>1,927,000</u>	<u>1,767,000</u>

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. RETIREMENT BENEFIT OBLIGATIONS (continued)

Strathclyde Pension Fund Defined Benefit Scheme (continued)

Analysis of amount charged to the statement of comprehensive income

	2020 £	2019 £	2018 £
Charged to operating costs:			
Service cost	13,000	12,000	14,000
Past service cost	10,000	-	-
	<u>23,000</u>	<u>12,000</u>	<u>14,000</u>
	23,000	12,000	14,000
Charged to other finance costs / (income)			
Expected return on employer assets	(45,000)	(48,000)	(45,000)
Interest on pension scheme liabilities	45,000	47,000	51,000
	<u>-</u>	<u>(1,000)</u>	<u>6,000</u>
	-	(1,000)	6,000
Net charge to the statement of comprehensive income	<u>23,000</u>	<u>11,000</u>	<u>20,000</u>

Actuarial gain / (loss) recognised in other comprehensive income

	2020 £	2019 £	2018 £
Actuarial gain/(loss) recognised in year	120,000	(74,000)	-
Restriction on surplus	(88,000)	-	-
Cumulative actuarial gains	<u>32,000</u>	<u>(74,000)</u>	<u>-</u>

Analysis of projected amount to be charged to the statement of comprehensive income for the year ended 31 March 2021

	£	% of pay
Projected current service cost	11,000	-38.1%
Interest on obligation	38,000	-126.7%
Expected return on plan assets	(40,000)	133.3%
	<u>9,000</u>	<u>-31.5%</u>

Contributions made by the Association for the year ended 31 March 2021 are estimated to be approximately £28,000.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. DEFERRED INCOME

	Social Housing Grants £	Total £
Capital grants received		
At 1 April 2019	5,726,145	5,726,145
Additions in the year	82,642	82,642
Eliminated on disposal	(290)	(290)
At 31 March 2020	<u>5,808,497</u>	<u>5,808,497</u>
Amortisation		
At 1 April 2019	1,704,269	1,704,269
Amortisation in year	134,608	134,608
Eliminated on disposal	(247)	(247)
At 31 March 2020	<u>1,838,630</u>	<u>1,838,630</u>
Net book value		
At 31 March 2020	<u>3,969,867</u>	<u>3,969,867</u>
At 31 March 2019	<u>4,021,876</u>	<u>4,021,876</u>

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

	2020 £	2019 £
Amounts due within one year	135,305	132,158
Amounts due in more than one year	3,834,562	3,889,718
	<u>3,969,867</u>	<u>4,021,876</u>

20. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	99	102
Issued in year	22	5
Cancelled in year	(8)	(8)
At 31 March	<u>113</u>	<u>99</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.

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

21. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	2020	2019
	£	£
Decrease in cash	(316,591)	(4,142,669)
Change in liquid resources	(1,154,964)	4,224,693
Cashflow from change in net debt	<u>593,072</u>	<u>580,505</u>
Movement in net debt during the year	(878,483)	662,529
Net debt at 1 April	(3,043,287)	(3,705,816)
Net debt at 31 March	<u>(3,921,770)</u>	<u>(3,043,287)</u>

	At		Other	At
	01 April 2019	Cashflows	Changes	31 March 2020
	£	£	£	£
Cash and cash equivalents	566,321	(316,591)	-	249,730
	566,321	(316,591)	-	249,730
Liquid resources	5,724,693	(1,154,964)	-	4,569,729
Debt: Due within one year	(595,664)	593,072	(623,595)	(626,187)
Due after more than one year	(8,738,637)	-	623,595	(8,115,042)
Net debt	<u>(3,043,287)</u>	<u>(878,483)</u>	<u>-</u>	<u>(3,921,770)</u>

22. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	<u>354,293</u>	<u>422,445</u>

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

23. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Expiring in the next year	10,176	13,202
Expiring later than one year and not later than five years	<u>16,457</u>	<u>17,946</u>

24. DETAILS OF ASSOCIATION

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

The Association's principal place of business is 17 Bridge Street, Linwood, Renfrewshire, PA3 3DB.

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

LINSTONE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

25. BOARD MEMBER EMOLUMENTS

Board members received £0 (2019 - Nil) in the year by way of reimbursement of expenses. No remuneration is paid to Board members in respect of their duties to the Association.

26. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs	1,516	1,513
Supported housing	75	76
	<u>1,591</u>	<u>1,589</u>

27. RELATED PARTY TRANSACTIONS

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

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

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

	2020 £	2019 £
Rent received from tenants on the Board and their close family members	<u>7,060</u>	<u>9,277</u>
Factoring charges received from factored owners on the Board and their close family members	<u>265</u>	<u>93</u>

At the year end total rent arrears owed by the tenant members on the Board (and their close family) were £0 (2019 - Nil).

At the year end total factoring arrears owed by owner occupiers on the Board (and their close family) were £0 (2019 - Nil).

Members of the Board who are tenants	2	2
Members of the Board who are owner occupiers	1	1
Members of the Board who are local councillors	1	1
Members of the Board who are local authority employees	2	1

28. NON ADJUSTING POST BALANCE SHEET EVENT

At the time of approving the financial statements, the United Kingdom is impacted by the Coronavirus pandemic. The Association is monitoring the position and updating its plans accordingly. Like most RSL's, however, the virus is likely to impact the Association's activities.