

**LINSTONE HOUSING ASSOCIATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31st MARCH 2012**

**Registered Housing Association No. HEP 299**

**FSA Registration No. 2524R (S)**

**Scottish Charity No. SCO 27454**

**BAKER TILLY UK AUDIT LLP**  
**Chartered Accountants**

**Glasgow**

# LINSTONE HOUSING ASSOCIATION LIMITED

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### **Registration Particulars:**

Financial Services Authority	Industrial and Provident Societies Act 1965 Registered Number 2524R(S)
Scottish Housing Regulator	Housing Associations Act 1985 Registered Number HEP 299
Scottish Charities	Charities and Trustee (Scotland) Investment Act 2005 Scottish Charity Number SCO 27454

# LINSTONE HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

YEAR ENDED 31st MARCH 2012

### MANAGEMENT COMMITTEE

IAIN WILSON	Chair to 8/6/11 / Resigned 8/6/11
NANETTE REID	Vice-Chair to 21/6/11 / Chair from 21/6/11
ELIZABETH ARNOTT	Secretary to 21/6/11 / Vice Chair from 21/6/11
JAMES CARMICHAEL	
TONI CASSIDY	
COUNCILLOR AUDREY DOIG	Corporate Representative of Renfrewshire Council
IAN JOHNSTONE	
JANE JOHNSTONE	Secretary from 21/6/11
JEAN McQUARRIE	
WILLIAM DUNCAN	
JAMIE IRVINE	Elected 20/9/11
ELIZABETH MCALPINE	Elected 20/9/11

### EXECUTIVE OFFICERS

ADELE FRASER	Chief Executive
DAVID ADAM	Director of Housing & Property Services
GARY DALZIEL	Director of Finance & Corporate Services

### REGISTERED OFFICE

32 BURNBRAE AVENUE  
LINWOOD  
RENFREWSHIRE PA3 3DD

### AUDITORS

BAKER TILLY UK AUDIT LLP  
BRECKENRIDGE HOUSE  
274 SAUCHIEHALL STREET  
GLASGOW G2 3EH

### BANKERS

BANK OF SCOTLAND CORPORATE  
SPECIALIST BANKING – RM (NOT FOR PROFIT)  
PENTLAND HOUSE  
2<sup>nd</sup> FLOOR  
8 LOCHSIDE AVENUE  
EDINBURGH PARK  
SOUTH GYLE  
EDINBURGH EH12 9DJ

### SOLICITORS

HBJ GATELEY WAREING  
EXCHANGE TOWER  
19 CANNING STREET  
EDINBURGH EH3 8EH

# **LINSTONE HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE**

### **FOR THE YEAR ENDED 31st MARCH 2012**

The Management Committee presents its Report and the Financial Statements for the year ended 31st March 2012.

#### **Principal Activities**

The Association is a registered charity and the principal activity of the Association is the provision of good quality, affordable rented accommodation for those in housing need.

#### **Review of Business and Future Developments**

The Association has now completed its thirteenth year of business.

The rent increase for the year was set at 5% which represented 0.5% above the Retail Price Index (RPI) figure at the end of October 2010. Our major expenditure during the year has been on continuing our Kitchen and Bathroom upgrades across our stock with over £800,000 of our cash resources used in this area.

In April 2011 the Association implemented our revised staffing structure and a significant part of the work during the year involved embedding this new structure into our day to day operations.

One aspect of the restructure saw responsibility for factoring debt being moved to a specialised Income Team responsible for all rental and factoring debt within the Association. During the year the Association concentrated significant resources at reducing our high levels of factoring debt and has achieved a 25% reduction to just under £260,000.

For a number of years the Association had a block of 8 flats which had lain empty. These had encountered significant vandalism and degradation and during 2011/12 the Association invested almost £270,000 in bringing these properties back to a lettable standard.

During the year the Association engaged a consultant to carry out our tri-annual Large Scale Customer Satisfaction Survey with this work completed in August 2011. The results of this exercise were extremely positive showing a marked increase in all areas. Particular areas which saw a significant increase in customer satisfaction were tenant's perceptions on the Value for Money of their rent which increased from 75% in 2007 to 89% in 2011 who felt their rent represented good or very good value for money. Overall satisfaction with the repairs service an increase from 69% in 2007 to 95% in 2011.

In September 2011 the Association held a Special General Meeting and received approval from our members to implement new model rules based on the SFHA Model Rules produced in 2009 with a few local amendments pertinent to Linstone.

The Association appointed a consultant towards the end of 2011 to undertake a Governance Review to examine the adequacy and effectiveness of Linstone Housing Association's governance arrangements and compare these to best practice recommended by the Scottish Housing Regulator in the Regulatory Code of Governance, April 2008 and other relevant sources. This work was concluded early in June 2012 and the results demonstrated that overall governance within the Association was sound.

Throughout 2011/12 the Association continued to negotiate with Tesco regarding our existing office accommodation. In December 2011 Committee approval was provided on draft missives between Tesco and Linstone and following further negotiations these missives were agreed in April 2012 which will result in Linstone purchasing the completed development from Tesco for a fixed price on completion of the work.

# **LINSTONE HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE (Contd.)**

### **FOR THE YEAR ENDED 31st MARCH 2012**

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

During 2012 Tesco's contractors should commence work on demolition of the existing shopping centre and begin construction on a new purpose built site for Linstone in the redeveloped town centre with a current estimated completion date of late 2013.

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. The 2011 comparative figures have been restated. This is further explained on page 3 and in Note 23 to the financial statements.

#### **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.

#### **Related Party Transactions**

Management Committee members who served during the year and who were tenants are as follows: -

NANETTE REID

Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage. Jean McQuarrie's husband is a tenant. Further details of related party transactions are disclosed in note 22 of the financial statements.

#### **Component Accounting**

Linstone has adopted Component Accounting into its financial statements this year in compliance with the SORP 2010. Major Components (Note 1) of our buildings are identified and depreciated over specific economic life spans. Their replacement is then capitalised in the financial statements as they occur. There are resulting prior period adjustments shown to the relevant notes to the financial statements and detailed in Note 23.

#### **Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

# **LINSTONE HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE (Contd.)**

### **FOR THE YEAR ENDED 31st MARCH 2012**

#### **Maintenance policies**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term, to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. In line with the SORP 2010, replacements to building components (as identified in Note 1) are capitalised in the financial statements as they occur. All other major repairs are charged to the Income and Expenditure account.

#### **Treasury Management**

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

#### **Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives and maintaining Health & Safety standards in all areas.

#### **Quality and Integrity of Personnel**

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Directors.

#### **Budgetary Process**

Each year the Management Committee approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year, through quarterly reporting to the Committee of variances from budget, updated forecasts for the year, together with information on the key risk areas and progress against our business objectives. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

#### **Rental income**

The Association's Rent Policy is based on the principles of comparability, affordability and the organisation's long term financial viability. When reviewing rents annually, the committee considers these three principles and also the obligations of the Association in relation to its sale and purchase agreement with the former Scottish Homes.

# **LINSTONE HOUSING ASSOCIATION LIMITED**

## **REPORT OF THE MANAGEMENT COMMITTEE (Contd.)**

### **FOR THE YEAR ENDED 31st MARCH 2012**

#### **Disabled employees**

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

#### **Home Ownership**

We sold 3 properties under right to buy in the year, thereby allowing some tenants to achieve their aspiration of becoming home owners.

#### **Future developments**

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity, working with its existing and new partners.

#### **Going Concern**

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

#### **Auditors**

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

On behalf of the Management Committee

Secretary: Jane Johnstone



Date: 21.8.2012

# **LINSTONE HOUSING ASSOCIATION LIMITED**

## **STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES**

### **FOR THE YEAR ENDED 31st MARCH 2012**

Statute 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.

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 ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. 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.

As far as the Management Committee members are aware, there is no relevant audit information of which the auditors are unaware and the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

The Management Committee confirms that the Financial Statements comply with the above requirements.



# LINSTONE HOUSING ASSOCIATION LIMITED

## MANAGEMENT COMMITTEE'S STATEMENT ON INTERNAL FINANCIAL CONTROL

FOR THE YEAR ENDED 31st MARCH 2012

### Internal Financial Control

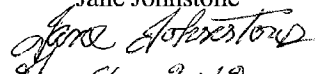
The Management Committee exercises overall responsibility for the Association's system of internal financial control and the Audit/Finance Sub-Committee, on behalf of the Management Committee, is responsible for its effectiveness. This system, like any other, can only provide reasonable but not absolute, assurance against material mis-statement or loss. Under the Association's operational structure, the key elements relating to the Association's system include:-

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Management Committee and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Committee members.
- the Committee reviews reports from the Chief Executive, Directorate, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association. There were no internal auditors in place during the year however this is currently out to tender with a view to internal auditors being in place for the year ended 2013.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Management Committee have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2012 and until the below date. No weaknesses were found in internal financial controls, which resulted in material losses, contingencies, or uncertainties, which require disclosure in the financial statements or in the auditors' report on the financial statements.

These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's guidance and the SFHA's publication "Raising Standards in Housing".

By order of the Management Committee

Jane Johnstone  
  
Date: 21.8.2012

**LINSTONE HOUSING ASSOCIATION LIMITED**  
**REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE**  
**ON CORPORATE GOVERNANCE MATTERS**

**Corporate Governance**

In addition to our audit of the financial statements, we have reviewed the Management Committee's statement on page 6 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

*Baker Tilly UK Audit LLP*

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
GLASGOW

Date: 23/8/12.....

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

We have audited the financial statements of Linstone Housing Association Limited for the year ended 31 March 2012 on pages 10 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on page 7, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements 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.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

Date: 23/8/12

**LINSTONE HOUSING ASSOCIATION LIMITED**

**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012**

	Notes	2012 £	2011 As restated £
<b>TURNOVER</b>	<b>2</b>	5,775,944	5,530,039
Operating costs	2	<u>(4,381,291)</u>	<u>(4,551,051)</u>
<b>Operating surplus</b>		1,394,653	978,988
Gain on sale of housing accommodation	6	59,189	9,059
Interest receivable		33,464	5,748
Interest payable	7	(368,948)	(378,030)
Other finance income/(costs)	19	<u>5,000</u>	<u>1,000</u>
<b>Surplus on Ordinary Activities</b>	<b>14</b>	<u><u>1,123,358</u></u>	<u><u>616,765</u></u>

All amounts relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES YEAR ENDED 31<sup>ST</sup> MARCH 2012**

	Notes	2012 £	2011 £
<b>Surplus for the year</b>		1,123,358	616,765
Prior period adjustment	24	5,082,691	-
Actuarial (loss)/ gain on pension scheme	19	<u>(136,000)</u>	<u>94,000</u>
Total surplus recognised since the last annual report		<u><u>6,070,049</u></u>	<u><u>710,765</u></u>

# LINSTONE HOUSING ASSOCIATION LIMITED

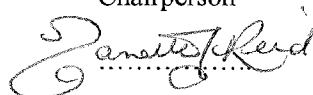
## BALANCE SHEET

AS AT 31<sup>ST</sup> MARCH 2012

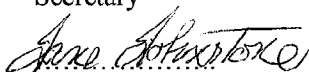
		2012		2011 As restated	
Notes	£	£	£	£	£
<b>TANGIBLE FIXED ASSETS</b>					
Housing Properties - Cost less Depreciation	9a)		22,834,212		22,844,037
Less: Social Housing Grant	9a)		<u>(4,532,439)</u>		<u>(4,532,439)</u>
			18,301,773		18,311,598
Other Fixed Assets	9b)		<u>68,140</u>		<u>97,121</u>
			18,369,913		18,408,719
<b>CURRENT ASSETS</b>					
Debtors	10	494,846		583,756	
Cash at Bank and in Hand		<u>3,673,561</u>		<u>3,030,758</u>	
		4,168,407		3,614,514	
<b>CREDITORS</b> - Amounts falling due within one year	11		<u>(1,056,217)</u>		<u>(1,132,989)</u>
<b>NET CURRENT ASSETS</b>			<u>3,112,190</u>		<u>2,481,525</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			21,482,103		20,890,244
<b>CREDITORS</b> - Amounts falling due after more than one year	12		(12,840,996)		(13,367,478)
Pension Liability	19		<u>(261,000)</u>		<u>(130,000)</u>
<b>NET ASSETS</b>			<u>8,380,107</u>		<u>7,392,766</u>
<b>CAPITAL AND RESERVES</b>					
Called up Share Capital	13		164		181
Designated Reserves	14		-		1,000,000
Revenue Reserves	14		<u>8,379,943</u>		<u>6,392,585</u>
			<u>8,380,107</u>		<u>7,392,766</u>

The Financial Statements were approved by the Management Committee on 21/8/12 and authorised for issue by:-

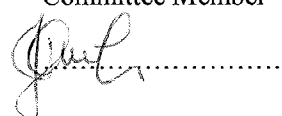
Chairperson



Secretary



Committee Member



# LINSTONE HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2012

		2012		2011	
	Notes	£	£	As restated	
				£	£
<b>Net Cash Inflow from Operating Activities</b>	15a		2,159,019		2,224,379
<b>Returns on Investments and Servicing of Finance</b>					
Interest Received		33,464		5,748	
Interest Paid		<u>(368,948)</u>		<u>(378,030)</u>	
<b>Net Cash (Outflow) from Returns on Investments and Servicing of Finance</b>			(335,484)		(372,282)
<b>Capital Expenditure and Financial Investment</b>					
Purchase of Housing Property		(758,720)		(526,288)	
Purchase of Other Fixed Assets		(552)		-	
Proceeds on Disposal of Properties		<u>83,684</u>		<u>25,390</u>	
<b>Net Cash (Outflow) from Capital Expenditure</b>			<u>(675,588)</u>		<u>(500,898)</u>
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>			1,147,947		1,351,199
<b>Financing</b>					
Share Capital Issued/(Cancelled)		(17)		9	
Loan Capital Repaid		<u>(505,127)</u>		<u>(494,010)</u>	
			(505,144)		(494,001)
<b>Increase/(Decrease) in Cash</b>	15b		<u>642,803</u>		<u>857,198</u>

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31st MARCH 2012

#### 1. PRINCIPAL ACCOUNTING POLICIES

##### **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 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The Association is registered under the Industrial and Provident Societies Act 1965 with the Financial Services Authority. A summary of the more important accounting policies is set out below. "Accounting by Registered Social Housing Providers, Update 2010".

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

##### **Pension Costs**

The Association participates in the SHPS Defined Benefits Pension Scheme and the Local Government Superannuation Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

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

The Association has fully adopted accounting standard FRS17 'Retirement Benefits' for the Local Government Superannuation Scheme. The impact of this standard has been reflected throughout the financial statements.

The Local Government Pension Scheme (LGPS) is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations using the projected unit method.

For defined benefit schemes the amount charged to the income and expenditure account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31st MARCH 2012

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

##### **Valuation of Housing Properties**

Housing Properties are stated at cost, less housing association grant less accumulated depreciation.

The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately purposes and depreciated over its useful economic life is replaced or restored;  
or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

The adoption of Component Accounting during the year represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now deemed to be Land, Structure, Lifts, Windows, Kitchens, Bathrooms, Door Entry Systems and Central Heating. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below. The new accounting policy is compliant with the SORP 2010.

##### **Depreciation of Housing Properties**

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Land	Not depreciated
Structure	Over 50 years
Kitchen	Over 15 years
Bathroom	Over 25 years
Central Heating	Over 20 years
Windows	Over 35 years
Door Entry Systems	Over 16 years
Lifts	Over 40 years

##### **Other Fixed Assets**

Other Fixed Assets are stated at cost less accumulated depreciation. Other fixed assets with a value greater than £20,000 are capitalised. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Leasehold Office Improvements	-	6.67%
IT Equipment	-	20.00%
Furniture and Office Equipment	-	10.00%



# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### FOR THE YEAR ENDED 31st MARCH 2012

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

##### **Sales of Housing Properties**

Surpluses and deficits on the sale of housing properties are accounted for in the Income and Expenditure account in the year of disposal.

##### **Apportionment of Management Expenses**

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis that they are directly engaged in each of the operations dealt with in those accounts.

##### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term.

##### **Social Housing Grant and Other Grants**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account 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.

##### **Designated Reserves**

The Association has set up a Designated Reserve in order to earmark a certain proportion of any surplus as being reserved for future repairs and refurbishment work on its properties. With the adoption of component accounting the Designated Reserve has been transferred back into Revenue Reserves given the majority of major repairs spend will now be capitalised under SORP 2010.

##### **Value Added Tax**

The Association is registered for VAT but as the vast majority of the Association's income is exempt, expenditure is shown inclusive of VAT.

**LINSTONE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31st MARCH 2012**

**2. Particulars of turnover, operating costs and operating surplus or deficit**

	Note	2012			As restated 2011		
		Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	Turnover £	Operating Costs £	Operating Surplus/ £
<b>Social Lettings</b>							
Housing Accommodation		4,995,875	3,701,288	1,294,587	4,773,046	3,945,633	827,413
Warden Services & Very Supported Housing		553,556	456,516	97,040	521,237	402,551	118,686
	3a	<b>5,549,431</b>	<b>4,157,804</b>	<b>1,391,627</b>	<b>5,294,283</b>	<b>4,348,184</b>	<b>946,099</b>
<b>Other Activities</b>	3b	<b>226,513</b>	<b>223,487</b>	<b>3,026</b>	<b>235,756</b>	<b>202,867</b>	<b>32,889</b>
<b>TOTAL</b>		<b>5,775,944</b>	<b>4,381,291</b>	<b>1,394,653</b>	<b>5,530,039</b>	<b>4,551,051</b>	<b>978,988</b>

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

#### 3. Particulars of turnover, operating costs and operating surplus from social letting activities

	General Needs Accommo- dation £	Supported Housing £	2012 Total £	As Restated 2011 Total £
<b>Income from Lettings</b>				
Rent Receivable net of Service Charges	5,015,345	357,979	5,373,324	5,118,365
Service Charges	29,788	202,084	231,872	215,451
<b>Gross income from rents and service charges</b>	<b>5,045,133</b>	<b>560,063</b>	<b>5,605,196</b>	<b>5,333,816</b>
<b>Less voids</b>	<b>(100,570)</b>	<b>(6,507)</b>	<b>(107,077)</b>	<b>(96,563)</b>
<b>Net income from rents and service charges</b>	<b>4,944,563</b>	<b>553,556</b>	<b>5,498,119</b>	<b>5,237,253</b>
Grants from the Scottish Ministers	51,312	-	51,312	57,030
Other revenue grants				-
<b>Total turnover from social letting activities</b>	<b>4,995,875</b>	<b>553,556</b>	<b>5,549,431</b>	<b>5,294,283</b>
<b>Expenditure on Letting Activities</b>				
Management and maintenance administration costs	1,527,252	99,099	1,626,351	1,574,021
Service costs	30,777	205,966	236,743	201,447
Planned and cyclical maintenance including major repairs costs	721,138	50,958	772,096	666,626
Reactive maintenance costs	679,853	48,041	727,894	786,287
Bad Debts – rents and service charges	54,952	3,883	58,835	82,329
Depreciation of social housing	687,316	48,569	735,885	1,037,474
Impairment of social housing	-	-	-	-
<b>Operating costs for social letting activities</b>	<b>3,701,288</b>	<b>456,516</b>	<b>4,157,804</b>	<b>4,348,184</b>
<b>Operating surplus or deficit for social lettings</b>	<b>1,294,587</b>	<b>97,040</b>	<b>1,391,627</b>	<b>946,099</b>
<b>Operating surplus or deficit for social lettings for the previous period as restated</b>	<b>827,413</b>	<b>118,686</b>	<b>946,099</b>	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £nil (2011 - £nil).

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

#### 3b Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total Turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus (deficit) £	Operating surplus or (deficit) for previous period of account £
Wider action/wider role	-	103,165	-	-	103,165	-	128,427	(25,262)	(7,750)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	87,521	87,521	26,552	40,339	20,630	42,752
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	35,801	-	35,801	-	28,169	7,632	(2,113)
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	26	26	-	-	26	-
<b>Total from other activities</b>	-	103,165	35,801	87,547	226,513	26,552	196,935	3,026	32,889
<b>2011</b>	-	125,519	33,217	77,020	235,756	-	202,867	32,889	

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

#### 4. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Management Committee, the Chief Executive of the Association and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments exceed £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 19. No enhanced or special terms apply to membership and she has no other pension arrangements to which the Association contributes. The Association's pension contributions for the Chief Executive in the year amounted to £5,486 (2011 - £8,259). The Chief Executive's salary for the year amounted to £64,911 (2011 - £62,691).

There were no Directors (2011: nil) who received emoluments (including pension contributions) over £60,000.

#### 5. EMPLOYEE INFORMATION

	<b>2012</b>	<b>2011</b>
	<b>No</b>	<b>No</b>
The average full time number of persons employed during the year was	<u>44</u>	<u>41</u>
	<b>£</b>	<b>£</b>
Wages and Salaries	1,133,179	1,150,250
Social Security Costs	93,087	88,308
Other Pension Costs	<u>154,740</u>	<u>118,474</u>
	<u>1,381,006</u>	<u>1,357,032</u>

#### 6. GAIN ON SALE OF HOUSING ACCOMMODATION

	<b>£</b>	<b>£</b>
Net Proceeds from the Disposal of Housing Accommodation	83,684	25,389
Less cost of Housing Accommodation Sold	<u>(24,495)</u>	<u>(16,330)</u>
Gain on Sale of Housing Accommodation	<u>59,189</u>	<u>9,059</u>

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

	2012 £	2011 £
<b>7. INTEREST PAYABLE</b>		
On Bank Loans and Overdrafts	368,948	378,030
	<u>368,948</u>	<u>378,030</u>
		<b>As restated</b>
	2012 £	2011 £
<b>8. OPERATING SURPLUS</b>		
Operating Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	789,913	1,085,085
Auditors' Remuneration - Audit Services	9,000	9,000
Operating Lease Rentals	<u>26,375</u>	<u>35,266</u>

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

9. **TANGIBLE FIXED ASSETS**  
a) **Housing Properties Held For Letting**

	<b>Held for Letting £</b>
<b>Cost at 1 April 2011</b>	
Additions	20,887,978
Prior Period Adjustment (Note 23)	8,060,105
As restated	<u>28,948,083</u>
Additions	750,555
Disposals	(24,495)
<b>Cost at 31 March 2012</b>	<u><u>29,674,143</u></u>
 <b>Social Housing Grant &amp; Other Grants</b>	
At 1 <sup>st</sup> April 2011 and 31 <sup>st</sup> March 2012	<u>4,532,439</u>
 <b>Depreciation</b>	
At 1 <sup>st</sup> April 2011	3,126,632
Prior Period Adjustment (Note 23)	2,977,414
As restated	<u>6,104,046</u>
Charge for the year	760,380
Disposals	(24,495)
<b>At 31<sup>st</sup> March 2012</b>	<u><u>6,839,931</u></u>
 <b>Net Book Values</b>	
<b>As at 31<sup>st</sup> March 2012</b>	<u><u>18,301,773</u></u>
 As at 31 <sup>st</sup> March 2011 as restated	<u><u>18,311,598</u></u>

None of the Association's land or property is held under a lease.

Total major repairs costs during the year were £1,198,000 (2011: £1,269,827) of which £750,555 (2011: £526,288) was capitalised. Of the amount capitalised, £750,555 (2011: £526,288) related to replacement of components, and £nil (2011: £nil) related to improvements.

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

#### 9 b) Other Tangible Assets

	Computer System	Leasehold Improvements	Furniture & Equipment	Totals
<b>Cost</b>				
At 1 April 2011	343,628	269,969	114,709	728,306
Additions in year	-	-	552	552
<b>At 31 March 2012</b>	<b>343,628</b>	<b>269,969</b>	<b>115,261</b>	<b>728,858</b>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2011	343,628	212,002	75,555	631,185
Charge for year	-	18,007	11,526	29,533
<b>At 31 March 2012</b>	<b>343,628</b>	<b>230,009</b>	<b>87,081</b>	<b>660,718</b>
<b>Net Book Values</b>				
<b>At 31 March 2012</b>	<b>-</b>	<b>39,960</b>	<b>28,180</b>	<b>68,140</b>
At 31 March 2011	-	57,967	39,154	97,121

	2012 £	2011 £
<b>10. DEBTORS – Amounts receivable within one year</b>		
Arrears of Rent and Service Charges	331,952	308,238
Less: Provision for Doubtful Debts	(143,303)	(143,303)
	<u>188,649</u>	<u>164,935</u>
Prepayments and Accrued Income	119,189	104,604
Other Debtors	187,008	314,217
	<u>494,846</u>	<u>583,756</u>
<b>11. CREDITORS – Amounts falling due within one year</b>		
Bank Loans (note 12)	409,711	388,373
Trade Creditors	137,597	241,907
Other Taxation and Social Security	33,177	30,697
Other Creditors	50,754	47,456
Accruals and Deferred Income	261,754	271,279
Rent in Advance	163,224	153,277
	<u>1,056,217</u>	<u>1,132,989</u>



# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

	2012	2011
	£	£
<b>12. CREDITORS – Amounts falling due after more than one year</b>		
<b>Housing Loans</b>		
Housing Loans are secured by specific charges on the Association's housing properties and are repayable partly at a fixed rate of interest and partly by a variable rate. The highest rate of interest paid was 3.00% and the lowest was 0.75%. (The average in 2012 was 1.78%) (2011 highest was 5.455% and lowest was 0.77%). Instalments are due as follows:-		
Within one year (Note 11)	409,711	388,373
Between one and two years	432,220	409,711
Between two and five years	1,444,864	1,369,205
In five years or more	<u>10,963,912</u>	<u>11,588,562</u>
	13,250,707	13,755,851
Less: Amount shown in Current Liabilities	<u>(409,711)</u>	<u>(388,373)</u>
	<b><u>12,840,996</u></b>	<b><u>13,367,478</u></b>
<b>13. SHARE CAPITAL</b>	<b>2012</b>	<b>2011</b>
<b>Shares of £1 each Issued and Fully Paid</b>		
At 1 <sup>st</sup> April	181	190
Issued in year	9	-
Cancelled in year	<u>(26)</u>	<u>(9)</u>
At 31 March	<u>164</u>	<u>181</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.		
<b>14. RESERVES</b>	<b>2012</b>	<b>Restated</b>
<b>Designated reserve – Repairs and Refurbishment Reserve</b>	<b>£</b>	<b>2011</b>
		<b>£</b>
At 1 April	1,000,000	1,000,000
Transfer (to) revenue reserve	<u>(1,000,000)</u>	-
<b>At 31 March</b>	<b><u>-</u></b>	<b><u>1,000,000</u></b>
<b>Revenue reserve</b>		
At 1 April period	1,309,894	5,681,820
Prior Period Adjustment (Note 23)	<u>5,082,691</u>	-
At 1 April 2011 as restated	6,392,585	5,681,820
Retained surplus for the year	1,123,358	616,765
Transfer from designated reserve	1,000,000	-
Actuarial (loss)/gain recognised	<u>(136,000)</u>	94,000
<b>At 31 March</b>	<b><u>8,379,943</u></b>	<b><u>6,392,585</u></b>
Analysed as:		
Revenue reserve excluding pension (liability)	8,640,943	6,522,585
Pension (liability)	<u>(261,000)</u>	<u>(130,000)</u>
	<u>8,379,943</u>	<u>6,392,585</u>

**LINSTONE HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

**FOR THE YEAR ENDED 31st MARCH 2012**

	<b>2012</b>	<b>As restated</b>	
	<b>£</b>	<b>2011</b>	
		<b>£</b>	
<b>15. CASH FLOW STATEMENT</b>			
<b>a) Reconciliation of Operating Surplus to Net Cash Flow from Operating Activities</b>			
Operating Surplus	1,394,653	978,988	
Non cash movement on pension fund	(136,000)	(125,000)	
Depreciation	789,913	1,085,085	
Decrease in Debtors	72,555	2,706	
Increase in Creditors	37,915	282,591	
(Cancelled)/Issued shares	(17)	9	
<b>Net Cash Inflow from Operating Activities</b>	<b>2,159,019</b>	<b>2,224,379</b>	
<b>b) Reconciliation of Net Cash Flow to Movement in Net Debt</b>			
Increase/(Decrease) in Cash in the year	642,803	857,198	
Cash Outflow from financing	505,144	494,001	
<b>Change in Net Debt</b>	<b>1,147,947</b>	<b>1,351,199</b>	
Net Debt at 1st April 2011	(10,725,093)	(12,076,292)	
<b>Net Debt at 31st March 2012</b>	<b>(9,577,146)</b>	<b>(10,725,093)</b>	
<b>c) Analysis of Changes in Net Debt</b>			
	<b>At 1 April</b>	<b>Cash Flow</b>	<b>Other</b>
	<b>2011</b>	<b>Changes</b>	<b>At 31</b>
	<b>£</b>	<b>£</b>	<b>March 2012</b>
		<b>£</b>	<b>£</b>
Cash at Bank and in Hand	3,030,758	642,803	-
Debt due within one year	(388,373)	505,144	(526,482)
Debt due after one year	(13,367,478)	-	526,482
<b>Total</b>	<b>(10,725,093)</b>	<b>1,147,947</b>	<b>-</b>
		<b>(9,577,146)</b>	
<b>16. HOUSING STOCK</b>			
The number of units of accommodation in management at the year end was:-			
General Needs	1,468	1,471	
Supported Housing	101	101	
Shared ownership accommodation	-	-	
	<b>1,569</b>	<b>1,572</b>	

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

#### 19. PENSION OBLIGATIONS

##### SHAPS Pension Scheme

Linstone Limited participates in the SHAPS Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

# LINSTONE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

### FOR THE YEAR ENDED 31st MARCH 2012

	2012 £	2011 £
<b>17. CAPITAL COMMITMENTS</b>		
Capital expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>Nil</u>	<u>Nil</u>
<b>18. COMMITMENTS UNDER OPERATING LEASES</b>		
At the year end, the annual commitments under operating leases were as follows:-		
<b>Other</b>		
Expiring within one year	-	3,472
Expiring between two and five years	<u>1,307</u>	<u>14,642</u>
	<u>1,307</u>	<u>18,114</u>
<b>Land and Building</b>		
Expiring within one year	-	-
Expiring between two and five years	<u>11,400</u>	<u>11,044</u>
	<u>11,400</u>	<u>11,044</u>