



Scott-Moncrieff
business advisers and accountants

LISTER HOUSING CO-OPERATIVE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

Registration particulars

Financial Conduct Authority

Scottish Housing Regulator

Co-operative & Community Benefit Societies Act 2014
Registered Number 1876 R(S)

Housing (Scotland) Act 2010
Registered Number HAC150

LISTER HOUSING CO-OPERATIVE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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LISTER HOUSING CO-OPERATIVE LIMITED

STATUTORY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2016

Committee of Management

Mrs L Alexander	- Chairperson
Mrs C Littlewood	- Secretary
Mr A McDonald	- Treasurer
Mr J-L Addams	
Ms R D'Agostino	
Ms K Chapman	- Resigned 19.4.16
Mrs C Goodwin	
Ms F Gordon	- Resigned 24.11.15
Mrs J Leith	- Elected 30.6.15
Mrs J Lewis	
Mrs J McCuaig	
Ms J Renton	

Executive officers

Alistair Cant FCIH	- Director
Mark Stolarek	- Housing Officer

Registered office

36 Lauriston Place
Edinburgh
EH3 9EZ

FCA registered number

1876 R(S)

The Scottish Housing Regulator registered number

HAC 150

External Auditor

Scott-Moncrieff
Allan House
25 Bothwell Street
Glasgow
G2 6NL

Internal Auditor

TIAA Ltd
53-55 Gosport Business Centre
Aerodrome Road
Gosport, Hampshire
PO13 0FQ

Solicitors

T C Young
69a George Street
Edinburgh
EH2 2JG

Bankers

Bank of Scotland
Teviot House
41 South Gyle Crescent
Edinburgh
EH12 9DR

LISTER HOUSING CO-OPERATIVE LIMITED

ANNUAL REPORT OF THE COMMITTEE OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

The Committee of Management present their Strategic Report, Annual Report of the Committee of Management and audited financial statements for the year ended 31 March 2016.

Registration details

Lister is registered as a 'Housing Association' with the Scottish Housing Regulator under the Housing (Scotland) Act 2010, registration number HAC150. It is also registered as a Registered Society under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority, registration number 1876R(S). As a fully mutual housing co-operative, Lister gains relief from corporation tax arising from its housing activities. It pays tax on its non-housing activity income.

Principal activity

The principal activity of the Co-operative is the provision of good quality affordable rented housing for those in need. As a fully mutual co-operative, all Lister tenants are members of the Co-operative and each has a £1 share (which brings no monetary benefits). All members/tenants have a keen interest in both the successful provision of services to tenants and the healthy continuance of the Co-operative as an organisation.

The aims of the Co-operative

1. To provide housing in central Edinburgh for its members, and for people in housing need including those homeless and those in medical need. The housing shall be of a range of flat sizes and types including mainstream, amenity and wheelchair flats and shared flats for single persons.
2. The housing to be at affordable rents, of good quality and maintained to a high standard, with an accessible, responsive and caring housing service. The Co-operative is to be under its members' control and be democratically run without any discrimination.
3. To promote the development of the community at the Co-operative and with its neighbours.

Structure, governance and management

The Co-operative is controlled by a Committee of Management comprising members elected at the AGM. All Committee members are thus tenants as well. The rules of the Co-operative, based on the Scottish Federation of Housing Association's Model Rules 2013, is the controlling document for the organisation. The Committee of Management meets monthly, apart from in December, and sets out policies, strategies and priorities within which the organisation operates. The day-to-day operation is carried out by the Co-operative staff, who are all on permanent long term contracts reporting through the Director, Alistair Cant, to the Committee of Management.

The daily work is regulated by policies; the key policies include the Standing Orders, the Financial Regulations and the Financial Procedures. There are well established routines for reporting activity to the Committee of Management, including quarterly financial reporting, as well as a detailed Internal Management Plan.

In addition to this work there are a number of external agents and consultants who are involved in reporting to the Committee of Management and the Annual General Meeting of members. The management accounts are prepared by an external agent. This service is ending and has been successfully tendered to a new provider. The Financial Statements are reviewed by the external auditor who carries out a full audit.

The Committee of Management engage TIAA Ltd (The Internal Auditor) to carry out a biennial internal audit based on an agreed Strategic Audit Plan. Finally the Scottish Housing Regulator (to whom Lister submits regular returns) undertakes regular monitoring and can perform a performance audit visit which would produce a publicly available inspection report. It has other powers that could be used when necessary.

In addition to such formal management and monitoring arrangements, Lister is a member of the Scottish Federation of Housing Associations (SFHA) and Employers in Voluntary Housing (EVH).

LISTER HOUSING CO-OPERATIVE LIMITED

ANNUAL REPORT OF THE COMMITTEE OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

Risk management

The Co-operative has an active risk management process, with policies, risk matrix map and a business continuity plan. All major risks are considered so mitigating action can be planned. The health & safety plan is based on the EVH model manual, enhanced by regular audits by their advisers, ACS Physical Risk Control Ltd.

Business review

The Committee of Management notes that the Co-operative's Statement of Financial Position shows a satisfactory position with net assets of £3.2m (2015: £3.1m). The Co-operative continues to invest in improvements to its properties, including major repairs, cyclical maintenance and the installation and upgrading of gas central heating. The Co-operative funds these programmes either by revenue income or by using reserves. This and other future planned work will enable the flats to be upgraded when scheduled and maintenance carried out promptly. The replacement of certain agreed components is capitalised under the component accounting regulations.

This year the main activities comprised: dealing with aspects arising from welfare benefit changes and extending the internal wall insulation work to all New Site flats. There has also been further common stair painting to several stairs.

Key performance indicators

Lister has performed well for the year - only very narrowly missing its tough rent arrears target of 1.8%. In addition former tenant arrears are under £550 - a very low figure with few bad debts and a reduced bad debt provision. Voids are less than 0.6% of total turnover and there is a continued low vacancy rate.

Future developments and strategies

Lister has no development opportunities at present or any strong desire or need to expand. There is planned activity in 2016/17 to carry out external timber window painting on the New Site and to progress the plan for Energy Efficiency Standard for Social Housing (EESH).

Committee of Management

The Committee of Management of the Co-operative are listed on page 1.

Senior staff and training

The Co-operative's senior staff member is Alistair Cant, a Fellow of the Chartered Institute of Housing, with 35 years of housing experience. Leading the housing management function is Mark Stolarek, an experienced Housing Officer. Staff and Committee members have the opportunity to attend various courses and events.

Maintenance policies

The Co-operative aims to maintain its properties to a high standard. To this end programmes of cyclical maintenance are carried out and programmes of major repairs to cover for such works. Key identified components are capitalised when replaced.

Rent policy

The Co-operative sets its rents using a rent points system. These points are multiplied by the rent point factor, set by the Committee of Management each year, to give the net rental; on top are any service charges. Rents are reviewed on 1 April each year following consultation with all tenants.

LISTER HOUSING CO-OPERATIVE LIMITED

ANNUAL REPORT OF THE COMMITTEE OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

Treasury management

The Co-operative, as a matter of policy, does not enter into transactions of a speculative nature. The surplus funds of Lister are managed carefully using long established banks or building societies.

Employee involvement and Health & Safety

Lister encourages employee involvement in all initiatives. A comprehensive Health & Safety Manual backed up by regular inspections and checks is in operation. There are updates every six months from our consultants.

Reserves

The Co-operative needs to have reserves to ensure the organisation can function into the future and meet its future liabilities, including the major repairs and investment needs of its 185 flats. The revenue reserve of £3.2m reflects primarily the past investment in the housing stock and reserves for future major repairs. The Co-operative has a cash level of £1.6m to support its future plans and operating requirements. The Co-operative reviews its maintenance spending plans regularly and re-assesses them in relation to reserves and cash flows. The Committee of Management projects that total reserves at 31 March 2017 are likely to be £3.4m.

Going concern

No material uncertainties that may cast significant doubt about the ability of the Co-operative to continue as a going concern have been identified by the Committee of Management. The Committee of management have a reasonable expectation that the Co-operative has adequate resources to continue operating for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Surplus for the year

The results for the year are shown in the Statement of Comprehensive Income on page 11. A surplus of £105k was the outcome for the year (2015: restated surplus £188k).

Credit payment policy

The average payment period is twenty-four days (2015: twenty-four days).

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Committee of Management at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Co-operative's auditor is unaware, and;
- He/she has taken all steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant information, and to establish that the Co-operative's auditor is aware of the information.

LISTER HOUSING CO-OPERATIVE LIMITED

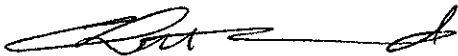
ANNUAL REPORT OF THE COMMITTEE OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2016

Auditor

A resolution to re-appoint Scott-Moncrieff as auditor will be put to the members at the Annual General Meeting.

The Report of the Committee of Management (incorporating the Strategic Report) has been approved on behalf of the Management Committee by;



Mrs Colleen Littlewood
Secretary

36 Lauriston Place
Edinburgh
EH3 9EZ

21 June 2016

LISTER HOUSING CO-OPERATIVE LIMITED

STATEMENT OF COMMITTEE RESPONSIBILITIES

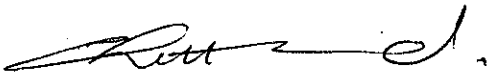
FOR THE YEAR ENDED 31 MARCH 2016

Statute requires that the Committee of Management prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Co-operative and of the surplus or deficit of the Co-operative for that period. In preparing those financial statements the Committee members are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Co-operative will continue in business.

The Committee Members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Co-operative. They are also responsible for safeguarding the Co-operative's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Committee of Management



Mrs Colleen Littlewood
Secretary

21 June 2016

LISTER HOUSING CO-OPERATIVE LIMITED

COMMITTEE OF MANAGEMENT STATEMENT ON INTERNAL FINANCIAL CONTROLS

FOR THE YEAR ENDED 31 MARCH 2016

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Co-operative has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Co-operative or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

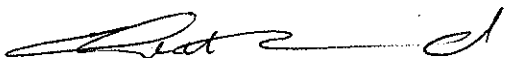
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of powers, which allow the monitoring of controls and restricts the unauthorised use of the Co-operative's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual review procedures have been established to maintain standards of performance; and
- forecasts and budgets are prepared regularly which allow the Committee of Management 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; and all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Committee of Management.

The Committee of Management reviews reports from Sub Committees, staff and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. Reports from internal auditors are produced biennially - a report was submitted in 2014. Staff reports include a general review of the major risks facing the Co-operative. Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management has reviewed the system of internal financial control in the Co-operative during the year ended 31 March 2016. No weaknesses were found in internal financial controls which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

These arrangements are considered appropriate to the scale and range of the Co-operative's activities and comply with the requirements contained in the Scottish Housing Regulator's publication "Our Regulatory Framework".

By order of the Committee of Management



Mrs Colleen Littlewood
Secretary

21 June 2016

LISTER HOUSING CO-OPERATIVE LIMITED

REPORT OF THE AUDITOR ON CORPORATE GOVERNANCE MATTERS

FOR THE YEAR ENDED 31 MARCH 2016

In addition to our audit of the Financial Statement, we have reviewed your statement on page 7 concerning the Co-operative's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Co-operative's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Controls on page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Committee of Management and Officers of the Co-operative and examination of relevant documents, we have satisfied ourselves that the Committee of Management's Statement on Internal Financial Controls appropriately reflects the Co-operative's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott Moncrieff

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 21 June 2016

LISTER HOUSING CO-OPERATIVE LIMITED

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LISTER HOUSING CO-OPERATIVE LIMITED

FOR THE YEAR ENDED 31 MARCH 2016

We have audited the financial statements of Lister Housing Co-operative Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Capital and Reserves, the Statement of Cash Flows and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

This report is made solely to the Co-operative's members as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Co-operative'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 Co-operative and the Co-operative's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee of Management and the Auditor

As explained more fully in the Statement of Committee's Responsibilities set out on page 6, the Committee of Management 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 Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Co-operative's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

LISTER HOUSING CO-OPERATIVE LIMITED

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF LISTER HOUSING CO-OPERATIVE LIMITED

FOR THE YEAR ENDED 31 MARCH 2016

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Co-operative has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Co-operative; or
- we have not received all the information and explanations we require for our audit.

Scott Moncrieff

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 21 June 2016

LISTER HOUSING CO-OPERATIVE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	Restated 2015 £
Turnover	4	784,503	755,782
Less: Operating costs	4	(690,589)	(576,135)
Operating surplus	4, 9	93,914	179,647
Interest receivable and other income	6	16,354	13,075
Surplus before taxation		110,268	192,722
Taxation	7	(5,485)	(4,745)
Surplus for the year		104,783	187,977
Other comprehensive income		-	-
Total comprehensive income for the year		<u>104,783</u>	<u>187,977</u>

The results relate wholly to continuing activities.

The notes on pages 15 to 37 form part of these financial statements

LISTER HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES

FOR THE YEAR ENDED 31 MARCH 2016

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015 (restated)	259	3,137,927	3,138,186
Total Comprehensive Income for the year	-	104,783	104,783
Shares issued during the year	13	-	13
Shares cancelled during the year	(12)	-	(12)
Balance at 31 March 2016	<u>260</u>	<u>3,242,710</u>	<u>3,242,970</u>

FOR THE YEAR ENDED 31 MARCH 2015

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2014 (restated)	255	2,949,950	2,950,205
Total Comprehensive Income for the year	-	187,977	187,977
Shares issued during the year	20	-	20
Shares cancelled during the year	(16)	-	(16)
Balance at 31 March 2015 (restated)	<u>259</u>	<u>3,137,927</u>	<u>3,138,186</u>

The notes on pages 15 to 37 form part of these financial statements


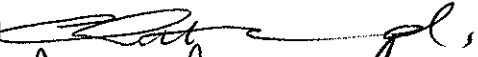

LISTER HOUSING CO-OPERATIVE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	10a	7,378,299	7,552,217
Other fixed assets	10b	284,798	288,514
		<u>7,663,097</u>	<u>7,840,731</u>
Current assets			
Debtors	11	50,816	28,781
Cash and Bank Balances	12	1,593,562	1,433,067
		<u>1,644,378</u>	<u>1,461,848</u>
Creditors: amounts falling due within one year	13	<u>(174,352)</u>	<u>(174,345)</u>
Net current assets		<u>1,470,026</u>	<u>1,287,503</u>
Total assets less current liabilities		9,133,123	9,128,234
Creditors: amounts falling due after one year	14	<u>(5,890,153)</u>	<u>(5,990,048)</u>
Net assets		<u>3,242,970</u>	<u>3,138,186</u>
Capital and reserves			
Share capital	18	260	259
Revenue reserve		3,242,710	3,137,927
Total capital and reserves		<u>3,242,970</u>	<u>3,138,186</u>

The financial statements were approved by the Committee of Management and authorised for issue on 21 June 2016 and signed on its behalf by:

Mrs Louise Alexander		Chairperson
Mrs Colleen Littlewood		Secretary
Mr Angus McDonald		Treasurer

The notes on pages 15 to 37 form part of these financial statements

LISTER HOUSING CO-OPERATIVE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016		Restated 2015	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	19	155,029		317,535	
Taxation paid		(4,745)		(5,053)	
			150,284		312,482
Cash flow from investing activities					
Purchase of tangible fixed assets		(6,144)		(9,989)	
Interest received		16,354		13,075	
			10,210		3,086
Cash flow from financing activities					
Issue of share capital		13		20	
Cancelled shares		(12)		(16)	
			1		4
Net changes in cash and cash equivalents	12		160,495		315,572
Cash and cash equivalents at 1 April	12		1,433,067		1,117,495
Cash and cash equivalents at 31 March	14		<u>1,593,562</u>		<u>1,433,067</u>

The notes on pages 15 to 37 form part of these financial statements

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1. General information

The financial statements of have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS102) (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Statement of Recommended Practice – Accounting for Social Housing Providers issued in 2014 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

The Co-operative is defined as a public benefit entity and thus it complies with all disclosure requirements relating to public benefit entities. The Co-operative is a registered social landlord in Scotland and its registered number is HAC150. The registered address is noted on page 1.

These financial statements represent the results of the Co-operative only and are presented in Pounds Sterling (GBP).

2. Principle accounting policies

The principle accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented, in dealing with items which are considered material in relation to the Co-operative's financial statements, unless otherwise stated.

(a) Accounting basis and going concern

The financial statements have been prepared under the historical cost convention subject to revaluation of investment property. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Committee of Management have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date.

These financial statements for the year ended 31 March 2016 are the Co-operative's first financial statements that comply with FRS102. The Co-operative's date of transition to FRS 102 was 1 April 2014.

Before 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, and referred to as 'previous UK GAAP'. Information on the impact of first-time adoption of FRS 102 is given in note 25 to these financial statements.

The Committee of Management anticipate that a surplus will be generated in the year to 31 March 2017. The Co-operative has a healthy cash and net current asset position and thus the Committee of Management are satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Committee of Management continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(b) Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, local authorities and other organisations.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(c) Apportionment of administration expenditure

The allocation of administration expenditure to the different account headings is based upon experience of time output according to activity by staff. The allocation to major repairs, capitalised work and enhancements is based upon 6% of the spending on such repairs (the sums allocated to work capitalised under component accounting thus is allocated to fixed assets). This is to enable future maintenance costing analysis and financial projections to be forecast using predictable amounts - the 6% being based upon typical contract management rates. The allocation to services is based similarly upon 5% of spend. The remaining expenditure is allocated on the basis of 54% to housing management, 44.5% to maintenance and 1.5% to non-housing activities. The allocation of the 44.5% between the 'day-to-day' and 'cyclical' elements of maintenance is done on a pro-rata basis according to their relative spending. The Co-operative does keep these allocations under review though usually maintains allocation stability, which also aids year-on-year comparisons.

(d) Pensions

The Co-operative participates in the Scottish Housing Associations' Pension Scheme (SHAPS) and retirement benefits to employees of the Co-operative are funded by 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.

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

Thus the Scheme is accounted for as a defined contribution scheme. However the Co-operative has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

The expected cost to the Co-operative of pensions is charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the service lives of the employees in the scheme as a whole.

(e) Leasing

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(f) Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(g) Taxation

The Co-operative pays corporation tax on its interest income and commercial letting income. As a Co-operative housing association it is exempt from payment of corporation tax on social lettings activities.

(h) Fixed assets - housing land and buildings (Note 10a)

Housing properties are stated at cost less accumulated depreciation. The cost of such properties includes the following:

- (i) Cost of acquiring land and buildings;
- (ii) Development expenditure including directly attributable overheads; and
- (iii) Interest charged on the loans raised to finance the scheme.

Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

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 for depreciation 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 asset 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 Statement of Comprehensive Income.

Component accounting was adopted four years ago. The major components are now deemed to be land, structure, pitched roofs, flat roofs, kitchens, bathrooms, HMO capital work and landscaping. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note (i). This accounting policy is deemed to be more appropriate as it reflects better the actual major components of the Co-operative's housing properties and their individual remaining useful lives.

(i) Depreciation

Housing properties

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

Land	not depreciated
Structure	over 100 years
Pitched roofs	over 60 years
Flat roofs	over 25 years
Kitchens	over 15 years
Bathrooms	over 25 years
HMO capital works	over 17 years
Landscaping	over 20 years

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(i) Depreciation (cont'd)

Other fixed assets

The Co-operative's other fixed assets are written off over their expected useful lives, which are as follows:

Office premises	over 20 years
Office equipment	over 5 years
Garden equipment	over 5 years
Computer equipment	over 4 years

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

(j) Investment properties

Investment properties are properties held for commercial lettings. These properties are held at their market value. The fair value of each property will be considered at each reporting date and any changes will be recognised in the Statement of Comprehensive Income.

(k) Impairment of non-financial assets

At each reporting date, the Co-operative reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(l) Financial instruments

The Co-operative only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and related parties.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(l) Financial instruments (cont'd)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Co-operative has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

(m) Impairment of financial assets

The Co-operative assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets are impaired and impairment losses are incurred if, and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The criteria that the Co-operative uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(m) Impairment of financial assets (cont'd)

As an initial step the company assesses whether objective evidence of impairment exists.

The amount of the loss is measured, in the case of assets measured at amortised cost, as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced to the present value of estimated future cash flows and the amount of the loss is recognised in the Statement of Comprehensive Income. Where the investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

In the case of financial assets measured at cost, the impairment loss will be the difference between the asset's carrying amount and the best estimate of the sales price that would be achieved at the reporting date. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the Statement of Comprehensive Income.

(n) Debtors

Short term debtors are measured at transaction price, less any impairment.

(o) Rental arrears

Rental arrears represents amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 11.

(p) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

(q) Creditors

Short term creditors are measured at the transaction price.

(r) Service charge equalisation account and HMO charges equalisation account

Surpluses and deficits arising on the provision of services to the Co-operative's tenants; and rent point charges made to Lister's Houses in Multiple Occupation (HMO) tenants are carried forward and adjusted in the charges levied in future years.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

2. Principle accounting policies (cont'd)

(s) Share Capital

Ordinary shares are classified as equity. Called up share capital represents the nominal value of shares that have been issued.

(t) Government Capital Grants

Government Capital Grants, at amounts approved by The Scottish Government or local authorities, are paid directly to the Co-operative as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income over the useful life of the assets it relates to on completion of the development phase.

(u) Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Co-operative recognises the grant in income on a systematic basis over the period in which the Co-operative recognises the related costs for which the grant is intended to compensate.

(v) Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable. A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Committee of Management are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Useful lives of property and other fixed assets

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPs pension scheme

The valuation of investment property

Basis of estimation

The useful lives of property and other fixed assets are based on the knowledge of senior management at the Co-operative, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The investment property was valued by an appropriate employee surveyor using market data at the date of valuation.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

4. Particulars of Turnover, Operating Costs and Operating Surplus

	2016			Restated 2015		
	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (note 5a)	769,814	(686,963)	82,851	741,146	(571,526)	169,620
Other activities (note 5b)	14,689	(3,626)	11,063	14,636	(4,609)	10,027
	<u>784,503</u>	<u>(690,589)</u>	<u>93,914</u>	<u>755,782</u>	<u>(576,135)</u>	<u>179,647</u>

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

5 (a) Particulars of turnover, operating costs and operating surplus from social letting activities

	General housing needs housing £	Supported housing accommodation £	Shared ownership housing £	Other £	2016 Total £	Restated 2015 Total £
Rent receivable net of service charges	750,164	-	-	-	750,164	731,670
Service charges	1,296	-	-	-	1,296	3,346
Gross income from rents and service charges	751,460	-	-	-	751,460	735,016
Less voids	(4,416)	-	-	-	(4,416)	(4,125)
Net income from rents and service charges	747,044	-	-	-	747,044	730,891
Grants from Scottish Ministers	18,377	-	-	-	18,377	255
Other revenue grants	4,393	-	-	-	4,393	10,000
Total turnover from social letting activities	769,814	-	-	-	769,814	741,146
Management and maintenance administration costs	223,430	-	-	-	223,430	255,097
Service costs	1,296	-	-	-	1,296	3,346
Planned and cyclical maintenance including major repairs costs	313,979	-	-	-	313,979	166,074
Reactive maintenance costs	54,126	-	-	-	54,126	48,911
Bad debts – rent and service charges	(2,655)	-	-	-	(2,655)	2,346
Depreciation of social housing	180,062	-	-	-	180,062	179,027
Amortisation of SHG	(83,275)	-	-	-	(83,275)	(83,275)
Operating costs for social letting activities	686,963	-	-	-	686,963	571,526
2016 Operating surplus for social letting Activities	82,851	-	-	-	82,851	169,620
2015 Operating surplus for social lettings activities – as restated	169,620	-	-	-	169,620	-

The amount included in service charges receivable which was not eligible for Housing Benefit was £nil (2015: £nil). Included in depreciation of social housing is £nil (2015: £nil) relating to the loss on disposal of components

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

5 (b) Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Supporting people income £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	2016 Operating surplus £	2015 Operating surplus £
Wider role activities	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency management services - RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	14,689	14,689	-	(3,626)	11,063	10,027
Total from other activities - 2016	-	-	-	14,689	14,689	-	(3,626)	11,063	10,027
Total from other activities - 2015	-	-	-	14,636	14,636	-	(4,609)	10,027	-

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

6. Interest receivable and other income	2016	2015
	£	£
Bank interest received	16,354	13,075
	<u> </u>	<u> </u>
7. Tax on surplus on ordinary activities	2016	2015
	£	£
Current tax		
UK Corporation tax based on the results for the year at 20%		
(2015: 20%)	5,485	4,745
	<u> </u>	<u> </u>

The Co-operative is a fully mutual Co-operative and as such the Corporation tax charge only relates to non-housing activities.

Factors affecting tax charge for the period:

Surplus on ordinary activities before tax	110,268	192,722
Effects of:		
Income chargeable for tax purposes and expenses not deductible for tax purposes	(82,843)	(168,995)
	<u> </u>	<u> </u>
Net surplus	27,425	23,727
Current tax charge for the period - surplus multiplied by the standard rate of corporation tax (20%) (2015: 20%)	5,485	4,745
	<u> </u>	<u> </u>

8. Employees	2016	Restated
	£	2015
		£
Staff costs during year		
Wages and salaries	126,591	130,515
Social security costs	10,041	9,907
Other pension costs	13,616	35,432
	<u> </u>	<u> </u>
	150,248	175,854
	<u> </u>	<u> </u>

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

8. Employees (cont'd)

The SHAPs past service deficit liability is subject to remeasurement each financial year.

	2016 £	Restated 2015 £
Remeasurement – impact of any change in assumptions	(1,108)	18,283

This is included in management and maintenance administration costs.

During the year past service deficit contributions of £21,610 (2015: £21,001) were paid. Of this payment, £20,892 (2015: £20,283) was a payment in respect of the SHAPS past service deficit liability. The remainder of £718 (2015: £718) was pension management costs which have been included in the pension contributions total included in staff costs above.

The unwinding of the discount has been charged to management and maintenance administration costs in the Statement of Comprehensive Income. This cost was £6,000 (2015: £9,000) in the year.

The average number of persons employed by the Co-operative during the year:	2016 No.	2015 No.
Administration and maintenance	5	6
of which the average full time equivalent is	4	4

The Directors are defined as the members of the Committee of Management, the Director and any other person reporting directly to the Director or the Committee of Management whose total emoluments exceed £60,000 per year. No individual earned over this total in the year.

Total expenses reimbursed insofar as not chargeable to UK Income Tax	2016 £	2015 £
Director	82	78
Committee of Management	120	208

Other than the expenses disclosed above, no member of the Co-operative received any remuneration for their services as members of the Committee of Management. No members were employed by the Co-operative in the year.

There were no loans to the Committee members, officers or employees during the year.

Key management personnel consist of the Director and the Housing Officer.

	2016 £	2015 £
Key management personnel		
Emoluments	82,006	80,795
Pension costs	7,258	7,151
	<u>89,264</u>	<u>87,946</u>

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

9. Operating surplus for the year

The operating surplus for the year is stated after charging:	2016	Restated
	£	2015
		£
Depreciation	183,778	183,367
Operating lease rentals – other	668	668
Auditor's remuneration	8,464	6,590
Auditor's remuneration – taxation services	512	372
	<u>193,362</u>	<u>197,037</u>

10 a) Housing properties

	Housing properties held for letting
	£
Cost	
1 April 2015 as restated	10,993,322
Additions during year	6,144
31 March 2016	<u>10,999,466</u>
Depreciation	
1 April 2015 as restated	3,441,105
Charge for the year	180,062
31 March 2016	<u>3,621,167</u>
Net book value	
31 March 2016	<u>7,378,299</u>
31 March 2015 as restated	<u>7,552,217</u>

None of the Co-operative's properties were held under lease. In the year £38,052 net of grant was spent on housing properties (2015: £22,134), of this £6,144 (2015: £7,379) was capitalised with the remainder £31,908 net of grant (2015: £14,755) being expensed through the Statement of Comprehensive Income.

A sum of £6,144 related to the replacement of components (2015: -£1,405) and £nil related to property improvements (2015: £8,784).

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

10 b) Other fixed assets

	Investment property £	Office £	Office equipment £	Garden equipment £	Computer equipment £	Total £
Cost						
1 April 2015 as restated and 31 March 2016	280,000	51,258	14,077	708	4,611	350,654
Depreciation						
1 April 2015 as restated	-	45,702	14,077	708	1,653	62,140
Charge for year	-	2,563	-	-	1,153	3,716
31 March 2016	-	48,265	14,077	708	2,806	65,856
Net Book Value						
31 March 2016	<u>280,000</u>	<u>2,993</u>	<u>-</u>	<u>-</u>	<u>1,805</u>	<u>284,798</u>
31 March 2015 as restated	<u>280,000</u>	<u>5,556</u>	<u>-</u>	<u>-</u>	<u>2,958</u>	<u>288,514</u>

The investment property was revalued as at 1 April 2014 by the Director, Alistair Cant, using the future rentals receivable.

The historical cost of the investment property is £31,235 (2015: £31,235).

11. Debtors

Amounts falling due within one year	2016 £	2015 £
Rental debtors	15,246	21,867
Provision for bad debts	(3,340)	(6,640)
	<u>11,906</u>	<u>15,227</u>
Prepayments and accrued income	38,910	13,554
	<u>50,816</u>	<u>28,781</u>

There were no amounts falling due after one year.

Movements in the provision for bad debts are included within operating costs.

12. Cash and Bank Balances

	As at 1 April 2015 £	Movement in year £	As at 31 March 2016 £
Cash in hand and in bank	<u>1,433,067</u>	<u>160,495</u>	<u>1,593,562</u>

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

13. Creditors

Amounts falling due within one year

	2016	Restated 2015
	£	£
Corporation tax (Note 7)	5,485	4,745
Other taxes, social security and superannuation	6,346	3,298
Rent in advance	7,568	7,984
Accruals	44,852	10,319
Trade creditors	5,529	44,047
Deferred capital grants (note 15)	83,275	83,275
SHAPS deficit repayment plan (note 17)	21,297	20,677
	<u>174,352</u>	<u>174,345</u>

14. Creditors: amounts falling due after one year

	2016	Restated 2015
	£	£
Commercial lease - deposit	3,500	3,500
Deferred capital grants (note 15)	5,767,350	5,850,625
SHAPS deficit repayment plan (note 17)	119,303	135,923
	<u>5,890,153</u>	<u>5,990,048</u>

15. Deferred capital grants

	2016	Restated 2015
	£	£
Deferred capital grants at 1 April 2015	5,933,900	6,017,175
Released to income in the year	(83,275)	(83,275)
Deferred capital grants at 31 March 2016	<u>5,850,625</u>	<u>5,933,900</u>
Split:		
Within one year	83,275	83,275
Within 1 to 2 years	83,275	83,275
Within 2 to 5 years	249,825	249,825
Over 5 years	5,434,250	5,517,525
Deferred capital grants at 31 March 2016	<u>5,850,625</u>	<u>5,933,900</u>

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

16. Financial instruments		Restated
	2016	2015
	£	£
Financial assets		
Financial assets measured at amortised cost	46,362	23,542
	<u> </u>	<u> </u>
Financial liabilities		
Financial liabilities measured at amortised cost	190,981	210,966
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprise net rental debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, accruals and the SHAPS deficit repayments plan.

17. Pension commitments

Defined benefit pension obligations

The Co-operative participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Co-operative to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Co-operative is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2015. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

17. Pension commitments (cont'd)

As no formal 2015 actuarial valuation has been published, the key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2012 are detailed below:

- Investment return pre retirement	5.30% per annum
- Investment return post retirement - Non-pensioners	3.40% per annum
- Investment return post retirement - Pensioners	3.40% per annum
- Rate of salary increases	4.10% per annum
- Rate of pension increases - pension accrued pre 6 April 2005	2.00% per annum
- pension accrued from 6 April 2005	1.70% per annum
- (for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	2.60% per annum

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the Career average 1/80ths benefit structure was assessed as 16.9%.

This is split between employers and members. Accordingly the contribution rates for the Career average revalued earnings 1/80ths benefit structure from 1 April 2015 is 8.5% employer contributions and 8.4% member contributions.

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

Valuation	2012	2015
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7 (26.3 on inception from 1 April 2014)	28.7
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery) plan) and date	30 September 2027	28 February 2022

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

17. Pension commitments (cont'd)

The Trustees have recently supplied Lister Housing Co-operative Limited with an estimated updated contribution figure to the past service deficit. The past service deficit contribution for 2016/17 is £21,519 (net of administration costs). From 1 April 2017 Lister Housing Co-operative Limited will be required to pay £24,733 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Co-operative on 3 March 2016 by the Pensions Trust.

Past service deficit repayment liability

	2016	Restated
	£	2015
		£
Provision at start of period	156,600	149,600
Unwinding of the discount factor (interest expense)	6,000	9,000
Deficit contribution paid	(20,892)	(20,283)
Remeasurements – impact of any changes in assumptions	(1,108)	18,283
	<hr/>	<hr/>
Provision at end of period	140,600	156,600
	<hr/>	<hr/>
Liability split as:		
Within 1 year	21,297	20,677
Within 1-2 years	23,930	20,820
Within 2-5 years	72,792	70,672
Over > 5 years	22,581	44,431
	<hr/>	<hr/>
	140,600	156,600
	<hr/>	<hr/>

Statement of Comprehensive Income Impact

	2016	2015
	£	£
Interest expense	6,000	9,000
Remeasurements – impact of any change in assumptions	(1,108)	18,283
Assumptions	2016	2015
Rate of discount	2.29%	2.22%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan contributions.

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 buyout 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.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

17. Pension commitments (cont'd)

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 currently participating 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.

The Co-operative has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for the Co-operative is £779,277 (as at 30 September 2014: £736,184).

Defined contribution scheme

The Co-operative has elected to operate the defined contribution option for all active and new members from 1 April 2015. During the accounting period the Co-operative paid 6.45% of pensionable salaries for future contributions (including life cover). Member employee payments, all for future contributions, were 7% (four employees) and 3% (one employee). Employees can change their contribution rates with only one month's notice (subject to a minimum payable of 3%).

As at the Statement of Financial Position date there were 5 active members of the DC scheme employed by the Co-operative (i.e., all staff employed). The annual pensionable payroll in respect of these members was £124,127. Lister continues to offer membership of the DC scheme to its employees.

From 1 April 2016, the employer cost for future contributions will rise to 7.45% of pensionable salary (including life cover). The minimum employee contribution will rise on that date to 3.5%.

18. Share capital	2016	2015
	£	£
Shares of £1 fully paid and issued at beginning of year	259	255
Shares issued during year	13	20
Shares cancelled in year	(12)	(16)
Shares issued at end of year	<u>260</u>	<u>259</u>

Each member of the Co-operative holds one share of £1 in the Co-operative. 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 Co-operative. Each member has a right to vote at members' meetings.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

19. Net Cash Flow from Operating Activities

	2016	Restated
	£	2015
		£
Surplus for the year	104,783	187,977
Adjustments for non cash items:		
Taxation	5,485	4,745
Depreciation tangible fixed assets	183,778	183,367
(Increase) in debtors	(22,013)	(5,111)
(Decrease)/increase in creditors	(1,375)	35,907
(Decrease)/increase in post-employment benefit obligations	(16,000)	7,000
Release of deferred capital grants	(83,275)	(83,275)
Adjustments for investing and financing activities		
Interest received	(16,354)	(13,075)
Net cash inflow from operating activities	<u>155,029</u>	<u>317,535</u>

20. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £nil (2015: £nil). Amounts authorised by the Committee of Management but not contracted for amounted to £nil (2015: £nil).

21. Financial commitments

At 31 March 2016 the Co-operative had annual commitments under non-cancellable operating leases as set out below:

	2016	Other	Restated
	£		2015
			£
Total commitments due within:			
Within one year	638		638
Between one and five years	103		412
	<u>742</u>		<u>1,050</u>

22. Contingent liabilities

At 31 March 2016 apart from the matter outlined in Note 17 on Pension commitments, the Co-operative had £nil contingent liabilities (2015: £nil).

23. Housing stock

The number of units in management at 31 March 2016 was as follows:

General Housing Needs	2016	2015
Rehabilitation	171	171
New build	14	14
	<u>185</u>	<u>185</u>

There is no Supported or Shared ownership accommodation.
There are no units managed by other bodies.

LISTER HOUSING CO-OPERATIVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

24. Related party transactions

All members of the Committee of Management are also tenants of the Co-operative. The tenancies of these members are on Scottish Secure Tenancy terms. The total rent received in the year relating to tenant Board members is £43,419 (2015: £40,788). The total rent arrears relating to tenant Board members included within debtors at the year-end is £52 (2015: £40).

25. Transition to FRS 102

The Co-operative has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Co-operative does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income and other comprehensive income.

As permitted by FRS 102 the Co-operative has renamed the Balance Sheet as the Statement of Financial Position.

As prescribed by FRS 102 the Co-operative now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

Scottish Housing Grant (SHG) is now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure. SHG is now included in creditors rather than housing properties. This has resulted in the depreciation charge being amended.

As prescribed by FRS 102 the Co-operative must now incorporate the past service deficit liability for the SHAPS pension scheme. The Co-operative has used the provisional 2015 valuation results. These give an estimated revised Recovery Plan end date of 28 February 2022 and a revised deficit contribution schedule from 1 April 2017. These figures have been used to generate a discounted present value for pension liability.

Investment properties have been revalued at the transition date of 1 April 2014.

LISTER HOUSING CO-OPERATIVE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

25. Transition to FRS 102 (cont'd)

Restated statement of financial position

	£
Capital and reserves as at 31 March 2014 per signed financial statements	2,825,970
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to date	2,228,026
Effect of adjustment to depreciation in the current and prior year	(2,213,060)
Effect of change in value of investment property	258,869
Effect of adjustment to incorporate defined benefit pension scheme past service deficit liability	(149,600)
Restated capital and reserves as at 31 March 2014	<u><u>2,950,205</u></u>

Restated statement of financial position

	£
Capital and reserves as at 31 March 2015 per signed financial statements	3,020,503
<u>Prior year adjustments</u>	
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to date	2,228,026
Effect of adjustment to depreciation in the current and prior year	(2,213,060)
Effect of change in value of investment property	258,869
Effect of adjustment to incorporate defined benefit pension scheme past service deficit liability	(149,600)
<u>In year adjustments</u>	
Effect of adjustment to amortised deferred capital grants over the lives of the applicable assets to date	83,275
Effect of adjustment to depreciation in the current and prior year	(83,452)
Effect of elimination of depreciation changed on investment property	625
Effect of adjustment to incorporate defined benefit pension scheme past service deficit liability	(7,000)
Restated capital and reserves as at 31 March 2015	<u><u>3,138,186</u></u>

Restated statement of comprehensive income

	£
Surplus per signed financial statements for year ended 31 March 2015	194,529
Effect of adjustment to amortised deferred capital grants	83,275
Effect of adjustment to depreciation	(83,452)
Effect of change in value of investment property	625
Effect of adjustment to incorporate defined benefit pension scheme past service deficit liability	(7,000)
Restated surplus for the year ended 31 March 2015	<u><u>187,977</u></u>