

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2011

LANARKSHIRE HOUSING ASSOCIATION LIMITED

Report and Financial Statements

For the year ended 31 March 2011

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Registration information

Financial Services Authority

Industrial and Provident Societies 1965
Registered number 1941 R (S)

The Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered number HAL202

Members, Executive and Advisers

Management Committee

Catriona Blyth – Chair
Charles Millar – Vice Chair
Thomas Cartwright – Secretary
Fiona Tonner – Treasurer
John Glenny
William Jeffrey
Gordon Heng
Shirley Killeen
John McNally
Jessie Mitchell
Alex Paton

Executive Officers

James Stevenson – Chief Executive
Teresa Ward – Housing Services Director
Simon McManus – Corporate Services Director
Gavin Young – Technical Services Manager
Tracey Winters – Development Manager
Alice McLean – Maintenance Manager
Anne Marie Collins – Business Manager
Irene Savage – Housing Manager

Registered Office

191 Brandon Street
Motherwell
ML1 1RS

Auditors

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

Bankers

Bank of Scotland
Bellshill Branch
207 Main Street
Bellshill
Lanarkshire
ML4 1AL

Solicitors

TC Young
7 West George Street
Glasgow
G2 1BA

Brechin Tindal Oatts
48 St Vincent Street
Glasgow
G2 5HS

MacRoberts
152 Bath Street
Glasgow
G2 4TB

**Report of the Management Committee
For the year ended 31 March 2011**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

The principal activity of the Association is the provision of rented accommodation.

Review of operations and future developments

The surplus for the year is detailed in the Income and Expenditure Account on page 7. Transfers to reserves are shown on page 22.

Changes in fixed assets

Details of fixed assets are set out in Note 12 on page 19.

The committee of management and executive officers

The committee of management and executive officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association 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 committee.

Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- The maintenance of proper accounting records and;
- The safeguarding of assets against unauthorised use or disposition.

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

- (a) Formal policies and procedures are in place, including the documentation of key system and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out 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.

**Report of the Management Committee
For the year ended 31 March 2011**

Internal Financial Controls (cont'd)

- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditors with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Sub-Committee.
- (f) The Management Committee reviews reports from the external auditors to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices 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 2011. 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 auditor's report on the financial statements.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their personal advantage.

Related party transactions with Lanarkshire Initiatives Limited can be found at note 31 on page 29.

Auditors

A resolution to appoint auditors will be put to the members at the annual general meeting.

By order of the committee

Thomas Cartwright
Secretary

Dated: 21 June 2011

Statement of Committee's Responsibilities

Housing Association legislation requires the 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 income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee are 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association.

Report of the Auditors to the Members of Lanarkshire Housing Association Limited

We have audited the financial statements of Lanarkshire Housing Association Limited for the year ended 31 March 2011 which comprise the Income and Expenditure Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Landlords issued in 2008.

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 Management Committee and Auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 4, the committee members 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Management Committee of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiary in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2011, because of the immaterial nature of the subsidiary's transactions in the year.

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 2011 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice - Accounting by Registered Social Landlords issued in 2008;
- 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.

In our opinion the information given in the Report of the Management Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

SCOTT-MONCRIEFF
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Date: 21 June 2011

**Report of the Auditors to the Management Committee of
Lanarkshire Housing Association Limited on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your Statement in the Report of the Management Committee concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

Dated: 21 June 2011

Income and Expenditure Account
For the year ended 31 March 2011

	Note	2011 £	2010 £
Turnover	2	3,051,556	2,835,611
Less: Operating costs	2	(2,104,024)	(2,003,798)
Operating surplus	2	<u>947,532</u>	<u>831,813</u>
Surplus on sale of properties		9,827	25,706
Interest receivable	9	1,505	1,859
Interest payable and similar charges	10	(457,921)	(426,781)
Surplus on ordinary activities before taxation		<u>500,943</u>	<u>432,597</u>
Taxation on profit on ordinary activities	11	(91,340)	(186,310)
Surplus on ordinary activities after taxation		<u><u>409,603</u></u>	<u><u>246,287</u></u>

The results for the year relate wholly to continuing activities.

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2011**

	2011 £	2010 £
Retained surplus for the year	409,603	246,287
Actuarial gain / (loss) recognised in the retirement benefit scheme (Note 19)	530,000	(1,182,000)
Total recognised gains and losses relating to the year	<u>939,603</u>	<u>(935,713)</u>

Cash Flow Statement
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Net cash inflow from operating activities	23	<u>1,364,114</u>	<u>1,389,170</u>
Returns on investments and servicing of finance			
Interest received		1,505	1,859
Interest paid		<u>(440,921)</u>	<u>(400,781)</u>
		<u>(439,416)</u>	<u>(398,922)</u>
Taxation			
Corporation tax paid		(162,565)	(79,158)
Capital expenditure			
Expenditure on housing properties		(4,646,871)	(5,820,481)
Purchase of other fixed assets		(11,417)	(4,374)
Receipts from sale of housing properties		733,030	112,444
Housing Association Grant repaid		(24,600)	(70,241)
Housing Association Grant received		2,561,173	3,672,364
Other grants received		50,765	76,677
Other grants repaid		-	-
		<u>(1,337,920)</u>	<u>(2,033,611)</u>
Cash (outflow) before financing		<u>(575,787)</u>	<u>(1,122,521)</u>
Financing			
Issue of share capital		3	-
New loans drawn down		-	1,775,958
Loans drawn repaid		<u>(912,323)</u>	<u>(435,852)</u>
		<u>(912,320)</u>	<u>1,340,106</u>
(Decrease) / increase in cash		<u><u>(1,488,107)</u></u>	<u><u>217,585</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2011**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (m) below.

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Going concern

The Committee of Management anticipate that a surplus will be generated in the year to 31 March 2012. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(d) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(e) Social housing grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following sale of property, but will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements
For the year ended 31 March 2011**

1. Accounting policies (cont'd)

(f) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings.
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the accounts for the year, provided that the dates of issue or valuation are prior to the year-end.

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

(g) Depreciation

1. Housing properties

Housing properties, less grants received, less the estimated land value, are depreciated over a period of 60 years.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Computer Equipment	- 20% on cost
Office Equipment	- 20% on cost
Furniture and Fittings	- 10% on cost
Office Premises	- 2% on cost
Commercial Properties	- over 60 years

A full year's depreciation is charged in the year of purchase.

No charge is made in the year of disposal.

Notes to the Financial Statements
For the year ended 31 March 2011

1. Accounting policies (cont'd)

(h) Designated Reserves (Note 18)

(i) Cyclical maintenance

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

(ii) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs and will be transferred to the revenue reserve as appropriate.

(i) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(j) Pensions (Note 19)

The Association operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Total Statement of Recognised Gains and Losses.

(k) Financial Commitments

Assets held under finance leases where substantially all the risks and rewards of ownership of the asset have passed to the Association, and hire purchase contracts are capitalised in the balance sheet and are depreciated in the Income and Expenditure account over the period of their useful lives.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

(l) Consolidation

The Association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

(m) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Notes to the financial statements
For the year ended 31 March 2011

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover	2011 Operating Costs	Operating Surplus	Turnover	2010 Operating Costs	Operating Surplus
	£	£	£	£	£	£
Income and Expenditure From lettings						
Social Lettings (Note 3)	2,999,981	(2,081,265)	918,716	2,782,029	(1,970,795)	811,234
Other activities (Note 4)	51,575	(22,759)	28,816	53,582	(33,003)	20,579
	<u>3,051,556</u>	<u>(2,104,024)</u>	<u>947,532</u>	<u>2,835,611</u>	<u>(2,003,798)</u>	<u>831,813</u>

Notes to the financial statements
For the year ended 31 March 2011

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2011 Total £	2010 Total £
Income from rent and service charges					
Rent receivable net of service charges	2,171,337	324,467	412,958	2,908,762	2,743,913
Service charges	50,682	7,573	-	58,255	56,868
Gross income from rents and service charges	2,222,019	332,040	412,958	2,967,017	2,800,781
Less voids	(7,976)	-	-	(7,976)	(18,752)
Net income from rents and service charges	2,214,043	332,040	412,958	2,959,041	2,782,029
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	40,940	-	-	40,940	-
Total turnover from social letting activities	2,254,983	332,040	412,958	2,999,981	2,782,029
Expenditure					
Management and maintenance administration costs	(674,576)	(101,431)	(129,095)	(905,102)	(1,027,659)
Service charges	(51,185)	(7,507)	(9,555)	(68,247)	(65,850)
Planned cyclical maintenance including major repairs	(566,485)	(84,647)	-	(651,132)	(414,054)
Reactive maintenance costs	(182,639)	(27,291)	-	(209,930)	(209,769)
Bad debts – rents and service charges	(26,991)	-	-	(26,991)	(51,924)
Depreciation of social housing	(178,839)	(19,871)	(21,153)	(219,863)	(201,539)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	(1,680,715)	(240,747)	(159,803)	(2,081,265)	(1,970,795)
Operating Surplus on letting activities, 2011	574,268	91,293	253,155	918,716	
Operating Surplus on letting activities, 2010	501,687	105,886	203,661		811,234

Notes to the financial statements for the year ended 31 March 2011

4. 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	Operating surplus or (deficit)	
					2011	2010			2011	2010
	£	£	£	£	£	£	£	£	£	£
Wider role activities #	-	-	-	-	-	-	-	(9,992)	(9,992)	(17,043)
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	6,117	6,117	5,603	-	(12,767)	(6,650)	(8,408)
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-	-
Commercial rent	-	-	-	45,458	45,458	47,979	-	-	45,458	46,030
Total from other activities, 2011	-	-	-	51,575	51,575		-	(22,759)	28,816	
Total from other activities, 2010	-	-	-	53,582		53,582	-	(33,003)		20,579

Undertaken to support the community, other than the provision, construction, improvement and management of housing

Notes to the Financial Statements
For the year ended 31 March 2011

5. Capitalised development costs	2011	2010
	£	£
Development administration and other indirect costs capitalised	(31,320)	(31,730)
	<u>(31,320)</u>	<u>(31,730)</u>
6. Employees	2011	2010
Staff costs (including Directors' Emoluments) consist of:	£	£
Wages and salaries	684,799	682,796
Social security costs	46,890	47,474
Pension costs	112,288	106,364
FRS17 adjustment (Note 19)	(340,000)	(20,000)
	<u>503,977</u>	<u>816,634</u>
	2011	2010
	Number	Number
The number of full time equivalents employed by the Association during the year was:	<u>20</u>	<u>21</u>

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the chief executive and any other person reporting directly to the chief executive or the Management Committee. Only the chief executive's total emoluments exceeded £60,000 per year. No emoluments were paid to any member of the Management Committee during the year.

Notes to the Financial Statements
For the year ended 31 March 2011

7. Directors' emoluments (cont'd)

	2011	2010
	£	£
Emoluments (excluding pension contributions) of Chief Executive	76,178	74,453
Numbers of Directors whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-		
£70,000 - £79,999	1	1
Total Expenses reimbursed in so far as not chargeable to U.K. Income Tax	-	-

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 he has no other pension arrangements to which the Association contributes. The Association's contribution for the Chief Executive in the year amounted to £12,637 (2010: £11,834)

8. Auditors' remuneration

	2011	2010
	£	£
The remuneration of the auditors for the year (including expenses, but excluding VAT), in respect of audit services	9,950	9,750
Amounts paid to the auditors by the Association in respect of non-audit services (excluding VAT)	1,700	500

9. Interest receivable

	2011	2010
	£	£
Bank interest	1,505	1,859

10. Interest payable and similar charges

	2011	2010
	£	£
Bank loans	440,921	400,781
FRS 17 adjustment (Note 19)	17,000	26,000
	457,921	426,781

11. Taxation

	2011	2010
	£	£
Provision has been made for corporation tax at 28% (2010: 28%) as follows:		
UK corporation tax	102,803	186,310
Adjustment in respect of prior year	(23,745)	-
Deferred tax (note 32)	12,282	-
	91,340	186,310

Notes to the Financial Statements
For the year ended 31 March 2011

12. Tangible fixed assets

	Housing Properties Held for Letting	Housing Properties Under Construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Office premises	Computer equipment, office equipment & furniture and fittings	Commercial properties	Total
	£	£	£	£	£	£		£
Cost (net of grants)								
At 1 April 2010	12,500,705	971,917	1,023,685	-	607,534	291,020	500,000	15,894,861
Transfers in the period	842,108	(829,783)	(12,325)	-	-	-	-	-
Additions	304,502	1,730,431	-	-	-	11,417	-	2,046,350
Disposals	-	(692,329)	(7,190)	-	-	-	-	(699,519)
	<u>13,647,315</u>	<u>1,180,236</u>	<u>1,004,170</u>	<u>-</u>	<u>607,534</u>	<u>302,437</u>	<u>500,000</u>	<u>17,241,692</u>
Depreciation								
At 1 April 2010	1,269,066	-	149,753	-	145,144	248,455	33,333	1,845,751
Transfers in the period	-	-	-	-	-	-	-	-
Provided for year	190,377	-	21,153	-	11,390	17,922	8,333	249,175
Disposals	-	-	(916)	-	-	-	-	(916)
	<u>1,459,443</u>	<u>-</u>	<u>169,990</u>	<u>-</u>	<u>156,534</u>	<u>266,377</u>	<u>41,666</u>	<u>2,094,010</u>
Net Book Value								
At 31 March 2011	<u>12,187,872</u>	<u>1,180,236</u>	<u>834,180</u>	<u>-</u>	<u>451,000</u>	<u>36,060</u>	<u>458,334</u>	<u>15,147,682</u>
At 31 March 2010	<u>11,231,639</u>	<u>971,917</u>	<u>873,932</u>	<u>-</u>	<u>462,390</u>	<u>42,565</u>	<u>466,667</u>	<u>14,049,110</u>
Cost at 31 March 2011 is represented by:								
Gross cost	53,490,989	5,710,659	2,560,379	-	619,094	302,437	500,000	63,183,558
Less: HAG	(37,167,885)	(3,960,336)	(1,539,882)	-	-	-	-	(42,668,103)
Other grants	(2,675,789)	(570,087)	(16,327)	-	(11,560)	-	-	(3,273,763)
	<u>13,647,315</u>	<u>1,180,236</u>	<u>1,004,170</u>	<u>-</u>	<u>607,534</u>	<u>302,437</u>	<u>500,000</u>	<u>17,241,692</u>

Notes to the Financial Statements
For the year ended 31 March 2011

13. Investments	2011	2010
	£	£
Investment in subsidiary undertaking	2	2
	<u>2</u>	<u>2</u>

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited, a company registered in Scotland, whose principal activity is that of general construction of buildings and civil engineering works.

For the year ended 31 March 2011, Lanarkshire Initiatives Limited made a loss after taxation of £40 (2010: £1,267). At 31 March 2011 Lanarkshire Initiatives Limited had net assets of £10,255 (2010: £10,295).

14. Debtors	2011	2010
	£	£
Gross Rent and service charges	79,614	87,268
Less: Bad debt provision	(55,600)	(55,600)
	<u>24,014</u>	<u>31,668</u>
Other debtors	30,514	16,329
Prepayments and accrued income	37,814	266,948
	<u>92,342</u>	<u>314,945</u>

All amounts shown under debtors fall due for payment within one year.

15. Creditors: amounts falling due within one year	2011	2010
	£	£
Bank loans and overdraft	447,997	792,817
Rental advances	80,649	80,796
Contracts for certified work	442,178	235,000
Corporation tax	102,803	186,310
Other creditors	289,259	178,807
Due to The Scottish Government	471,575	471,575
Accruals and deferred income	357,203	390,039
Amounts owed to subsidiary	10,397	10,948
	<u>2,202,061</u>	<u>2,346,292</u>

The bank overdraft and loans are secured as detailed in note 16.

Notes to the Financial Statements
For the year ended 31 March 2011

16. Creditors: amounts falling due after more than one year	2011	2010
	£	£
Loans	9,789,905	10,714,373
	<u> </u>	<u> </u>

The Association's loans and mortgages from The Scottish Government, of which £258,591 (2010: £262,724) remains outstanding, are secured on the fixed assets. The loans from the Bank of Scotland together with any bank overdraft are secured by standard securities over the property on which the loans were granted. The loans from the Lloyds TSB Bank plc and The Royal Bank of Scotland plc are secured by standard securities over the property on which the loans were granted.

	2011	2010
	£	£
Due between one and two years	447,997	435,852
Due between two and five years	1,343,991	1,307,556
Due in five years or more	7,997,917	8,970,965
	<u> </u>	<u> </u>
	<u>9,789,905</u>	<u>10,714,373</u>

The loans and mortgages from The Scottish Government are repayable on a six monthly basis over 30 or 60 years inclusive of interest at fixed rates varying from 9.25% per annum to 13% per annum.

Loans from the Bank of Scotland are repayable on a monthly basis over 25, 30 or 35 years inclusive of interest at rates equivalent to the Bank of Scotland Home Loan rates in force at each repayment date. Six of the loans from the Bank of Scotland were converted in 2007 to fixed rate loans. These loans have the interest rate fixed at 6.8% for a three year period.

Loans from the TSB Bank Scotland plc are repayable on a monthly basis over 30 years inclusive of interest at a rate of 1.25% above bank base rate per annum.

The loans from The Royal Bank of Scotland plc are repayable on a monthly basis over 25 years following a 5 year initial period in which no capital repayments will be made. Interest will be charged at a rate of 1.25% above bank base rate per annum.

17. Share Capital	2011	2010
	£	£
Allotted, called up and fully paid		
At start of year	122	123
Issued in year	3	-
Redeemed in year	(1)	(1)
	<u> </u>	<u> </u>
At end of year	<u>124</u>	<u>122</u>

Notes to the Financial Statements
For the year ended 31 March 2011

18. Reserves	Major Repairs £	Cyclical maintenance £	Total £
Designated reserves			
At 1 April 2010	3,884,754	806,057	4,690,811
Transfer from revenue reserve	246,731	105,741	352,472
	<u> </u>	<u> </u>	<u> </u>
At 31 March 2011	<u>4,131,485</u>	<u>911,798</u>	<u>5,043,283</u>
Revenue reserves			
			£
At 1 April 2010			(2,148,024)
Statement of total recognised gains and losses			939,603
			<u> </u>
Transfer to designed reserves			(1,208,421)
			<u>(352,472)</u>
At 31 March 2011			<u>(1,560,893)</u>
Split as:			
		2011	2010
		£	£
Revenue reserve (excluding pension reserve)		(952,893)	(654,024)
Pension reserve		(608,000)	(1,494,000)
		<u> </u>	<u> </u>
		<u>(1,560,893)</u>	<u>(2,148,024)</u>

19. Pensions

The Lanarkshire Housing Association participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing Lanarkshire Housing Association's liabilities in the Strathclyde Pension Fund by £370,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement.

A formal valuation of the Strathclyde Pension Fund was performed at 31 March 2011, with the next formal valuation due as at 31 March 2014.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

Notes to the Financial Statements
For the year ended 31 March 2011

Assumptions as at	31 March 2011	31 March 2010
Price increases	2.8%	3.8%
Salary increases	5.1%	5.3%
Expected return on assets	6.9%	7.2%
Discount rate	5.5%	5.5%

The following details relate to the Lanarkshire Housing Association and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Assets (Whole Fund)	Long Term Return % per annum	Fund Value at 31 March 2011 £000	Expected Return £000 per annum
Equities	7.5%	2,390	179
Bonds	4.9%	404	20
Property	5.5%	186	10
Cash	4.6%	124	6
Total	6.9%	3,104	215

The table below compares the present value of the scheme liabilities, based on the Actuary's assumptions, with the estimated employer assets.

	31 March 2011 £000	31 March 2010 £000
Net Pension Asset as at		
Estimated Employer Assets (A)	3,104	2,756
Present Value of Scheme Liabilities	3,712	4,217
Present Value of Unfunded Liabilities	-	-
Total Value of Liabilities (B)	3,712	4,217
Net Pension Asset (A) – (B)	(608)	(1,461)

Notes to the Financial Statements
For the year ended 31 March 2011

19. Pensions (Cont'd)

Analysis of the amount charged to operating profit

	Year to 31 March 2011	Year to 31 March 2010
	£'000	£'000
Service cost	142	62
Contributions	(112)	(107)
Past service cost	(370)	25
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
	<u> </u>	<u> </u>
Total operating charge (A)	(340)	(20)
	<u> </u>	<u> </u>
Expected Return on Employer Assets	(203)	(127)
Interest on Pension Scheme Liabilities	220	153
	<u> </u>	<u> </u>
Net Return (B)	17	26
	<u> </u>	<u> </u>
Net Revenue Account Cost (A)-(B)	(323)	6
	<u> </u>	<u> </u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	Year to 31 March 2011	Year to 31 March 2010
	£ 000	£ 000
Actual return less expected return on pension scheme assets	18	608
Experience gains and losses arising on the scheme liabilities	-	-
Changes in financial assumptions underlying the present value of scheme liabilities	512	(1,790)
	<u> </u>	<u> </u>
Actuarial gain / (loss) in pension plan	530	(1,182)
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
	<u> </u>	<u> </u>
Actuarial gain / (loss) recognised in STRGL	<u>530</u>	<u>(1,182)</u>

Notes to the Financial Statements
For the year ended 31 March 2011

19. Pensions (Cont'd)

Movement in pension deficit during the year

	Year to 31 March 2011 £ 000	Year to 31 March 2010 £ 000
(Deficit) in scheme at beginning of year	(1,461)	(273)
Current service cost	(142)	(62)
Employer contributions	112	107
Other income	-	-
Other outgoings (e.g. expenses, etc)	-	-
Past service costs	370	(25)
Impact of settlements and curtailments	-	-
Net return on assets	(17)	(26)
Actuarial gains/(losses)	530	(1,182)
	<u>(608)</u>	<u>(1,461)</u>

History of experience gains and losses

	Year to 31 March 2011 £ 000	Year to 31 March 2010 £ 000
Difference between expected and actual return on assets	18	608
Value of assets	3,104	2,756
Percentage of assets	0.56%	22.1%
Experience gains/(losses) on liabilities	-	-
Actuarial gains/losses recognised in STRGL	530	(1,182)
Present Value of Liabilities	3,712	4,217
Percentage of the present value of liabilities	14.3%	(28.0%)

20. Establishment of Association

The Association is established under the Industrial and Provident Societies Act 1965.

Notes to the Financial Statements
For the year ended 31 March 2011

21. Capital Commitments

	2011	2010
	£	£
Contracted for but not provided in these accounts	887,348	3,207,584
This is to be funded by:		
HAG	-	1,467,231
Private Finance	887,348	1,740,353
	<u>887,348</u>	<u>3,207,584</u>
Authorised but not committed	<u>-</u>	<u>-</u>

22. Commitments under operating leases

As at 31 March 2011 the Association had annual commitments under non-cancellable operating leases as set out below:-

	2011	2010
	£	£
Operating leases which expire:		
Within one year	29,394	12,385
Between one and two years	13,855	23,401
In two to five years	15,436	6,651
	<u>58,685</u>	<u>42,437</u>

23. Reconciliation of operating surplus to net cash inflow from operating activities

	2011	2010
	£	£
Operating surplus	947,532	831,813
Depreciation of tangible fixed assets	249,175	230,592
Decrease / (increase) in stocks	709	(61)
Decrease/ (increase) in debtors	222,603	(206,003)
Increase in creditors	284,096	552,830
Forfeited share capital	(1)	(1)
Non cash movement relating to pension liability	(340,000)	(20,000)
	<u>1,364,114</u>	<u>1,389,170</u>

Notes to the Financial Statements
For the year ended 31 March 2011

24. Analysis of changes in financing during the year

	Loans and finance lease obligations	
	2011	2010
	£	£
Balance at start of year	11,150,225	9,810,119
Cashflow from financing	(912,323)	1,340,106
	<u>11,150,225</u>	<u>9,810,119</u>
Balance at end of year	<u>10,237,902</u>	<u>11,150,225</u>

25. Analysis of changes in cash and cash equivalents

	2011	2010
	£	£
Balance at start of year	2,339,436	2,121,851
Increase / (decrease) in cash and cash equivalents	(1,488,107)	217,585
	<u>2,339,436</u>	<u>2,121,851</u>
Balance at end of year	<u>851,329</u>	<u>2,339,436</u>

Cash and cash equivalents represents cash at bank and in hand

26. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	Cash at bank	Overdrafts	Total
	£	£	£
<i>Movements in 2010</i>			
Balance at 1 April 2009	2,121,851	-	2,121,851
Net cash inflow	574,550	(356,965)	217,585
	<u>2,696,401</u>	<u>(356,965)</u>	<u>2,339,436</u>
Balance at 31 March 2010	<u>2,696,401</u>	<u>(356,965)</u>	<u>2,339,436</u>
<i>Movements in 2011</i>			
Balance at 1 April 2010	2,696,401	(356,965)	2,339,436
Net cash (outflow) / inflow	(1,845,072)	356,965	(1,488,107)
	<u>2,696,401</u>	<u>(356,965)</u>	<u>2,339,436</u>
Balance at 31 March 2011	<u>851,329</u>	<u>-</u>	<u>851,329</u>

Notes to the Financial Statements
For the year ended 31 March 2011

27. Reconciliation of net cashflow to movement in net debt

	2011 £	2010 £
(Decrease) / increase in cash in the year	(1,488,107)	217,585
Cashflow from change in debt	912,323	(1,340,106)
	<u>(575,784)</u>	<u>(1,122,521)</u>
Change in net (debt)	(575,784)	(1,122,521)
Opening net debt	<u>(8,810,789)</u>	<u>(7,688,268)</u>
Closing net debt	<u><u>(9,386,573)</u></u>	<u><u>(8,810,789)</u></u>

28. Analysis of changes in net debt

	At 1 April 2010 £	Cash Flows £	At 31 March 2011 £
Cash at bank and in hand	2,696,401	(1,845,072)	851,329
Overdrafts	(356,965)	356,965	-
	<u>2,339,436</u>	<u>(1,488,107)</u>	<u>851,329</u>
Debt due within one year	(435,852)	(12,145)	(447,997)
Debt due after one year	(10,714,373)	924,468	(9,789,905)
	<u>(11,150,225)</u>	<u>912,323</u>	<u>(10,237,902)</u>
	<u><u>(8,810,789)</u></u>	<u><u>(575,784)</u></u>	<u><u>(9,386,573)</u></u>

29. Housing Stock

The number of units of accommodation owned by the Association was as follows:-

	2011	2010
General Needs Housing	751	743
Supported Housing Accommodation	93	93
Shared Ownership Accommodation	62	65
	<u>906</u>	<u>901</u>

Notes to the Financial Statements
For the year ended 31 March 2011

30. Commercial units

The number of commercial units owned and rented out by the Association was as follows:-

	2011	2010
Commercial Units	<u>7</u>	<u>7</u>

31. Related parties

Lanarkshire Housing Association Limited owns 2 ordinary £1 shares in Lanarkshire Initiatives Limited. This represents a 100% shareholding in Lanarkshire Initiatives Limited.

Lanarkshire Housing Association Limited reclaimed £149 (2010: £173) of VAT on behalf of Lanarkshire Initiatives Limited in the year.

Lanarkshire Housing Association Limited incurred expenditure of £700 (2010: £nil) on behalf of Lanarkshire Initiatives Limited in the year which was recharged via the intercompany account.

The balance owed to Lanarkshire Initiatives Limited by Lanarkshire Housing Association Limited at 31 March 2011 was £10,397 (2010: £10,948) and is included in creditors.

All transactions between Lanarkshire Initiatives Limited and Lanarkshire Housing Association Limited were carried out at arms length.

32. Deferred tax

	2011	2010
	£	£
At start of year	-	-
Fixed asset timing differences	16,063	-
Other short term timing differences	(3,781)	-
	<u>12,282</u>	<u>-</u>
At end of year	<u>12,282</u>	<u>-</u>