

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

(REGISTERED SOCIETY NO: 14888R)

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2016

FINANCIAL STATEMENTS OF  
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2016

**Contents**

Page:

3	Executive officers and advisors
4-9	Board Report incorporating the Value for Money statement
10	Report of the Independent Auditors
11	Statement of Comprehensive Income
12	Statement of Financial Position
13	Statement of Changes in Reserves
14	Statement of Cash Flows
15-31	Notes to the Financial Statements

**EXECUTIVE OFFICERS AND ADVISORS OF  
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**BOARD OF MANAGEMENT**

Howard Webber	(Chair)
Peter Allen	(Retired 10 March 2016)
Ann Beatty	(Resigned 18 July 2016)
Delia Beddis	
Danny Friedman	
Jonathan Prichard	(Retired 10 March 2016)
Charles Folorunsho	(Resigned 14 September 2016)
Lekiddo Arbuah	
Hilary Barber	(Vice Chair)
Tim Collins	(Elected 10 March 2016)
Will Manning	(Elected 10 March 2016)
Sandra Ferguson	(Co-opted 15 June 2016)

**REGISTERED OFFICE**            7a St Agnes Place  
London  
SE11 4AU

<b>AUDITORS</b>	Beever and Struthers 15 Bunhill Row London EC1Y 8LP	<b>SOLICITORS</b>	Batchelors Charles House 35 Widmore Road Bromley BR1 1RW
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**BANKERS**            Barclays Bank plc  
50 Pall Mall  
London  
SW1A 1QD

<b>PRINCIPAL LENDERS</b>	Santander Corporate Banking 17 Ulster Terrace London NW1 4JP	Dexia Shackleton House 4 Battle Bridge Lane London SE1
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**Registered under the Co-operative and Community Benefit Societies Act 2014 – No. 14888R  
Homes and Communities Agency Number- L0927**

**REPORT OF THE BOARD**  
**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Governing document**

LSHA is registered under the Co-operative and Community Benefit Societies Act 2014.

**Principal activities**

LSHA provides a variety of good, well managed housing within the London Boroughs of Lambeth, Southwark and Lewisham at affordable rents for those with low incomes.

**Review of the year**

The financial statements show that rental income exceeded budget and a financial surplus was made. Rent increases were within Homes & Communities Agency parameters. The Association continued its asset management programme to keep its housing stock in good order.

**Post balance sheet events**

There were no post balance sheet events.

**Policy on payment of creditors**

We aim to pay suppliers and contractors promptly and within a reasonable time scale. Creditors are paid each month by credit transfer to their bank accounts where possible, after approval and authorisation of invoices.

**Compliance with Governance and Financial Viability Standard**

The Board confirms that the Association has met the Homes and Communities Agency's regulatory expectations in the Governance and Financial Viability Standard. The Association continues to adopt the National Housing Federation's Code of Governance. This code was updated in 2015. The Association complies with the Code of Governance in all respects.

**Auditors**

Beever and Struthers have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

**Public benefit entity**

As a public benefit entity, L&SHA has applied the public benefit entity 'PBE' prefixed paragraphs of FRS 102.

**Internal controls**

The Board acknowledges its ultimate responsibility for the Association's system of internal control, and for ensuring that the Association has in place systems of internal control where the extent and formality of individual controls should relate to the risks incurred, whilst recognising that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of fulfilment of this responsibility include:

- The establishment of formal policies and procedures including delegated authorities covering the prime processes of the Association. These include a formal fraud policy, which is reviewed and updated.
- The appointment of an internal auditor to review processes and systems, reports on which are reviewed by the Board.
- The production and review of appropriate and reliable financial management information for use within the Association or for publication, covering the monitoring of the Association's financial performance and cash flows against approved short and long term plans, with analysis of material variances.

These processes of internal control are reviewed on an ongoing basis.

The Board has reviewed the effectiveness of the systems of internal control in existence in the Association for the year ended 30 September 2016 and until the date of approval of these financial statements.

**REPORT OF THE BOARD**  
**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Value for money**

**Summary**

This self-assessment sets out LSHA's approach to achieving value for money in the way it operates. It is a regulatory requirement to include a summary of this self-assessment in LSHA's Financial Statements

**What we mean by value for money**

value for money (VfM) is all about delivering our social objectives in the most cost effective way possible. It is not only about the cost of goods and services, but also takes account of the mix of quality, cost, resource-use, fitness for purpose and timeliness to judge whether or not, when taken together, they constitute good value. For LSHA, delivering VfM should:

- support our mission, objectives and goals;
- provide the range and priority of services that our customers want;
- achieve standards of quality and cost which position LSHA among the top performing smaller London housing associations;
- adopt recognised good practice where appropriate;
- make the most productive and efficient use of internal and external resources;
- demonstrate sustained year-on-year improvement;
- seek out better ways of performing.

This VfM self assessment reflects the regulatory requirements and priorities by placing emphasis on:

- reinforcing LSHA's performance culture
- having a robust approach to decisions on the use of resources to deliver business plan objectives
- ensuring that return on assets is optimised by reviewing alternative delivery methods
- reinforcing budget/financial management processes (including understanding costs and their drivers) to provide clear performance management data to allow robust VfM decisions to be made

**What value for money is not**

VfM is not necessarily about cutting costs; VfM is about getting more quantity and quality alongside spending money wisely and not spending more money than necessary.

Spending money wisely in order to deliver its objectives will allow LSHA to produce efficiency savings which will result in a sustainable organisation which can re-invest in new housing units, enhanced neighbourhood services and improved front line delivery.

**REPORT OF THE BOARD**  
**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**LSHA's approach to value for money**

The value we produce is directly related to our social purpose. Our mission is to make a difference to people's lives by:

- providing quality homes
- providing a range of outstanding services
- improving the physical and social sustainability of schemes and communities

For us, therefore, achieving VfM is about making a bigger difference by providing the highest quality homes, the best services and best neighbourhoods we can with the resources available. We will do this mindful of the legitimate and sometimes competing interests of our key stakeholders: tenants, local community, local partner organisations (including the three local authorities in which we operate) and funders.

In summary, we seek to ensure VfM through:

- ✓ Embedding VfM within the culture of the organisation.
- ✓ Improving customer satisfaction and customer involvement.
- ✓ Benchmarking and comparing costs to other registered providers.
- ✓ Ensuring financial controls support the delivery, measurement and reporting of VfM.
- ✓ Ensuring consideration of VfM in all procurement.
- ✓ Encouraging Green initiatives and minimising wastage in our operations.
- ✓ Increasing partnership activities to provide more cost effective services.
- ✓ Improving our housing stock based on the results of our asset management review and 2016 stock condition survey.
- ✓ Getting the best returns from our assets.
- ✓ Improving IT services to make LSHA more efficient and cost effective.

**Our arrangements to ensure delivery of VfM as part of the day job**

Roles of the Board, Chief Executive, other staff and tenants.

- The Board has a responsibility to lead on VfM and actively holding the Chief Executive to account for VfM performance.
- The Chief Executive has a responsibility to assist and advise the board in determining the organisation's approach to achieving VfM.
- Tenant involvement in VfM, is about such matters as agreeing priorities (and efficiencies), shaping services and scrutinising service performance and VfM. This is currently primarily achieved via the SOLFED Tenant Scrutiny Panel and is currently under review.

**Assurance (and reporting) framework for VfM**

- All Board reports require a VfM comment.

**Extent to which VfM is embedded in performance management.**

- VfM considerations influence business culture and are considered as part of 1:1s and team meetings.

**REPORT OF THE BOARD**  
**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

Our track record – what we have achieved over the past year

a) Assets

- Successful completion of nine flats at St. Faith's Road within budget.
- Completion of kitchen and bathroom works at Antony House and Roderick House, and major improvements at 3 Cleaver Square houses.
- Completion of a new stock condition survey.
- Implementation of a programme of installing low energy ventilation extractor units.

b) Operations

- LSHA is part of the Acuity benchmarking group. This allows LSHA to benchmark performance against other small housing associations in London.

Financial KPIs	2015-16	2014-15	2013-14	Peer Group 15/16
Rent collection	99.5%	100%	100%	
Rent arrears	4.54%	4.56%	4.95%	
Void loss	0.39%	0.38%	2.1%	
Average relet time (days)	18	26	16	
Debt per unit	£20,208	£20,447	£12,858	<sup>1</sup>
Total surplus	£297,609*	£311,212	£173,642	

Asset Management	2015-16	2014-15	2013-14	Peer Group. 15/16
Decent homes compliance	100%	100%	100%	
Emergency repairs on time	100%	100%	100%	
Urgent repairs on time	94.2	96.9%	94%	
Routine repairs on time	96.2	100%	96%	
Gas inspections completed	100%	100%	100%	
Reactive maintenance costs per unit	£869	£705	£823	
Major repair & planned costs per unit	£1441	£1328	£1328	
Total spend on asset management <sup>3</sup>	£2,310	£2033	£2151	
Reactive maintenance expenditure <sup>o</sup>	38%	39%	33%	
Planned maintenance expenditure <sup>o</sup>	62%	61%	67%	

Customer Satisfaction	2015-16	2014-15	2013-14	Peer Group 15/16
Overall satisfaction	91%**	75%	75%	
Customer satisfaction with repairs	97%	95%	78%	

<sup>1</sup>Result: this gives the position as at the end of the financial year 2015/16.

<sup>2</sup>Shows the quartile within which LSHA performed compared to the sector as a whole. Wherever possible comparisons are made with the Acuity London benchmarking group. LSHA operates a different financial year than a number of other housing associations so it is not always possible to make a direct comparison on a number of KPIs.

<sup>o</sup> Expressed as a % of total maintenance expenditure.

\*\*Based on 2016 telephone survey

## REPORT OF THE BOARD

### LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

#### FOR THE YEAR ENDED 30 SEPTEMBER 2016

Practical VfM initiatives undertaken by LSHA during 2015/16 include:

- Successful implementation of a texting service to over 75% of LSHA tenants, reducing postage costs.
- Cost benchmarking exercise across Solfed housing associations.
- A comprehensive stock condition survey.
- Completion of an asset and liability register for all LSHA rented and commercial property.
- Successful independent legal mediation in a complex legal case, saving LSHA in excess of £20,000 in legal costs.
- Review of tenant engagement strategy to improve customer satisfaction.
- A utilities review to reduce gas and electricity costs.

#### **c) Treasury management**

- A comprehensive review of the 30 year Business Plan.
- Training for Board members on housing association finance and treasury management.
- Initiation of a comprehensive treasury management review.

#### **Projected value for money activities in 2016/17**

- Continuing to embed VfM in the organisation.
- Reviewing cyclical and programmed works in response to stock condition survey results.
- Supporting residents through Welfare Reform and Universal Credit whilst continuing to protect our income stream.
- Developing links with local organisations to ensure improved and better value services.
- Supporting tenant training via accredited resident training courses.



**REPORT OF THE BOARD**  
**LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2016**

**Statement of the Board's responsibilities in respect of the financial statements**

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulation.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of its income and expenditure for that period.

In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

**Information for auditors**

We the members of the Board who held office at the date of approval of these financial statements confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and that we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On Behalf of the Board

Chair:

Name: Howard Webber

Date:

18/1/17

**REPORT OF THE INDEPENDENT AUDITORS TO  
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

We have audited the financial statements of Lambeth and Southwark Housing Association Limited for the year ended 30 September 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Board and the Auditor**

As explained more fully in the Statement of the Board's Responsibilities set out on page 9, the Board is responsible for the preparation of the financial statements which 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 Financial Reporting Council'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 Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

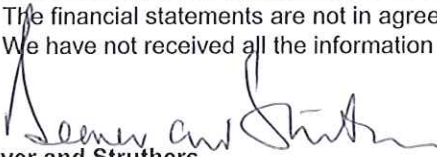
Give a true and fair view of the state of the Association's affairs as at 30 September 2016 and of its income and expenditure for the year then ended; and

- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**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 require us to report to you if, in our opinion:

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

  
**Beever and Struthers**  
**Chartered Accountants**  
**Statutory Auditor**

15 Bunhill Row  
London  
EC1Y 8LP

Date: 13/2/17

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Year ended 30 September 2016 £	Year ended 30 September 2015 £
Turnover	2	2,115,972	1,961,666
Operating expenditure	2	(1,599,693)	(1,375,781)
<b>Operating surplus / (deficit)</b>		<b>516,279</b>	<b>585,885</b>
Interest and financing costs	6	(195,153)	(158,381)
Interest received		6,010	4,879
Increase in valuation of investment properties		5,000	-
Increase in valuation of fixed asset investments		79,681	21,700
<b>Surplus for the year</b>	<b>7</b>	<b>411,817</b>	<b>454,083</b>
<b>Total comprehensive income for the year</b>		<b>411,817</b>	<b>454,083</b>

The financial statements on pages 11 to 31 were approved and authorised for issue by the Board on 18.11.16 and were signed on its behalf by:



**Howard Webber**  
Chair



**Mark Jackson**  
Secretary



**Hilary Barber**  
Vice Chair

The Statement of Comprehensive Income relates wholly to continuing activities and the notes on pages 15 to 31 form an integral part of these accounts.

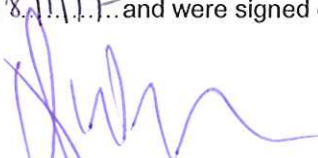
LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED


STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	Year ended 30 September 2016 £	Year ended 30 September 2015 £
<b>Fixed assets</b>			
Housing Properties	11	20,923,172	20,914,650
Investment properties	12	305,000	300,000
Other Tangible Assets	13	41,496	43,549
Fixed asset investments	14	500,549	420,868
		<u>21,770,217</u>	<u>21,679,067</u>
<b>Current assets</b>			
Trade and other debtors	15	36,896	60,582
Investments	16	3,363,814	3,085,393
Cash and cash equivalents		99,099	79,786
		<u>3,499,809</u>	<u>3,225,761</u>
<b>Less: Creditors: amounts falling due within one year</b>	17	(728,093)	(638,241)
<b>Net current assets/ (liabilities)</b>		<u>2,771,716</u>	<u>2,587,520</u>
<b>Total assets less current liabilities</b>		<u>24,541,933</u>	<u>24,266,587</u>
<b>Creditors: amounts falling due after more than one year</b>	18	17,109,836	17,246,307
<b>Total assets less liabilities</b>		<u>7,432,097</u>	<u>7,020,280</u>
<b>Non-equity share capital</b>	19	19	19
Income and expenditure reserve		6,726,530	6,399,394
Revaluation reserve		705,548	620,867
<b>Total reserves</b>		<u>7,432,097</u>	<u>7,020,280</u>

The financial statements on pages 11 to 31 were approved and authorised for issue by the Board on 18.11.17 and were signed on its behalf by:

  
Howard Webber  
Chair

  
Mark Jackson  
Secretary

  
Hilary Barber  
Vice Chair

The notes on pages 15 to 31 form an integral part of these accounts.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN RESERVES

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Income and expenditure reserve £	Revaluation reserve £	Total £
Balance as at 1 October 2014 as previously stated	4,684,677	299,167	4,983,844
Changes on transition to FRS 102	1,282,334	300,000	1,582,334
Balance as at 1 October 2014 as restated	5,967,011	599,167	6,566,178
Surplus / (deficit) from Statement of Comprehensive Income	432,383	21,700	454,083
	_____	_____	_____
Balance as at 30 September 2015	6,399,394	620,867	7,020,261
Surplus / (deficit) from Statement of Comprehensive Income	327,136	84,681	411,817
	_____	_____	_____
Balance as at 30 September 2016	<u>6,726,530</u>	<u>705,548</u>	<u>7,432,078</u>

The notes on pages 15 to 31 form an integral part of these accounts.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Year ended 30 September 2016 £	Year ended 30 September 2015 £
<b>Net cash generated from operating activities</b>	(i)	707,072	774,649
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(497,991)	(1,476,712)
Purchase of current asset investments		-	(1,637,934)
Grants received		69,210	207,630
Interest received		6,010	4,879
		<hr/>	<hr/>
<b>Cash flow from financing activities</b>			
Interest paid		(195,153)	(158,381)
Movement in borrowings		(69,835)	2,331,778
Movement in share capital		-	(6)
		<hr/>	<hr/>
<b>Net change in cash and cash equivalents</b>		19,313	45,903
<b>Cash and cash equivalents at beginning of the year</b>		79,786	33,882
<b>Cash and cash equivalents at end of the year</b>		<hr/> <hr/> 99,099	<hr/> <hr/> 79,786

Note i

	Notes	Year ended 30 September 2016 £	Restated Year ended 30 September 2015 £
<b>Cash flow from operating activities</b>			
Surplus / (deficit) for the year		411,817	454,083
<b>Adjustments for non-cash items:</b>			
Depreciation of tangible fixed assets		306,117	242,708
Decrease / (increase) in trade and other debtors		23,686	13,071
(Decrease) / increase in trade and other creditors		89,852	(6,188)
Carrying amount of tangible fixed asset disposals		185,405	75,019
Revaluation of investment properties		(5,000)	-
Revaluation of fixed asset investments		(79,681)	(21,700)
Revaluation of current fixed asset investments		(278,421)	-
Amortisation of Social Housing Grant		(135,846)	(135,846)
<b>Adjustments for investing or financing activities:</b>			
Interest payable		195,153	158,381
Interest receivable		(6,010)	(4,879)
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<hr/> <hr/> 707,072	<hr/> <hr/> 774,649

The notes on pages 15 to 31 form an integral part of these accounts.

## LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 30 SEPTEMBER 2016

#### Legal Status

Lambeth and Southwark Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 7a St Agnes Place, London, SE11 4AU.

#### 1. Principal Accounting Policies

##### Basis of Accounting

The Association's financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting.

The Association's financial statements have been prepared in compliance with FRS 102 as it applies for the first time to the financial statements of the Association for the year ended 30 September 2016.

The Association transitioned from previous UK GAAP to FRS 102 as at 1 October 2014. An explanation of how the transition to FRS 102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 24.

##### Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. The Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

##### Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- a. **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.
- b. **Impairment.** The Association has identified a cash generating unit for impairment assessment purposes at a property scheme level.

##### Other key sources of estimation and assumptions:

- a. **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**1. Principal Accounting Policies (continued)**

**Turnover and revenue recognition**

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion.

**Loan interest costs**

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

**Loan finance issue costs**

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

**Taxation**

The Association has charitable status and is exempt from any liability to corporation tax.

**Value Added Tax**

The Association is not registered for VAT and therefore all costs incurred where applicable are inclusive of VAT.

**Valuation of investments**

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

**Current asset investments**

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.



LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. Principal Accounting Policies (continued)

Tangible fixed assets and depreciation

**Housing properties**

Tangible fixed assets are stated at cost, less accumulated depreciation.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
Structure	100
Kitchen	25
Bathroom	20
Heating	15
Wiring and electrics	30

The Association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives at the following annual rates

Furniture and equipment	4-15%
Computer	33%
Electrical items	20%
Office refurbishment	5%

**Capitalisation of interest and administration costs**

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**1. Principal Accounting Policies (continued)**

**Leasing and hire purchase**

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

**Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

**Social Housing and other government grants**

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When Social Housing Grant (SHG) in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

**Recycling of Capital Grant**

Where Social Housing Grant is recycled the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

**1. Principal Accounting Policies (continued)**

**Disposal Proceeds Fund (DPF)**

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

**Impairment of Financial Assets**

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

- a. All equity instruments regardless of significance; and
- b. Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- a. For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b. For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

**Revaluation Reserve**

The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

2(a). Turnover, cost of sales, operating expenditure and operating surplus

	Turnover £	2016 Operating expenditure £	Operating surplus £
<b>Social housing lettings (note 3)</b>	2,074,511	1,581,476	493,035
<b>Activities other than social housing</b>			
Managed associations	25,948	18,217	7,731
Commercial rents	13,000	-	13,000
Other	2,513	-	2,513
<b>Total</b>	<u>2,115,972</u>	<u>1,599,693</u>	<u>516,279</u>

	Turnover £	Restated 2015 Operating expenditure £	Operating surplus £
<b>Social housing lettings (note 3)</b>	1,918,810	1,357,015	561,795
<b>Activities other than social housing</b>			
Managed associations	26,597	18,766	7,831
Commercial rents	13,000	-	13,000
Other	3,259	-	3,259
<b>Total</b>	<u>1,961,666</u>	<u>1,375,781</u>	<u>585,885</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

3. Turnover and operating expenditure

	Total 2016 £	Restated Total 2015 £
<b>Income</b>		
Rent receivable net of identifiable service charge	1,776,028	1,637,688
Service charge income	162,637	145,276
Amortised government grants	135,846	135,846
<b>Turnover from Social Housing Lettings</b>	<u>2,074,511</u>	<u>1,918,810</u>
<b>Operating expenditure</b>		
Management	227,572	233,076
Services	225,901	220,900
Routine maintenance	288,012	261,320
Planned maintenance	267,612	97,504
Major repairs expenditure	46,821	227,653
Bad debts	28,149	5,770
Depreciation of Housing Properties	468,564	295,215
Abortive costs	28,845	15,577
<b>Operating expenditure on Social Housing Lettings</b>	<u>1,581,476</u>	<u>1,357,015</u>
<b>Operating Surplus / (Deficit) on Social Housing Lettings</b>	<u>493,035</u>	<u>561,795</u>
<b>Void losses</b> (being rental income lost as a result of property not being let, although it is available for letting)	<u>(7,634)</u>	<u>(6,668)</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

4. Accommodation owned, managed and in development

	2016	Restated 2015
	No of properties owned & managed	No of properties owned & managed
<b>Social Housing</b>		
Under management at end of year:		
Social housing (owned)	292	283
Commercial properties (owned)	1	1
Social housing (managed)	27	27
	<u>320</u>	<u>311</u>
	<u><u>320</u></u>	<u><u>311</u></u>

6. Interest and financing costs

	2016	Restated 2015
	£	£
On housing loans	195,153	158,381
	<u>195,153</u>	<u>158,381</u>
	<u><u>195,153</u></u>	<u><u>158,381</u></u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

7. Surplus/(deficit) on ordinary activities

	2016 £	Restated 2015 £
The operating surplus is stated after charging / (crediting):		
Auditors remuneration (excluding VAT)	6,650	6,000
Depreciation of housing properties	303,470	295,215
Depreciation of other fixed assets	2,646	22,511
	<u>                    </u>	<u>                    </u>

8. Tax on Surplus/(deficit) on ordinary activities

By virtue of s.478 Corporation Tax Act 2010 the Association is exempt from corporation tax

9. Directors' remuneration

	2016 £	Restated 2015 £
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	5,000	2,500
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	126,065	120,788
The aggregate compensation paid to or receivable by Key Management Personnel	67,505	66,330
The emoluments paid to the highest paid Director excluding pension contributions	-	-
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	46,680	26,100
The aggregate amount of any consideration payable to Directors for loss of office	-	-

The Association contributes to the Chief Executive's pension which is a defined contribution scheme on the same terms as all other employees. A contribution of £6,050 was made in the year (2015: £5,916).

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

10. Employee information

	2016	Restated 2015
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	6	6
Wardens, caretakers and cleaners	3	3
	<u>9</u>	<u>9</u>
	<u>2016</u>	<u>Restated 2015</u>
	£	£
Staff costs		
Wages and salaries	274,858	251,329
Social Security costs	21,713	20,207
Pension costs	10,170	(11,513)
	<u>306,741</u>	<u>260,023</u>
	<u>2016</u>	<u>Restated 2015</u>
Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the year:		
£60,000 - £70,000	1	1

No employees received more than £70,000 in the year (2015: 0).



LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

11. Tangible fixed assets

	Housing Properties £	Housing Properties Under Construction £	Total £
<b>Cost</b>			
At start of the year – restated	22,421,616	1,232,986	23,654,602
Additions to properties acquired	-	215,024	215,024
Component replacements	282,373	-	282,373
Schemes completed	1,448,010	(1,448,010)	-
Disposals	(240,860)	-	(240,860)
At end of the year	<u>23,911,139</u>	<u>-</u>	<u>23,911,139</u>
<b>Depreciation and impairment</b>			
At start of the year – restated	2,739,952	-	2,739,952
Charge for the year	303,470	-	303,470
Disposals	(55,455)	-	(55,455)
At end of the year	<u>2,987,967</u>	<u>-</u>	<u>2,987,967</u>
<b>Net book value at the end of the year</b>	<u>20,923,172</u>	<u>-</u>	<u>20,923,172</u>
<b>Net book value at the start of the year</b>	<u>19,681,664</u>	<u>1,232,986</u>	<u>20,914,650</u>

	2016 £	Restated 2015 £
<b>Housing Properties comprise:</b>		
Freeholds	13,282,311	11,792,788
Leaseholds	10,628,828	10,628,828
	<u>23,911,139</u>	<u>22,421,616</u>
<b>Works to existing properties in the year:</b>		
Improvement works capitalised	-	-
Component replacements	282,373	225,803
Amounts charged to expenditure	46,821	227,652

The aggregate amount of interest and finance costs included in the cost of housing properties is £zero. The net book value of other fixed assets includes £zero (2015: £zero) in respect of assets held under finance leases.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

12. Investment properties

	2016 £	Restated 2015 £
At start of year	300,000	300,000
Additions	-	-
Gain/(loss) from adjustment in value	5,000	-
At end of year	<b>305,000</b>	<b>300,000</b>

Investment properties were valued at 30 September 2016 and 30 September 2015 by JLL professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

13. Other fixed assets

	Furniture and Equipment £	Computer £	Office & Fittings £	Total £
<b>Cost</b>				
At start of the year – restated	12,757	58,610	48,963	120,330
Additions	-	593	-	593
Disposals	-	-	-	-
At end of the year	<u>12,757</u>	<u>59,203</u>	<u>48,963</u>	<u>120,923</u>
<b>Depreciation and impairment</b>				
At start of the year – restated	12,757	49,335	14,689	76,781
Charge for the year	-	198	2,448	2,646
Disposals	-	-	-	-
At end of the year	<u>12,757</u>	<u>49,533</u>	<u>17,137</u>	<u>79,427</u>
<b>Net book value at the end of the year</b>	<u>-</u>	<u>9,670</u>	<u>31,826</u>	<u>41,496</u>
Net book value at the start of the year	<u>-</u>	<u>9,275</u>	<u>34,274</u>	<u>43,549</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

14. Fixed Asset Investments

	2016	Restated 2015
	£	£
Listed investments, at cost	-	-
Other investments, at cost	100,000	100,000
Solfed investment	1	1
	<u>100,001</u>	<u>100,001</u>
<b>Market value</b>	<u>500,549</u>	<u>420,868</u>

15. Trade and other debtors

Rent arrears	82,823	83,013
Less: provision for bad debts	(57,299)	(42,371)
Prepayments and other debtors	11,372	19,940
	<u>36,896</u>	<u>60,582</u>

Debtors are all due within one year

16. Current Asset Investments

Building society and bank deposits	<u>3,363,814</u>	<u>3,085,393</u>
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17. Creditors: amounts falling due within one year

Trade creditors (revenue)	400,186	293,147
Loans due within one year	78,598	76,806
Taxation and social security payable	6,696	5,721
Accruals and deferred income	58,983	60,415
Amortised Grant (Note 22)	135,846	135,846
Managed associations	47,784	66,306
	<u>728,093</u>	<u>638,241</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

18(a). Creditors: amounts falling due after more than one year

	2016	Restated 2015
	£	£
Loans (Note 18b)	5,900,792	5,970,627
Deferred Grant (Note 22)	11,209,044	11,275,680
	<u>17,109,836</u>	<u>17,246,307</u>

18(b). Debt analysis

**Loans repayable by instalments:**

In one year or more but less than two years	86,558	84,402
In two years or more and less than five years	296,020	286,225
In five years or more	511,154	592,940

**Not by instalments:**

In five years or more	5,007,060	5,007,060
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Total loans	<u>5,900,792</u>	<u>5,970,627</u>
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Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

19. Non-equity share capital

	2016 £	2015 £
Allotted Issued and Fully Paid		
At the start of the year	19	26
Issued during the year	-	5
Surrendered during the year	-	(12)
At the end of the year	<u>19</u>	<u>19</u>

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

20. Capital commitments

	2016 £	2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	208,847
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-
	<u>-</u>	<u>208,847</u>

The Association expects these commitments to be financed with Reserves.

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

21. Operating leases

The Association holds no equipment under operating leases.

22. Deferred Capital Grant and financial assistance

	2016	Restated 2015
	£	£
At start of the year	11,411,526	11,339,742
Grant received in the year	69,210	207,630
Released to income in the year	(135,846)	(135,846)
At the end of the year	<u>11,344,890</u>	<u>11,411,526</u>
At the end of the year	<u>11,344,890</u>	<u>11,411,526</u>
Amount due to be released < 1 year (Note 17)	135,846	135,846
Amount due to be released > 1 year (Note 18(a))	11,209,044	11,275,680
The total accumulated government grant and financial assistance received or receivable at 30 September:	<u>14,032,766</u>	<u>13,963,556</u>

LAMBETH AND SOUTHWARK HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2016

23. Related parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the tenant Board member during the year was £6,389 (2015: £6,230). Arrears on their tenancy at the reporting period end was £240 (2015: £883).

Related party balances are not secured

24. First time adoption of FRS 102

On adoption of FRS 102 the Association have restated the comparatives, the impact on reserves is as follows:

	Note	Reserves as at transition date 1 October 2014 £	Surplus/ (deficit) year ended 30 September 2015 £	Reserves as at 30 September 2015 £
<b>As stated under former UK GAAP</b>		4,983,844	332,911	5,316,755
<b>Transitional adjustments</b>				
Increase in depreciation of housing properties	a	(1,133,850)	(14,674)	(1,148,524)
Increase in amortisation of grants relating to housing properties	b	2,416,184	135,846	2,552,030
Revaluation of commercial unit	c	300,000	-	300,000
		<hr/>	<hr/>	<hr/>
<b>As stated in accordance with FRS 102</b>		6,566,178	454,083	7,020,261
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

- a. FRS 102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £1,133,850 and a decrease in the surplus for the year ended 30 September 2015 of £14,674.
- b. FRS 102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £2,416,184, and £135,846 increase in surplus for the year ended 30 September 2015.
- c. FRS 102 requires that investment properties will be remeasured at fair value. The effect compared to current UK GAAP is an increase in the value of investment property and reserves of £300,000 at transition.