



LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2011**

**Registered Housing Association No. HCB293
Financial Services Authority No. 2509R(S)
Scottish Charity No. SC042066**

**Scott-Moncrieff
Chartered Accountants**

LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2011**

Contents	Page
Members and Advisers	1
Report of Committee of Management	2-6
Statement of Committee Responsibilities	7
Committee of Management Statement on Internal Financial Controls	8
Auditors' Report on Corporate Governance Matters	9
Report of the Auditors	10-11
Income and Expenditure Account	12
Balance Sheet	13
Cash Flow Statement	14
Notes to the Financial Statements	15-29

Registration particulars

Financial Services Authority

Industrial and Provident Societies 1965
Registered number 2509R(S)

Scottish Housing Regulator

Housing (Scotland) Act 2001
Registered number HCB293
Scottish charity No: SC042066

LARKFIELD HOUSING ASSOCIATION LIMITED

Members and Advisers

Committee of Management

Elizabeth Bradley - Chairperson
Margaret Bell - Vice Chairperson
Marion Jones - Secretary
Agnes McMillan
James Canning
Gordon Cameron
Moirra McBride
Kathy McDade
Allan McIntyre
Joan Scullion

Registered Office

14 Lothian Road
Greenock
PA16 OPG

Auditors

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

Bankers

Bank of Scotland
PO Box 10
38 St Andrews Square
Edinburgh
EH2 2YR

Solicitors

Patten and Prentice
2 Ardgowan Square
Greenock
PA16 8PP

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2011

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

Principal Activity

The principal activity of the Association is the provision of social housing:

- Improve homes and communities;
- Ensure our properties are fit for purpose and managed effectively;
- Improve service delivery to all our customers;
- Extend our services to more people;
- Offer innovative solutions for diverse needs;
- Improve homes and communities;
- Ensure our resources are sufficient to deliver our objectives;
- Make a difference to people's lives by providing care and support services.

Charitable Status

The Association attained charitable status in February 2011 and the objectives set out within its new charitable rules reflects the principal activities carried out by the Association.

Group Structure

The Association joined the Link Group Limited (a Registered Social Landlord) on 28 November 2006 as a subsidiary. Although Larkfield has become a wholly controlled subsidiary of Link Group, it has retained its name, identity and membership. It is anticipated there will be a number of benefits to Larkfield from this move including the Association having access to economies of scale in procurement, expertise in wider action and regeneration, support services and development services.

Operating and Financial Review

Financial Summary

This year the Association recorded a surplus of £72,776 (2010: £64,630).

Investments to the housing stock in the year include installation of positive ventilation units, phase four of energy efficiency upgrades, and phase four of the external envelope upgrade to the Wimpey No fines Stock. This has been written off in the Income and Expenditure account in line with the 2008 RSL SORP requirements.

Turnover

Turnover of £1.5 million relates entirely to the income from the letting of properties at affordable rents and the provision of common maintenance services and the provision of local housing management and maintenance services to Link Housing Association, in relation to their Port Glasgow stock. It is the Association's policy to maintain affordability by limiting overall rent increases to no greater than 1 per cent above the Retail Price Index.

Tenants are charged rents on a weekly cycle and enjoy continuation of Greenock Fair and Christmas non-collection weeks.

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2011

Estate Maintenance

The Association acts as Management Agent to five hundred and sixty-one owner-occupiers in the Larkfield area. Accounts are issued each year to recover the costs of common maintenance.

Property Acquisitions

There were no property acquisitions within the financial year.

Financing and Liquidity

Larkfield Housing Association operates with minimal public funding and is highly focused to exploit profitable opportunities as they arise.

The Association has a £8.3 million private finance loan facility. Under the terms of the financing agreement, there are a number of financial and operational covenants that limit the Association's operating and financial flexibility. A failure to comply with any of these covenants could result in default under the agreement and an acceleration of repayment of the debt outstanding.

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2011 the Association had £0.474 m (2010: £0.474 m) in undrawn loan facilities, which was immediately available for drawing.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011 50.1% of the Association's borrowings (2010: 50.3%) were subject to fixed rates of interest.

Transfers from Designated Reserves

The results for the year are shown in the Income and Expenditure Account on page 13 and there have been no transfers to or from designated reserves.

Fixed Assets

Changes in fixed assets in the year are set out in note 6 of the financial statements.

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2011 were as follows:

(Chairperson)	Elizabeth Bradley	
(Vice-Chairperson)	Margaret Bell	
(Secretary)	Marion Jones	
(Member)	Agnes McMillan	
(Member)	James Canning	
(Member)	Allan McIntyre	
(Member)	Gordon Cameron	appointed September 2010
(Member)	Kathy McDade	appointed September 2010
(Member)	Joan Scullion	appointed September 2010
(Member)	Danny McMillan	resigned March 2011
(Member)	Gordon Ritchie	resigned September 2010
(Member)	Ernest Mukumba	resigned August 2011
(Co-optee)	Moira McBride	appointed September 2010

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2011

Future Developments

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

The focus for the coming year will be to consolidate Larkfield's position within the Link Group and to continue to develop relationships and opportunities for sharing of central services and specialist services and experience.

Charitable Donations and Community Involvement

Charitable donations amounting to £100 (2010: £100) were made during the year. No donations were made for political purposes.

The Association is actively involved in wider action activities and community safety through the Larkfield Community Safety Group and continues to promote wider action activities through its involvement in the Inverclyde Housing Association Forum. Specific projects included, "Fab Pad", "Advice for All", "Youth Outreach Services" and "Creating Cohesive Communities"

Maintenance Policies

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

In addition the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs will be charged to the Income and Expenditure account unless they qualify as capital expenditure within the terms of the SORP.

The Association is required to demonstrate to its regulatory body that it will meet the Scottish Housing Quality Standard (an initiative by the Scottish Executive to have all public sector housing upgraded to a defined quality level by 2015). The Association's planned maintenance and major repairs programmes will seek to ensure that the Standard is achieved in the period to 2015.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we continued to progress our major repairs programme.

We reviewed the rent payment methods available to our owners and, as a result, have now introduced an "All pay" payment system to enable a wider range of ways for owners to pay their common maintenance charges. We have continued to deliver many completed adaptations to existing properties, to meet the specific needs of our tenants.

The Association now provides management services for 234 properties in Port Glasgow on behalf of Link Housing Association Ltd.

Credit Payment Policy

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2011

Best use of Resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We are continuing with a programme of major investment in our housing stock, which is by far our most costly asset. This includes both carrying out major repairs, and also considering whether there are any opportunities to build new housing stock in order to meet the changing requirements of tenants in the future. We have updated our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

Risk Management Policy

The Committee have, with advice from their auditors, introduced a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks the Association faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls.

In addition, the Committee have considered the guidance for directors of public listed companies contained within the Turnbull Report. They believe that although this is not mandatory for the Association it should, as a public interest body, adopt these guidelines as best practice. Accordingly they have set policies on internal controls which cover the following:

- consideration of the type of risks the Association faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Association's ability to reduce the incidence and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained;
- clarified the responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration;
- communicated that employees have responsibility for internal control as part of their accountability for achieving objectives;
- embedded the control system in the Association's operations so that it becomes part of the culture of the Association;
- developed systems to respond quickly to evolving risks arising from factors within the Association and to changes in the external environment;
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives and holds an annual review day for staff and the Committee of Management to agree its objectives. A health and safety sub-committee meets four times per year consisting of both staff and committee members.

The Association is recognised as promoting the health of its staff and holds the Scotland's Healthy Working Lives Bronze award. The Association is also recognised for the training and development of its staff and is accorded Investors in People (IIP) status.

Internal Financial Control

The Committee of Management is responsible for establishing and maintaining the Association's system of internal control. Internal control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Committee of Management has established with a view to providing effective internal financial control are as follows:

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2011

Management Structure

The Committee of Management has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.

Quality and Integrity of Personnel

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

Budgetary Process

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

Rental Income

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Disabled Employees

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

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditors will be put to the members of the Association at the annual general meeting.

On behalf of the Committee of Management

Dated: 21 June 2011

LARKFIELD HOUSING ASSOCIATION LIMITED

Statement of Committee Responsibilities

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that year. In preparing those financial statements we are required to:

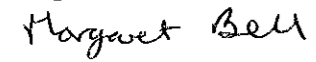
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

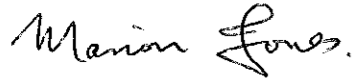
- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

By order of the Committee of Management

Margaret Bell – Vice Chairperson



Marion Jones - Secretary



Dated: 21 June 2011

LARKFIELD HOUSING ASSOCIATION LIMITED

Committee of Management Statement on Internal Financial Controls For year ended 31 March 2011

The Committee of Management 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 proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

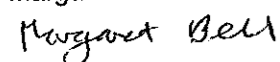
It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures from the Committee of Management members.
- the Committee of Management review reports from their area manager, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

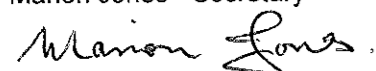
The Committee of Management have continued to review the system of internal financial control in the Association during the year ended 31 March 2011. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Committee of Management

Margaret Bell – Vice Chairperson



Marion Jones - Secretary



Dated: 21 June 2011

LARKFIELD HOUSING ASSOCIATION LIMITED

Auditors' Report on Corporate Governance Matters

Corporate Governance

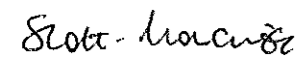
In addition to our audit of the accounts, we have reviewed the Committee of Management's statement on page 9 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the statement on internal financial control on page 9 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



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

Dated: 21 June 2011

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of the Independent Auditors to the Members of Larkfield Housing Association Limited

We have audited the financial statements of Larkfield Housing Association Limited for the year ended 31 March 2011 which comprise the income and expenditure account, balance sheet, 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 directors and auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 7, 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 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.

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 ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Landlords issued in 2008;

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of the Independent Auditors to the Members of Larkfield Housing Association Limited

- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 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

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

Dated: 21 June 2011

LARKFIELD HOUSING ASSOCIATION LIMITED

**Income and Expenditure Account
For year ended 31 March 2011**

	Notes	2011 £	2010 £
Turnover	2	1,522,001	1,486,300
Less: Operating costs	2	1,252,854	1,223,804
Operating surplus	2	269,147	262,496
Gain on sale of fixed assets		12,502	24,340
Interest receivable		430	463
Interest payable		(192,817)	(210,665)
Surplus on ordinary activities before taxation		89,262	76,634
Taxation on surplus on ordinary activities	5	16,486	12,004
Surplus for year		<u>72,776</u>	<u>64,630</u>

All activities relate to continuing activities within the year.

There are no other gains or losses in 2010 and 2011 other than the surplus as above.

LARKFIELD HOUSING ASSOCIATION LIMITED

Balance Sheet
As at 31 March 2011

	Notes	2011 £	2010 £
Tangible fixed assets			
Housing properties	6	5,989,495	6,161,845
Other fixed assets	6	197,182	203,928
		<u>6,186,677</u>	<u>6,365,773</u>
Debtors	7	176,986	141,339
Cash at bank and in hand		569,857	698,116
		<u>746,843</u>	<u>839,455</u>
Current Liabilities			
Creditors due within one year	8	(350,189)	(487,761)
Net current assets		<u>396,654</u>	<u>351,694</u>
Total assets less current liabilities		6,583,331	6,717,467
Creditors due after one year	9	(5,197,612)	(5,404,533)
Net assets		<u><u>1,385,719</u></u>	<u><u>1,312,934</u></u>
Capital and reserves			
Share capital	13	96	87
Revenue reserve	15	1,385,623	1,312,847
Total capital and reserves		<u><u>1,385,719</u></u>	<u><u>1,312,934</u></u>

The financial statements were authorised for issue by the Committee of Management on 21st June 2011 and are signed on its behalf by:

Margaret Bell – Vice Chairperson

Margaret Bell
Marion Jones - Secretary

Marion Jones

LARKFIELD HOUSING ASSOCIATION LIMITED

Cash Flow Statement
For year ended 31 March 2011

	2011 £	2010 £
Net cash inflow from operating activities	218,662	546,149
Returns on investments and servicing of finance		
Interest received	430	463
Interest paid	(192,817)	(210,665)
Net cash flow from returns on investments and servicing of finance	(192,387)	(210,202)
Taxation	-	12,004
Investing activities		
Acquisition and construction of housing properties	-	(64,574)
Purchase of other fixed assets	(5,640)	(988)
Capital grants received	-	29,804
Sale of tangible fixed assets - properties	44,500	90,220
Net cash inflow from investing activities	38,862	54,462
Net cash inflow before financing	65,135	402,413
Financing		
Issue of share capital	9	1
Loan repaid	(193,404)	(180,769)
Net cash inflow from financing	(193,395)	(180,768)
(Decrease) / Increase in cash	(128,260)	221,645

Further details are given in note 16.

LARKFIELD HOUSING ASSOCIATION LIMITED

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

1. Principal Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority. These financial statements are prepared in accordance with applicable accounting standards and statements of recommended practice, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and on a going concern basis.

(b) Turnover

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants from The Scottish Government, local authorities and other organisations.

(c) Tangible fixed assets

Housing land and buildings are stated at cost.

(d) Depreciation

Housing land and buildings

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties at an annual rate of 2%. No depreciation is charged on the cost of land.

Other fixed assets

A full year's depreciation is charged in the year of acquisition but no charge is made in the year of disposal. Depreciation is charged at rates estimated to write off costs less the estimated residual value over the expected useful life, as follows:

Buy Back Properties	-	4% straight line
Office Premises	-	4% straight line
Furniture and Fittings	-	25% reducing balance
Office Equipment	-	25% reducing balance

(e) Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

LARKFIELD HOUSING ASSOCIATION LIMITED

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

1. Accounting policies (continued)

(f) Pension

The Association participates in the centralised Scottish Federation of Housing Associations' defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the Scheme taken as a whole.

(g) Apportionment of management expenses

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

(h) Allocation of Owner Occupier Income

Monies charged and received from owner occupiers for common feu maintenance is credited into the income and expenditure account within the accounting period in which it is charged.

(i) Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

(j) Buy Backs

Properties are bought back at open market value as agreed with the Association's lenders.

(k) Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

(l) Value added tax

The Association is not VAT registered. Expenditure as a result is shown inclusive of VAT

LARKFIELD HOUSING ASSOCIATION LIMITED

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

2. Particulars of Turnover, Operating Costs and Operating Surplus

Income and Expenditure from lettings	2011		2010	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings	1,472,624	(1,208,416)	1,430,144	(1,180,968)
Other activities	49,377	(44,438)	56,156	(42,836)
Total	1,522,001	(1,252,854)	1,486,300	(1,223,804)
				Operating Surplus £
				249,176
				13,320
				<u>262,496</u>

The income above relates solely to income from General Needs Housing, there is no income in relation to Supported Housing or Shared Ownership.

LARKFIELD HOUSING ASSOCIATION LIMITED

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 £	2011 Total £	2010 Total £
Income from rent and service charges			
Rent receivable net of service charges	1,475,823	1,475,823	1,434,891
Service charges	-	-	-
Gross income from rents and service charges	<u>1,475,823</u>	<u>1,475,823</u>	<u>1,434,891</u>
Less voids	(3,199)	(3,199)	(4,747)
Net income from rents and service charges	<u>1,472,624</u>	<u>1,472,624</u>	<u>1,430,144</u>
Grants from the Scottish Ministers	-	-	-
Other revenue grants	-	-	-
Total turnover from social letting activities	<u>1,472,624</u>	<u>1,472,624</u>	<u>1,430,144</u>
Expenditure			
Management and maintenance administration costs	329,496	329,496	327,280
Planned cyclical maintenance including major repairs	503,524	503,524	505,424
Reactive maintenance costs	220,016	220,016	172,317
Bad debts – rents and service charges	13,842	13,842	33,737
Depreciation of social housing	141,538	141,538	142,211
Operating costs for social letting activities	<u>1,208,416</u>	<u>1,208,416</u>	<u>1,180,969</u>
Operating Surplus on letting activities, 2011	<u>264,208</u>	<u>264,208</u>	
Operating Surplus on letting activities, 2010			<u>249,175</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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	Other income £	Total Turnover 2011 £	Total Turnover 2010 £	Operating costs – bad debts	Other operating costs 2011 £	Operating surplus 2011 £	Operating surplus 2010 £
Wider role activities	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	6,540	6,540	5,632	-	3,058	3,482	2,620
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	42,200	42,200	40,360	-	41,380	820	536
Other agency/ management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	637	637	10,164	-	-	637	10,164
Total from other activities, 2011	-	-	49,377	49,377		-	44,438	4,939	
Total from other activities, 2010	-	-	-	-	56,156	-	-	-	13,320

LARKFIELD HOUSING ASSOCIATION LIMITED

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

5. Tax on profit on ordinary activities	2011 £	2010 £
Current tax:		
UK corporation tax based on the results for the year at 21% (2011: 21%)	<u>16,486</u>	<u>12,004</u>
Factors affecting tax charge for the period		
The tax assessed for the period is lower than the standard rate of corporation tax (21%) as explained below:		
Surplus on ordinary activities before tax	89,262	76,634
Surplus on ordinary activities multiplied by the standard rate of corporation tax 21% (2011: 21%)	18,745	16,093
Effects of:		
Effect of gaining charitable status	(19,704)	-
Losses carried forward	-	(17,620)
Expenses not deductible for tax purposes	17,610	12,077
Depreciation in excess of capital allowances	<u>(165)</u>	<u>1,454</u>
Current tax charge for 10 month period (2010: 12 months)	<u>16,486</u>	<u>12,004</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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

6. Tangible Assets	Housing properties held for letting £	Office premises £	Office equipment £	Furniture & fittings £	Total £
Cost					
At 1 April 2010	7,608,064	237,905	86,845	5,701	7,938,515
Additions during year	-	-	5,640	-	5,640
Disposals during year	(37,750)	-	-	-	(37,750)
At 31 March 2011	7,570,314	237,905	92,485	5,701	7,906,405
Depreciation					
At 1 April 2010	1,371,851	39,813	82,090	4,620	1,498,374
Provided during year	141,540	9,516	2,599	271	153,926
Disposals during year	(6,940)	-	-	-	(6,940)
At 31 March 2011	1,506,451	49,329	84,689	4,891	1,645,360
Grants					
As at 1 April 2010	74,368	-	-	-	74,368
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2011	74,368	-	-	-	74,369
Net book value					
At 31 March 2011	5,989,495	188,576	7,796	810	6,186,677
At 31 March 2010	6,161,845	198,092	4,755	1,081	6,365,773

None of the Association's properties are held under a lease.

LARKFIELD HOUSING ASSOCIATION LIMITED

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

7. Debtors	2011 £	2010 £
Amounts falling due within one year:		
Gross rent arrears	54,660	74,074
Less: Bad debt provision	(17,279)	(25,117)
	<u>37,381</u>	<u>48,957</u>
Debtor – owner occupiers	53,123	47,186
Provision for bad debts – owner occupiers	(8,527)	(7,365)
	<u>44,596</u>	<u>39,821</u>
Debtors – tenant recharges	53,290	83,901
Less: Bad debts	(33,461)	(62,928)
	<u>19,829</u>	<u>20,973</u>
Prepayment and accrued income	59,016	23,324
Amounts due from group undertakings	16,166	8,264
	<u>176,988</u>	<u>141,339</u>
	<u><u>176,988</u></u>	<u><u>141,339</u></u>
8. Creditors due within one year		
Trade Creditors	14,751	3,892
Accruals and deferred income	27,949	221,126
Amounts due to group undertakings	43,335	13,195
Other taxation and social security	22,907	22,118
Rents in advance	34,326	34,026
Facility loan	206,921	193,404
	<u>350,189</u>	<u>487,761</u>
	<u><u>350,189</u></u>	<u><u>487,761</u></u>
9. Creditors due after one year		
Facility loan	4,997,982	5,204,903
The Scottish Government	199,630	199,630
	<u>5,197,612</u>	<u>5,404,533</u>
	<u><u>5,197,612</u></u>	<u><u>5,404,533</u></u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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

9. Creditors due after one year (contd)

The Scottish Government has advanced funds to the Association in respect of proposed works to owner occupied properties. These funds will be repaid to the lender once repairs are completed and costs received from the owners. The Britannia Building Society holds a standard security and floating charge on the Association's 396 properties. The loan is repayable at rates of interest from 6.03% to 1.197% (2010: 6.03% to 0.893%), in instalments due as follows:

	2011 £	2010 £
In one year or less	206,921	193,404
Between two and five years	982,795	918,584
In five years or more	4,015,187	4,286,319
	<u>5,204,903</u>	<u>5,398,307</u>

The total facility available to the Association at the year end was £5.9 million.

10. Employees

	2011 £	2010 £
Staff costs during year		
Wages and salaries	258,553	256,551
Social security costs	20,133	20,722
Other pension costs	31,514	32,781
	<u>310,200</u>	<u>310,054</u>

The average full time equivalent and average number of persons employed by the Association during the year were as follows:

	No	No
Housing staff	7	7
Administrative and finance staff	<u>2</u>	<u>2</u>

The Directors are defined as the members of the Committee of Management, the Housing Association Director and any other person reporting directly to the Housing Association Director or the Management Committee whose total emoluments exceed £60,000 per year.

	2011 £	2010 £
Aggregate emoluments payable to directors (including pension contributions and benefits in kind)	<u>-</u>	<u>-</u>
Emoluments payable to highest paid director (excluding pension contributions)	<u>-</u>	<u>-</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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

10. Employees (contd)

The Director is an ordinary member of the Association's pension scheme described in note 11. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contribute. The Association's contributions for the Director in the year amounted to £nil (2010: £nil).

	2011 £	2010 £
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	<u>406</u>	<u>825</u>

No member of the Committee of Management received any emoluments in respect of their services to the Association

	2011 No	2010 No
Number of directors during the year as following (excluding pension contributions)		
£45,001 - £50,000	-	-
£50,001 - £55,000	-	-
£55,001 - £60,000	-	-
£60,001 - £65,000	<u>-</u>	<u>-</u>

11. Pension commitments

Larkfield Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (formerly known as the SFHA Pension Scheme), (the "Scheme"). The scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the State Pension scheme. The Scheme offers five benefit structures to employers, namely:

Final salary with a 1/60th accrual rate; Career average revalued earnings with a 1/60th accrual rate; a 1/70th accrual rate; a 1/80th accrual rate; and a 1/120th accrual rate, contracted in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Association has elected to operate the Final salary with 1/60th accrual rate benefit option for active members and new entrants from 1 April 2011.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

During the accounting period the Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

LARKFIELD HOUSING ASSOCIATION LIMITED

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

11. Pension commitments (contd)

As at the balance sheet date there were 9 active members (2010: 7) of the Scheme employed by Larkfield Housing Association. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable. The pension charge for the year to 31 March 2011 was £31,514 (2010 - £32,781).

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Financial Assumptions

The financial assumptions underlying the valuation at 30th September 2009 were as follows: -

	% pa
- Investment return pre retirement	7.40
- Investment return post retirement – Non pensioners	4.60
- Investment return post retirement – Pensioners	4.80
- Rate of salary increases	4.50
- Rate of pension increases:	
Pension accrued pre 6 April 2005	2.90
Pension accrued from 6 April 2005	2.20
(for leavers before 1 October 1993 pension increases are 5.0% pa)	
- Rate of price inflation	3.00

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

11. Pension commitments (contd)

The valuation was carried out using the SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% minimum improvement mortality tables for pensioners and non-pensioners.

The joint contribution rates required from employers and members to meet the cost of future benefit accrual for the final salary 60ths benefit structure was assessed as 19.2%.

This is split equally between employers and members. Accordingly the contribution rates for the Final salary 60ths benefit structure from 1 April 2011 is 9.6% employer contributions and 9.6% member contributions.

There is an additional employer rate for deficit contributions of 10.4% expressed in nominal pound terms for each employer increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at (date). As of this date the estimated employer debt for the Association was £1,116,130.

LARKFIELD HOUSING ASSOCIATION LIMITED

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

12. Auditors' remuneration	2011 £	2010 £
Remuneration of the auditors (including expenses and VAT)	7,000	7,000
Remuneration of the auditors in respect of services other than those of auditors	-	-
	<u>7,000</u>	<u>7,000</u>

13. Share capital	2011	2010
Shares of £1 fully paid and issued at beginning of year	87	86
Shares issued during year	9	1
Shares cancelled during year	-	-
	<u>96</u>	<u>87</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

14. Reconciliation of capital and reserves	2011 £	2010 £
Capital and reserves at 1 April 2010	1,324,934	1,248,303
Surplus for year	72,776	64,630
Shares cancelled in year	-	-
New share capital subscribed	9	1
	<u>1,385,719</u>	<u>1,312,934</u>

15. Revenue reserves		
At 1 April 2010	1,312,847	1,248,217
Surplus for year	72,776	64,630
	<u>1,385,623</u>	<u>1,312,847</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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

16. Notes to the cash flow statement			2011	2010
(a) Reconciliation of operating surplus to net cash inflow from operating activities:				
Surplus for year			89,262	64,630
Add: Interest payable			192,817	210,665
Less: Interest receivable			(430)	(463)
			<u>281,626</u>	<u>274,832</u>
Operating surplus for year			281,626	274,832
Depreciation			153,924	153,673
Cancellation of share capital			-	-
(Increase) / Decrease in debtors			(35,649)	10,148
(Decrease) / Increase in creditors			(167,575)	134,666
Gain on sale of fixed assets			(13,689)	(27,170)
			<u>218,662</u>	<u>546,149</u>
Net cash inflow from operating activities			<u>218,662</u>	<u>546,149</u>
16. Notes to the cash flow statement (contd)			2011	2010
(b) Reconciliation of net cash inflow to movement in net debt			£	£
(Decrease) / Increase in cash for year			(128,260)	221,645
Loan repayments			193,404	180,769
			<u>65,144</u>	<u>402,414</u>
Change in net debt			65,144	402,414
Net debt as at 1 April 2010			(4,899,821)	(5,302,235)
			<u>(4,834,677)</u>	<u>(4,899,821)</u>
Net debt as at 31 March 2011			<u>(4,834,677)</u>	<u>(4,899,821)</u>
(c) Analysis of changes in net debt	As At	Cash	Other	At
	1 April 2010	Flow	Changes	31 March 2011
	£	£	£	£
Cash at bank and in hand	698,116	(128,260)	-	569,856
Debt due within one year	(193,404)	193,404	(206,921)	(206,921)
Debt due after one year	(5,404,533)	-	206,921	5,197,612
	<u>(4,899,821)</u>	<u>65,144</u>	<u>-</u>	<u>4,834,677</u>

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

17. Contingent liabilities**The Scottish Housing Regulator Stock Transfer**

Various financial provisions were incorporated in the legal documentation when the Association acquired its original housing stock from Communities Scotland (formerly Scottish Homes) in 1997. The Association is required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation every five years. At 31 March 2011, the Association has complied with all these provisions and no further sums are considered payable to Communities Scotland, (now the Scottish Government).

18. Housing Units in Management	2011 No	2010 No
General Needs	396	398
Shared ownership	-	-
Supported housing	-	-
	<u>396</u>	<u>398</u>
	<u>396</u>	<u>398</u>

19. Scottish Secure Tenancy Rents	2011 £	2010 £
Average Scottish Secure Tenancy rent for housing accommodation	<u>3,717</u>	<u>3,611</u>
Number of assured tenancies	<u>396</u>	<u>398</u>
Percentage increase from previous year	<u>3.4%</u>	<u>1.9%</u>

20. Related parties

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 8 to disclosed details of transactions with other members of the group headed by Link Group Limited.

21. Ultimate parent organisation

The company's parent undertaking at the balance sheet date was Link Group Limited, a charitable Industrial and Provident Society registered with the Financial Services Authority, registration no 1481 (R) S. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Committee of Management.