



LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2012**

**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 2012

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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

Moira McBride - Chairperson
Margaret Bell - Vice Chairperson
Marion Jones - Secretary
Allan McIntyre
James Canning
Gordon Cameron
Kathy McDade
Frances Beattie
Paul Galbraith

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 2012

The Committee of Management present their annual report and the audited financial statements for the year ended 31 March 2012.

Principal Activity

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

- Improve the range of housing within our area of operation;
- Improve the range of services and products for people who use or may use Larkfield services;
- Widen housing and tenure choice for people living in the Inverclyde area by ensuring inclusion in new initiatives and developing new models;
- To help alleviate homelessness through the operation of a Section 5 Protocol with Inverclyde Council and tenancy sustainability strategy;
- Adapt existing stock to suit the needs of customers;
- To seek continuous improvement in service delivery and customer satisfaction;
- Contribute to the wider role agenda on social inclusion by pursuing community and health initiatives which may result in improvement in health, employment and training opportunities within the area;
- Continue to work with the whole community to create a safe and secure environment where people want to live and work;
- To develop our people to improve capacity to support and deliver our business aims;
- Extend our services to more people;
- Provide housing at affordable and sustainable rents, and
- To encourage the fullest participation by tenants and local residents in all areas of the Association's activities through active membership of the Association and its Committees.

Charitable Status

The Association attained charitable status in February 2011 and the objectives set out within its new charitable rules reflect 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 £374,183 (2011: £470,789).

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 2010 RSL SORP requirements.

Turnover

Turnover of £1.6 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

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2012

maintenance services to Link Housing Association, in relation to its 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.

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.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2012 49.9% of the Association's borrowings (2011: 50.1%) 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.

Component accounting

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed at note 22. The introduction of component accounting ensures the major components of the Association's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2012

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2012 were as follows:

(Chairperson)	Moira McBride	appointed September 2011
(Vice-Chairperson)	Margaret Bell	
(Secretary)	Marion Jones	
(Member)	James Canning	
(Member)	Allan McIntyre	
(Member)	Gordon Cameron	
(Member)	Kathy McDade	
(Member)	Paul Galbraith	appointed September 2011
(Member)	Frances Beattie	appointed September 2011
(Former Chair)	Elizabeth Bradley	resigned September 2011
(Member)	Joan Scullion	resigned September 2011
(Member)	Agnes McMillan	resigned May 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 £50 (2011: £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, "Advice for All", "Inverclyde Youth Outreach Project", "Tenancy Support Project", "Starterpacks Inverclyde" and "Fuel Fix Inverclyde".

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.

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Report of Committee of Management For year ended 31 March 2012

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 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.

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, and
- included procedures for reporting failings immediately to appropriate levels of management and the Committee together with details of corrective action being undertaken.

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Report of Committee of Management For year ended 31 March 2012

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 Silver award. The Association is also recognised for the training and development of its staff and is accorded Investors in People (IIP) Gold Recognition, 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:

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.

LARKFIELD HOUSING ASSOCIATION LIMITED

**Report of Committee of Management
For year ended 31 March 2012**

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

M. McSade

Dated: 19th June 2012

LARKFIELD HOUSING ASSOCIATION LIMITED

Statement of Committee Responsibilities

For the year ended 31 March 2012

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:

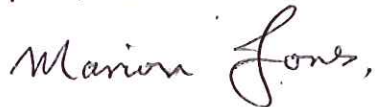
- keeping proper accounting records;
- safeguarding the Association's assets;
- taking reasonable steps for the prevention and detection of fraud.

By order of the Committee of Management

Moira McBride – Chairperson



Marion Jones - Secretary



Dated: 19th June 2012

LARKFIELD HOUSING ASSOCIATION LIMITED

Committee of Management Statement on Internal Financial Controls For year ended 31 March 2012

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 2012. 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

Moira McBride – Chairperson



Marion Jones - Secretary



Dated: 19th June 2012

LARKFIELD HOUSING ASSOCIATION LIMITED

Auditors' Report on Corporate Governance Matters

For the year ended 31 March 2012

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: 19th June 2012

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 2012 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 2010.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Management Committee and auditors

As explained more fully in the Management Committee Responsibilities statement set out on page 8, 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 2012 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 2010;

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, Part 6 the Housing (Scotland) Act 2010 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial Provident Societies Acts, 1965 to 2002 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; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Scott-Moncrieff

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

Dated: 19th June 2012

LARKFIELD HOUSING ASSOCIATION LIMITED

**Income and Expenditure Account
For year ended 31 March 2012**

	Notes	2012 £	2011 restated £
Turnover	2	1,640,721	1,522,001
Less: Operating costs	2	1,071,816	854,841
Operating surplus	2	568,905	667,160
Gain on sale of fixed assets		-	12,502
Interest receivable		369	430
Interest payable		(195,091)	(192,817)
Surplus on ordinary activities before taxation		374,183	487,275
Taxation on surplus on ordinary activities	5	-	16,486
Surplus for year		374,183	470,789

All activities relate to continuing activities within the year.

**Statement of total recognised gains and losses
For year ended 31 March 2012**

	Notes	2012 £	2011 restated £
Surplus for year		374,183	470,789
Prior year adjustment	22	1,512,578	
Total gains and losses recognised since last financial statements		1,886,761	

LARKFIELD HOUSING ASSOCIATION LIMITED

**Balance Sheet
As at 31 March 2012**

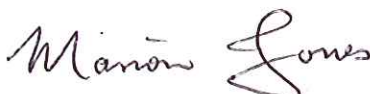
	Notes	2012 £	2011 restated £
Tangible fixed assets			
Housing properties	6	7,595,575	7,502,073
Other fixed assets	6	186,265	197,182
		<u>7,781,840</u>	<u>7,699,255</u>
Debtors			
Cash at bank and in hand	7	118,160	176,986
		<u>772,677</u>	<u>569,857</u>
		890,837	746,843
Current Liabilities			
Creditors due within one year	8	(423,967)	(350,189)
Net current assets		466,870	396,654
Total assets less current liabilities		8,248,710	8,095,909
Creditors due after one year	9	(4,976,227)	(5,197,612)
Net assets		<u>3,272,483</u>	<u>2,898,297</u>
Capital and reserves			
Share capital	13	99	96
Revenue reserve	15	3,272,384	2,898,201
Total capital and reserves		<u>3,272,483</u>	<u>2,898,297</u>

The financial statements were authorised for issue by the Committee of Management on 19th June 2012 and are signed on its behalf by:

Moira McBride – Chairperson



Marion Jones - Secretary



LARKFIELD HOUSING ASSOCIATION LIMITED

**Cash Flow Statement
For year ended 31 March 2012**

	2012	Restated
	£	2011
		£
Net cash inflow from operating activities	889,444	616,673
Returns on investments and servicing of finance		
Interest received	369	430
Interest paid	(195,091)	(192,817)
	<hr/>	<hr/>
Net cash flow from returns on investments and servicing of finance	(194,722)	(192,387)
Taxation	-	-
Investing activities		
Purchase of major repairs capitalised	(283,975)	(398,011)
Purchase of other fixed assets	(1,002)	(5,640)
Capital grants received	-	-
Sale of tangible fixed assets - properties	-	44,500
	<hr/>	<hr/>
Net cash inflow from investing activities	(284,977)	(359,151)
	<hr/>	<hr/>
Net cash inflow before financing	409,745	65,135
	<hr/>	<hr/>
Financing		
Issue of share capital	(3)	9
Loan repaid	(206,922)	(193,404)
	<hr/>	<hr/>
Net cash inflow from financing	(206,925)	(193,395)
	<hr/>	<hr/>
Increase/(decrease) in cash	<u>202,820</u>	<u>(128,260)</u>

Further details are given in note 16.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2012

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 2010.

(a) Basis of preparation

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

(b) Going Concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2013 and the year to 31 March 2014. The Association has a healthy cash and net current asset position and thus the Management Committee are satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Turnover

Turnover 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.

(d) Tangible fixed assets

Housing land and buildings are stated at cost.

(e) 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.

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land - not depreciated
Structure – over 50 years
Re-wiring – over 40 years
Windows / doors – over 30 years
Bathrooms – over 25 years
Pipework – over 24 years
Kitchen – over 15 years
Boilers – over 15 years

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2012

1. Principal Accounting Policies (cont'd)

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

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) Buy Backs

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2012

1. Principal Accounting Policies (cont'd)

(l) 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.

(m) 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 2012

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2012		2011 restated	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Income and Expenditure from lettings				
Social Lettings	1,554,033	(992,954)	1,472,624	(810,403)
Other activities	86,688	(78,862)	49,377	(44,438)
Total	1,640,721	(1,071,816)	1,522,001	(854,841)
				Operating Surplus £
		568,905		662,221
				4,939
				667,160

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 2012

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

	General Needs Housing £	2012 Total £	2011 Restated Total £
Income from rent and service charges			
Rent receivable net of service charges	1,557,166	1,557,166	1,475,823
Service charges	-	-	-
	<u>1,557,166</u>	<u>1,557,166</u>	<u>1,475,823</u>
Gross income from rents and service charges	<u>(3,133)</u>	<u>(3,133)</u>	<u>(3,199)</u>
Net income from rents and service charges	<u>1,554,033</u>	<u>1,554,033</u>	<u>1,472,624</u>
Grants from the Scottish Ministers	-	-	-
Other revenue grants	-	-	-
	<u>1,554,033</u>	<u>1,554,033</u>	<u>1,472,624</u>
Total turnover from social letting activities			
Expenditure			
Management and maintenance administration costs	368,175	368,175	329,496
Planned cyclical maintenance including major repairs	204,301	204,301	105,511
Reactive maintenance costs	209,175	209,175	220,016
Bad debts – rents and service charges	21,549	21,549	13,842
Depreciation of social housing	189,754	189,754	141,538
	<u>992,954</u>	<u>992,954</u>	<u>810,403</u>
Operating costs for social letting activities			
Operating Surplus on letting activities, 2012	<u>561,079</u>	<u>561,079</u>	
Operating Surplus on letting activities, 2011			<u>662,221</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2012

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating Surplus
	£	£	£	2012 £	2012 £	2012 £	2011 £
Wider role activities	32,432	-	-	32,432	-	32,432	-
Care and repair of property	-	-	-	-	-	-	-
Factoring	-	-	10,368	10,368	-	3,382	3,482
Development and construction of property activities	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	43,519	43,519	-	43,048	471
Other agency/ management services	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-
Other activities	-	-	369	369	-	-	637
Total from other activities, 2012	32,432	-	54,256	86,688	-	78,862	7,826
Total from other activities, 2011	-	-	-	49,377	-	-	4,939

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

5. Tax on profit on ordinary activities	2012 £	2011 £
Current tax:		
UK corporation tax based on the results for the year at 21% (2011: 21%)	-	16,486
	<u> </u>	<u> </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
Surplus on ordinary activities multiplied by the standard rate of corporation tax 21% (2011: 21%)	-	18,745
Effects of:		
Effect of gaining charitable status	-	(19,704)
Losses carried forward	-	-
Expenses not deductible for tax purposes	-	17,610
Depreciation in excess of capital allowances	-	(165)
	<u> </u>	<u> </u>
Current tax charge for 12 month period (2011: 10 months)	-	16,486
	<u> </u>	<u> </u>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2012

6. Tangible Assets	Housing properties held for letting £	Office premises £	Office equipment £	Furniture & fittings £	Total £
Cost					
At 1 April 2011	7,570,314	237,905	92,485	5,701	7,906,405
Prior year restatement	1,457,420	-	-	-	1,457,420
Restated opening balance	<u>9,027,734</u>	<u>237,905</u>	<u>92,485</u>	<u>5,701</u>	<u>9,363,825</u>
Additions during year	283,974	-	1,002	-	284,976
Disposals during year	(894)	-	-	-	(894)
At 31 March 2012	<u>9,310,814</u>	<u>237,905</u>	<u>93,487</u>	<u>5,701</u>	<u>9,647,907</u>
Depreciation					
At 1 April 2011	1,506,451	49,329	84,689	4,891	1,645,360
Prior year restatement	(55,158)	-	-	-	(55,158)
Restated opening balance	<u>1,451,293</u>	<u>49,329</u>	<u>84,689</u>	<u>4,891</u>	<u>1,590,202</u>
Provided during year	189,754	9,516	2,200	203	201,673
Disposals during year	(176)	-	-	-	(176)
At 31 March 2012	<u>1,640,871</u>	<u>58,845</u>	<u>86,889</u>	<u>5,094</u>	<u>1,791,699</u>
Grants					
As at 1 April 2011	74,368	-	-	-	74,368
Prior year restatement	-	-	-	-	-
Restated opening balance	<u>74,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,368</u>
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2012	<u>74,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,368</u>
Net book value					
At 31 March 2012	<u>7,595,575</u>	<u>179,060</u>	<u>6,598</u>	<u>607</u>	<u>7,781,840</u>
At 31 March 2011	<u>7,502,073</u>	<u>188,576</u>	<u>7,796</u>	<u>810</u>	<u>7,699,255</u>

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 2012**

7. Debtors	2012	2011
	£	£
Amounts falling due within one year:		
Gross rent arrears	57,843	54,660
Less: Bad debt provision	(20,893)	(17,279)
	<u>36,950</u>	<u>37,381</u>
Debtor – owner occupiers	56,549	53,123
Provision for bad debts – owner occupiers	(8,526)	(8,527)
	<u>48,023</u>	<u>44,596</u>
Debtors – tenant recharges	56,670	53,290
Less: Bad debt provision	(37,607)	(33,461)
	<u>19,063</u>	<u>19,829</u>
Prepayment and accrued income	14,124	16,816
Amounts due from group undertakings	-	58,366
	<u>118,160</u>	<u>176,988</u>
	<u><u>118,160</u></u>	<u><u>176,988</u></u>
 8. Creditors due within one year		
Trade Creditors	25,274	14,751
Accruals and deferred income	52,679	27,949
Amounts due to group undertakings	88,350	43,335
Other taxation and social security	-	22,907
Rents in advance	36,279	34,326
Facility loan	221,385	206,921
	<u>423,967</u>	<u>350,189</u>
	<u><u>423,967</u></u>	<u><u>350,189</u></u>
 9. Creditors due after one year		
Facility loan	4,776,597	4,997,982
The Scottish Government	199,630	199,630
	<u>4,976,227</u>	<u>5,197,612</u>
	<u><u>4,976,227</u></u>	<u><u>5,197,612</u></u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

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% (2011: 6.03% to 1.197%), in instalments due as follows:

	2012	2011
	£	£
In one year or less	221,385	206,921
Between two and five years	1,051,500	982,795
In five years or more	3,725,097	4,015,187
	<u>4,997,982</u>	<u>5,204,903</u>

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

10. Employees

	2012	2011
	£	£
Staff costs during year		
Wages and salaries	278,868	258,553
Social security costs	21,902	20,133
Other pension costs	46,796	31,514
	<u>347,566</u>	<u>310,200</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	8	7
Administrative and finance staff	2	2
	<u> </u>	<u> </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.

	2012	2011
	£	£
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 2012

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 contributes. The Association's contributions for the Director in the year amounted to £nil (2011: £nil).

	2012 £	2011 £
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	935	406

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

	2012 No	2011 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	-	-

11. Pension commitments

Larkfield Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is a multi-employer defined benefit schema. The Scheme is funded and is contracted-out of the State Pension Scheme.

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

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

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2012

11. Pension commitments (cont'd)

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employers 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.

Larkfield Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Larkfield Housing Association Limited was £1,306,753.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a $1/60$ th accrual rate
- Career average revalued earnings with a $1/60$ th accrual rate.
- Career average revalued earnings with a $1/70$ th accrual rate.
- Career average revalued earnings with a $1/80$ th accrual rate.
- Career average revalued earnings with a $1/120$ th 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.

Larkfield Housing Association Limited has elected to operate the final salary with a $1/60$ th accrual rate benefit structure for active members as at 1 April 2012 and the final salary with a $1/60$ th accrual rate benefit structure for new entrants from 1 April 2012.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2012

11. Pension commitments (cont'd)

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

As at the balance sheet date, there were nine active members of the Scheme employed by Larkfield Housing Association Limited.

Larkfield Housing Association Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – non pensioners	4.6
Investment return post retirement – pensioners	4.8
Rate of salary increases	4.5

Rate of pension increases

Pension accrued pre 6 April 2005 in excess of GMP	2.9
Pension accrued post 5 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)

	%
Final salary 1.60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

12. Auditors' remuneration

	2012	2011
	£	£
Remuneration of the auditors (including expenses and VAT)	7,200	7,000
Remuneration of the auditors in respect of services other than those of auditors	-	-
	<u>7,200</u>	<u>7,000</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

13. Share capital	2012	2011
Shares of £1 fully paid and issued at beginning of year	96	87
Shares issued during year	14	9
Shares cancelled during year	(11)	-
	<u>99</u>	<u>96</u>
Shares issued at end of year	<u>99</u>	<u>96</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	2012	Restated 2011
	£	£
Capital and reserves at 1 April 2011	2,898,297	1,312,934
Prior Year adjustment	-	1,114,565
Surplus for year	374,183	470,789
Shares cancelled in year	(11)	-
New share capital subscribed	14	9
	<u>3,272,483</u>	<u>2,898,297</u>
Capital and reserves at 31 March 2012	<u>3,272,483</u>	<u>2,898,297</u>

15. Revenue reserves	2012	2011 Restated
	£	£
At 1 April 2011	2,898,201	1,783,636
Prior year adjustment	-	1,114,565
	<u>2,898,201</u>	<u>2,898,201</u>
As restated	2,898,201	2,898,201
Surplus for year	374,183	-
	<u>3,272,384</u>	<u>2,898,201</u>
Transfer from designated reserves	-	-
	<u>3,272,384</u>	<u>2,898,201</u>
At 31 March 2012	<u>3,272,384</u>	<u>2,898,201</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

16. Notes to the cash flow statement		2012	Restated 2011	
(a) Reconciliation of operating surplus to net cash inflow from operating activities:				
Surplus for year		374,183	487,275	
Add: Interest payable		195,091	192,817	
Less: Interest receivable		(369)	(430)	
Operating surplus for year		<u>568,905</u>	<u>679,662</u>	
Depreciation		201,673	153,924	
Cancellation of share capital		11	-	
Decrease/(increase) in debtors		58,826	(35,649)	
Increase/(decrease) in creditors		59,312	(167,575)	
Gain/(loss) on sale of fixed assets		717	(13,689)	
Net cash inflow from operating activities		<u><u>889,444</u></u>	<u><u>616,673</u></u>	
16. Notes to the cash flow statement (contd)		2012	2011	
		£	£	
(b) Reconciliation of net cash inflow to movement in net debt				
Increase/(decrease) in cash for year		202,820	(128,260)	
Loan repayments		206,922	193,404	
Change in net debt		<u>409,742</u>	<u>65,144</u>	
Net debt as at 1 April 2011		(4,834,677)	(4,899,821)	
Net debt as at 31 March 2012		<u><u>(4,424,935)</u></u>	<u><u>(4,834,677)</u></u>	
(c) Analysis of changes in net debt	As At 1 April 2011	Cash Flow	Other Changes	At 31 March 2012
	£	£	£	£
Cash at bank and in hand	569,857	202,820	-	772,677
Debt due within one year	(206,922)	206,922	(221,385)	(221,385)
Debt due after one year	(5,197,612)	-	221,385	(4,976,227)
	<u>(4,834,677)</u>	<u>409,742</u>	<u>-</u>	<u>(4,424,935)</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

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 (now the Scottish Government) in 1997. The Association was required to account for major repair, capital expenditure and sales of properties under the Right to Buy legislation every five years. The Scottish Government recently announced its intention to terminate the contract so that these requirements no longer applied. Consultation with tenants took place and at 31 March 2012 the legal termination agreement was in the course of being finalised and signed by both parties. During the year the Association had complied with all the provisions of the contract and no sums are considered payable to the Scottish Government.

18. Housing Units in Management	2012	2011
	No	No
General Needs	396	396
Shared ownership	-	-
Supported housing	-	-
	<u>396</u>	<u>396</u>
	<u>396</u>	<u>396</u>
19. Scottish Secure Tenancy Rents	2012	2011
	£	£
Average Scottish Secure Tenancy rent for housing accommodation	3,933	3,717
	<u>3,933</u>	<u>3,717</u>
Number of assured tenancies	396	396
	<u>396</u>	<u>396</u>
Percentage increase from previous year	5.8%	3.4%
	<u>5.8%</u>	<u>3.4%</u>

20. Related parties

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 8 to disclose 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.

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2012**

22. Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy on the 2011 financial statements is shown below. The 2011 opening reserves have increased by £1,114,565 of which £55,158 relates to reduced depreciation and £1,059,407 relates to major repairs previously written off to the Income and Expenditure account now capitalised as components.

Effect on the 2011 financial statements

	£
Decrease in depreciation	-
Reduction in major repairs cost	398,013
	<hr/>
Increase/(decrease) in income and Expenditure reserve	398,013
	<hr/> <hr/>

The overall effect of this prior year adjustment is therefore £1,512,578.