



**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements  
For year ended 31 March 2014**

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

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements  
For year ended 31 March 2014**

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**Registration particulars**

Financial Services Authority

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

Scottish Housing Regulator

Housing (Scotland) Act 2010  
Registered number HCB293  
Scottish charity No: SC042066

# LARKFIELD HOUSING ASSOCIATION LIMITED

## Members and Advisers

### Committee of Management

Moira McBride - Chairperson  
Frances Beattie - Vice Chairperson  
Arlene Keogh - Secretary  
Allan McIntyre  
James Canning  
Lesley Aird  
Margaret Bell  
Pauline Folan  
Suzanne Harris  
David Wilson  
Kirsten Begley

### Registered Office

14 Lothian Road  
Greenock  
PA16 OPG

### Auditors

KPMG LLP  
Chartered Accountants  
Statutory Auditor  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### 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 2014**

The Committee of Management present their annual report and the audited financial statements for the year ended 31 March 2014.

#### **Principal Activity**

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

- Provide housing and affordable and sustainable rents;
- Improve the range of housing within our area of operation;
- Seek continuous improvement in service delivery and customer satisfaction;
- Improve the range of services and products for people who use or may use Larkfield services;
- Adapt existing stock to suit the changing needs of our customers;
- Continue to work with the community to create a safe and secure environment where people want to live and work;
- Develop our people to improve our capacity to support and deliver our business aims and
- Expand our community regeneration activities within Inverclyde by pursuing community initiatives which may result in improvement in health, employment and training opportunities within the area.

#### **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 £807,567 (2013: £425,359).

Investments to the housing stock in the year included phase two of our kitchen and bathroom replacement programmes and chimney improvement works. We also replaced a number of gas boilers throughout the stock.

##### **Turnover**

Turnover of £1.9 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 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 Consumer Price Index, with the exception that financial pressures required that we need a greater increase to meet our obligations and ensure our long term viability.

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 2014**

#### **Estate Maintenance**

The Association acts as Management Agent to five hundred and sixty-three 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 £4.6 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 2014 49.3% of the Association's borrowings (2013: 49.6%) 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 12 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.

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Report of Committee of Management For year ended 31 March 2014

#### Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2014 were as follows:

(Chairperson)	Moira McBride	
(Vice-Chairperson)	Frances Beattie	
(Secretary)	Arlene Keogh	
(Member)	James Canning	
(Member)	Rev Allan McIntyre	
(Member)	Gordon Cameron	resigned September 2013
(Member)	Kirsteen Begley	appointed September 2013
(Member)	David Wilson	appointed September 2013
(Member)	Margaret Bell	
(Member)	Suzanne Harris	appointed September 2013
(Member)	Pauline Folan	appointed September 2013
(Co-optee)	Tracey Thompson	resigned September 2013
(Co-optee)	Lesley Aird	appointed September 2013
(Former Secretary)	Marion Jones	resigned September 2013

#### 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 £0 (2013: £333) were made during the year. No donations were made for political purposes.

The Association is actively involved in community regeneration activities and community safety through the Larkfield Community Safety Group and continues to promote community regeneration projects through its involvement in the Inverclyde Housing Association Forum. Specific projects included, "Advice for All", money and welfare benefit advice project, "Inverclyde Tenancy Support" project offering support and advice services for vulnerable tenants at risk of losing their home and "i-HEAT" developed by Inverclyde Council in partnership with the housing associations operating in the area to tackle the effects of fuel poverty, targeting the most disadvantaged households.

#### 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.

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2014**

#### **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 230 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.

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2014**

#### **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 2014**

**Auditor**

KPMG were appointed as auditors during the year. A resolution to re-appoint KPMG as auditors will be put to the members of the Association at the annual general meeting.

On behalf of the Committee of Management

Dated: 17th June 2014

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Statement of Committee Responsibilities in respect of the Report of Committee of Management and the financial statements

For the year ended 31 March 2014

The Committee of Management (who are also the charity's trustees) is responsible for preparing the Report of Committee of Management and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Committee of Management to prepare financial statements for each financial year. Under those regulations the Committee of Management have elected to prepare the financial statements in accordance with UK Accounting Standards.

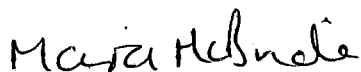
The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Committee of Management is required to:

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

The Committee of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010 the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Committee of Management has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

By order of the Committee of Management



Moira McBride – Chairperson



Jim Canning – Committee member

Dated: 17th June 2014

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Committee of Management Statement on Internal Financial Controls For year ended 31 March 2014

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:

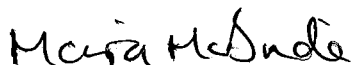
- the reliability of financial information used within the Association or for publication;
- the proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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:

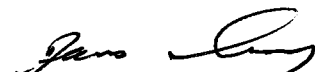
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility 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; and
- 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 2014. 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



Jim Canning – Committee Member

Dated: 17th June 2014

## **Independent Auditor's Report 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 2014 set out on pages 12 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 69 of the Housing (Scotland) Act 2010 and section 9 of the Friendly and Industrial and Provident Societies Act 1968 and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. 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 more fully explained in the Statement of Committee Responsibilities set out on page 8, the association's Committee of Management is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its surplus for the year ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing (Scotland) Act 2010, the Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Independent Auditor's Report to the Members of Larkfield Housing Association Limited (continued)**

**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 2003 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the information given in the Report of Committee of Management is inconsistent in any material respect with the financial statements; 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.



**David Watt**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Saltire Court  
Castle Terrace  
Edinburgh  
EH1 2EG

*KPMG LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006*

*16 July 2014*

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Income and Expenditure Account For year ended 31 March 2014

	Notes	2014	2013
		£	£
Turnover	2	1,972,956	1,697,693
Less: Operating costs	2	1,071,945	1,189,847
<b>Operating surplus</b>	2	901,011	507,846
Gain on sale of fixed assets		-	21,656
Interest receivable		165	242
Interest payable		(93,609)	(104,385)
<b>Surplus on ordinary activities before taxation</b>		807,567	425,359

All activities relate to continuing activities within the year.

### Statement of total recognised gains and losses For year ended 31 March 2014

	Notes	2014	2013
		£	£
Surplus for year		807,567	425,359
Prior year adjustment		-	-
<b>Total gains and losses recognised since last financial statements</b>		807,567	425,359

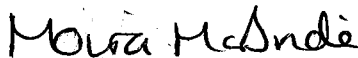
The notes on page 15 to 29 form part of these financial statements

**LARKFIELD HOUSING ASSOCIATION LIMITED**


**Balance Sheet  
As at 31 March 2014**

	Notes	2014 £	2013 £
<b>Tangible fixed assets</b>			
Housing properties	6	8,093,911	7,955,680
Less: Grants		(74,368)	(74,368)
Other fixed assets	6	160,421	169,544
		<u>8,179,964</u>	<u>8,050,856</u>
Debtors	7	199,552	240,675
Cash at bank and in hand		1,133,497	567,062
		<u>1,333,049</u>	<u>807,737</u>
<b>Current Liabilities</b>			
Creditors due within one year	8	(761,740)	(421,384)
<b>Net current assets</b>		<u>571,309</u>	<u>386,353</u>
<b>Total assets less current liabilities</b>		<u>8,751,273</u>	<u>8,437,209</u>
Creditors due after one year	9	(4,245,854)	(4,739,367)
<b>Net assets</b>		<u><u>4,505,419</u></u>	<u><u>3,697,842</u></u>
<b>Capital and reserves</b>			
Share capital	13	109	99
Revenue reserve	15	4,505,310	3,697,743
<b>Total capital and reserves</b>		<u><u>4,505,419</u></u>	<u><u>3,697,842</u></u>

The financial statements were authorised for issue by the Committee of Management on 17<sup>th</sup> June 2014 and are signed on its behalf by:



Moira McBride – Chairperson



Jim Canning – Committee Member

The notes on page 15 to 29 form part of these financial statements

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Cash Flow Statement  
For year ended 31 March 2014**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	1,332,282	641,460
<b>Returns on investments and servicing of finance</b>		
Interest received	165	242
Interest paid	(93,609)	(104,385)
	<hr/>	<hr/>
Net cash flow from returns on investments and servicing of finance	(93,444)	(104,143)
<b>Taxation</b>	-	-
<b>Investing activities</b>		
Purchase of major repairs capitalised	(435,030)	(577,858)
Purchase of other fixed assets	(523)	-
Capital grants received	-	-
Sale of tangible fixed assets - properties	-	56,311
	<hr/>	<hr/>
<b>Net cash inflow from investing activities</b>	(435,553)	(521,547)
	<hr/>	<hr/>
<b>Net cash inflow before financing</b>	803,285	15,770
	<hr/>	<hr/>
<b>Financing</b>		
Issue of share capital	10	-
Loan repaid	(236,860)	(221,385)
	<hr/>	<hr/>
<b>Net cash inflow from financing</b>	(236,850)	(221,385)
	<hr/>	<hr/>
<b>(Decrease)/increase in cash</b>	<u>566,435</u>	<u>(205,615)</u>

Further details are given in note 16.



## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2014

#### 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 Determination of Accounting Requirements 2012 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 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 2015 and the year to 31 March 2016. 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 2014

#### 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 2014

#### 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 VAT registered. However, a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**2. Particulars of Turnover, Operating Costs and Operating Surplus**

	2014			2013		
	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
<b>Income and Expenditure from lettings</b>						
Social Lettings	1,681,741	(991,304)	690,437	1,631,881	(1,141,105)	490,776
Other activities	291,215	(80,641)	210,574	65,812	(48,742)	17,070
<b>Total</b>	<b>1,972,956</b>	<b>(1,071,945)</b>	<b>901,011</b>	<b>1,697,693</b>	<b>(1,189,847)</b>	<b>507,846</b>

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 2014

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

	General Needs Housing £	2014 Total £	2013 Total £
<b>Income from rent and service charges</b>			
Rent receivable net of service charges	1,689,065	1,689,065	1,636,864
Service charges	-	-	-
<b>Gross income from rents and service charges</b>	<u>1,689,065</u>	<u>1,689,065</u>	<u>1,636,864</u>
Less voids	(7,324)	(7,324)	(4,983)
<b>Net income from rents and service charges</b>	<u>1,681,741</u>	<u>1,681,741</u>	<u>1,631,881</u>
Grants from the Scottish Ministers	-	-	-
Other revenue grants	-	-	-
<b>Total turnover from social letting activities</b>	<u>1,681,741</u>	<u>1,681,741</u>	<u>1,631,881</u>
<b>Expenditure</b>			
Management and maintenance administration costs	307,112	307,112	367,410
Planned cyclical maintenance including major repairs	116,492	116,492	245,039
Reactive maintenance costs	245,033	245,033	273,420
Bad debts – rents and service charges	25,868	25,868	(2,230)
Depreciation of social housing	234,417	234,417	214,033
Loss on disposal of fixed assets	62,382	62,382	43,433
<b>Operating costs for social letting activities</b>	<u>991,304</u>	<u>991,304</u>	<u>1,141,105</u>
<b>Operating Surplus on letting activities, 2014</b>	<u>690,437</u>	<u>690,437</u>	
<b>Operating Surplus on letting activities, 2013</b>			<u>490,776</u>

**LARKFIELD HOUSING ASSOCIATION LIMITED**

Notes to the Financial Statements  
For the year ended 31 March 2014

**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
	£	£	£	2014 £	2013 £	2014 £	2013 £
Factoring	-	-	6,746	6,746	-	3,250	4,052
Agency/management services for RSLs	-	-	77,468	77,468	-	77,391	384
Other activities	-	-	207,001	207,001	-	-	12,634
<b>Total from other activities, 2014</b>	-	-	<b>291,215</b>	<b>291,215</b>	-	<b>80,641</b>	<b>210,574</b>
<b>Total from other activities, 2013</b>	-	-	<b>65,812</b>	<b>65,812</b>	-	-	<b>17,070</b>

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**5. Taxation**

There is no tax liability due as the Association is a registered charity.

**6. Tangible Assets**

	<b>Housing properties held for letting £</b>	<b>Office premises £</b>	<b>Office equipment £</b>	<b>Furniture &amp; fittings £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2013	9,775,929	237,905	93,487	5,701	10,113,022
Additions during year	435,030	-	523	-	435,553
Disposals during year	(93,510)	-	-	-	(93,510)
At 31 March 2014	10,117,449	237,905	94,010	5,701	10,455,065
<b>Depreciation</b>					
At 1 April 2013	1,820,249	68,361	93,487	5,701	1,987,798
Provided during year	234,417	9,516	130	-	244,063
Disposals during year	(31,128)	-	-	-	(31,128)
At 31 March 2014	2,023,538	77,877	93,617	5,701	2,200,733
<b>Grants</b>					
As at 1 April 2013	74,368	-	-	-	74,368
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2014	74,368	-	-	-	74,368
<b>Net book value</b>					
At 31 March 2014	8,019,543	160,028	393	-	8,179,964
At 31 March 2013	7,881,312	169,544	-	-	8,050,856

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 2014**

<b>7. Debtors</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Gross rent arrears	81,258	57,215
Less: Bad debt provision	(16,796)	(11,290)
	<u>64,462</u>	<u>45,925</u>
Debtor – owner occupiers	47,474	60,162
Provision for bad debts – owner occupiers	(9,790)	(12,117)
	<u>37,684</u>	<u>48,045</u>
Debtors – tenant recharges	61,311	43,861
Less: Bad debt provision	(38,918)	(25,431)
	<u>22,393</u>	<u>18,430</u>
Prepayment and accrued income	69,258	93,995
Amounts due from group undertakings	5,755	34,280
	<u>199,552</u>	<u>240,675</u>
	<u><u>199,552</u></u>	<u><u>240,675</u></u>
<b>8. Creditors due within one year</b>		
Trade Creditors	107,644	-
Accruals and deferred income	270,481	60,213
Amounts due to group undertakings	59,300	101,887
Rents in advance	30,432	22,424
Facility loan	293,883	236,860
	<u>761,740</u>	<u>421,384</u>
	<u><u>761,740</u></u>	<u><u>421,384</u></u>
<b>9. Creditors due after one year</b>		
Facility loan	4,245,854	4,539,737
The Scottish Government	-	199,630
	<u>4,245,854</u>	<u>4,739,367</u>
	<u><u>4,245,854</u></u>	<u><u>4,739,367</u></u>



**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**9. Creditors due after one year (cont'd)**

The Co-operative Bank holds a standard security and floating charge on the Association's 394 properties. The loan is repayable at rates of interest from 3.01% to 0.888% (2013: 6.055% to 0.896%), in instalments due as follows:

	<b>2014</b>	<b>2013</b>
	£	£
In one year or less	293,883	236,860
Between two and five years	1,365,526	1,125,012
In five years or more	2,880,328	3,414,725
	<u>4,539,737</u>	<u>4,776,597</u>

The total facility available to the Association at the year end was £4.6 million. (2013:£5.9 million)

**10. Employees**

	<b>2014</b>	<b>2013</b>
	£	£
Staff costs during year		
Wages and salaries	279,851	237,025
Social security costs	22,468	16,482
Other pension costs	47,111	43,194
	<u>349,430</u>	<u>296,701</u>

The average full time equivalent employed by the Association during the year were as follows:

	<b>FTE</b>	<b>FTE</b>
Housing staff	6.73	7.20
Administrative and finance staff	2.50	2.67

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.

	<b>2014</b>	<b>2013</b>
	£	£
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 2014

#### 10. Employees (cont'd)

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 (2013: £nil).

	2014 £	2013 £
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	425	584

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

Number of directors during the year as following (excluding pension contributions)	2014 No	2013 No
£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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million equivalent to a past service funding level of 56.4%.

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2014

#### 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 2013. 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 £470 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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 2013. As of this date the estimated employer debt for Larkfield Housing Association Limited was £1,371,082.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined contribution (DC) option

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. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Larkfield Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2012 and the CARE with a 1/70th 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 2014

#### 11. Pension commitments (cont'd)

During the accounting period Larkfield Housing Association Limited paid contributions at the rate of 19.2% of pensionable salaries. Member contributions were 9.6%. In addition Larkfield Housing Association paid contributions of 10.6% of pensionable salary roll as at September 2009 index linked by 4.5% per year.

As at the balance sheet date, there were seven 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:

<b>2012 Valuation Assumptions</b>	<b>% p.a.</b>
Investment return pre retirement	5.3
Investment return post retirement – non pensioners	3.4
Investment return post retirement – pensioners	3.4
Rate of salary increases	4.1

#### **Rate of pension increases**

Pension accrued pre 6 April 2005 in excess of GMP	2.0
Pension accrued post 5 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

#### **Mortality Tables**

Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI 2011 with a long term improvement of 1.5% p.a. for males and 1.25% improvement for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI 2011 with a long term improvement of 1.5% p.a. for males and 1.25% improvement for females

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

	<b>%</b>
Final salary 1.60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1<sup>st</sup> April 2014 and will be increasing by 3% per annum each 1<sup>st</sup> April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions

#### 12. Auditors' remuneration

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Remuneration of the auditors (including expenses and VAT)	4,500	7,210
Remuneration of the auditors in respect of services other than those of auditors	-	-
	<u>4,500</u>	<u>7,210</u>

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

<b>13. Share capital</b>	<b>2014</b>	<b>2013</b>
Shares of £1 fully paid and issued at beginning of year	99	99
Shares issued during year	10	3
Shares cancelled during year	-	(3)
	<u>109</u>	<u>99</u>
Shares issued at end of year	<u>109</u>	<u>99</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.

<b>14. Reconciliation of capital and reserves</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>Capital and reserves at 1 April 2013</b>	3,697,842	3,272,483
Surplus for year	807,567	425,359
Shares cancelled in year	-	(3)
New share capital subscribed	10	3
	<u>4,505,419</u>	<u>3,697,842</u>
<b>Capital and reserves at 31 March 2014</b>	<u>4,505,419</u>	<u>3,697,842</u>

<b>15. Revenue reserves</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
At 1 April 2013	3,697,743	3,272,384
Surplus for year	807,567	425,359
	<u>4,505,310</u>	<u>3,697,743</u>

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

**16. Notes to the cash flow statement**

	<b>2014</b>	<b>2013</b>
<b>(a) Reconciliation of operating surplus to net cash inflow from operating activities:</b>		
Surplus for year	807,567	425,359
Add: Interest payable	93,609	104,385
Less: Interest receivable	(165)	(242)
	<hr/>	<hr/>
Operating surplus for year	901,011	529,502
Depreciation	244,063	274,187
Cancellation of share capital	-	-
(Increase)/decrease in debtors	41,123	(122,515)
(Decrease)/increase in creditors	283,333	(18,058)
(Gain)/loss on sale of fixed assets	62,382	(21,656)
Release of Scottish Government loan to income	(199,630)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>1,332,282</u>	<u>641,460</u>

**16. Notes to the cash flow statement (cont'd)**

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
<b>(b) Reconciliation of net cash inflow to movement in net debt</b>		
(Decrease)/increase in cash for year	566,435	(205,615)
Loan repayments	236,860	221,385
	<hr/>	<hr/>
Change in net debt	803,295	15,770
Net debt as at 1 April 2013	(4,409,165)	(4,424,935)
	<hr/>	<hr/>
Net debt as at 31 March 2014	<u>(3,605,870)</u>	<u>(4,409,165)</u>

<b>(c) Analysis of changes in net debt</b>	<b>As At 1 April 2013</b>	<b>Cash Flow</b>	<b>Other Changes</b>	<b>At 31 March 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	567,062	566,435	(199,630)	933,867
Debt due within one year	(236,860)	236,860	(293,883)	(293,883)
Debt due after one year	(4,739,367)	-	493,513	(4,245,854)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(4,409,165)</u>	<u>803,295</u>	<u>-</u>	<u>(3,605,870)</u>

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2014**

<b>17. Housing Units in Management</b>	<b>2014 No</b>	<b>2013 No</b>
General Needs	394	394
Shared ownership	-	-
Supported housing	-	-
	<u>394</u>	<u>394</u>
	<u>394</u>	<u>394</u>
 <b>18. Scottish Secure Tenancy Rents</b>	<b>2014 £</b>	<b>2013 £</b>
Average Scottish Secure Tenancy rent for housing accommodation	4,288	4,134
	<u>4,288</u>	<u>4,134</u>
	<u>4,288</u>	<u>4,134</u>
Number of assured tenancies	394	394
	<u>394</u>	<u>394</u>
	<u>394</u>	<u>394</u>
Percentage increase from previous year	3.7%	5.2%
	<u>3.7%</u>	<u>5.2%</u>
	<u>3.7%</u>	<u>5.2%</u>

**19. 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.

**20. 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.