



**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Report and Financial Statements  
For year ended 31 March 2016**

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

# LARKFIELD HOUSING ASSOCIATION LIMITED

## Report and Financial Statements For year ended 31 March 2016

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### Registration particulars

Financial Conduct Authority

Co-operative and Community Benefit Societies  
Act 2014  
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

Frances Beattie - Chairperson  
Allan McIntyre - Vice Chairperson  
Suzanne Harris - Secretary

Jim Canning  
Sheralee Macmillan  
Margaret Bell  
Cllr David Wilson  
John Scott  
Dennis Flannery

### Area Manager

Lynne Griffin

### Registered Office

14 Lothian Road  
Greenock  
PA16 OPG

### Auditor

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

### Funder

Royal Bank of Scotland

### Solicitors

Patten and Prentice  
2 Ardgowan Square  
Greenock  
PA16 8PP

Harper MacLeod LLP  
The Ca'd'oro  
45 Gordon Street  
Glasgow  
G1 3PE

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2016**

The Committee of Management presents its annual report and the audited financial statements for the year ended 31 March 2016.

#### **Principal Activity**

The principal activity of Larkfield Housing Association is the provision of social housing. In doing so Larkfield Housing Association aims to:

- Provide housing at affordable and sustainable rents.
- Improve the range of housing options within its area of operation.
- Adapt housing to meet the needs of customers.
- Seek continuous improvement in service delivery and customer satisfaction.
- Offer support to all customers to sustain their tenancies.
- Improve the range of services and products for current and future users.
- Work with the community to create an environment that will result in an improvement of health, employment and training opportunities.
- Develop staff to fulfil their potential.
- Expand community regeneration activities within Inverclyde and pursue community initiatives which support the physical, social, economic and environmental regeneration of neighbourhoods.
- Continue to work with the community and a variety of agencies to create a safe and secure environment for people to live and work.

#### **Corporate Status**

Larkfield Housing Association is registered with the Financial Conduct Authority as a Community Benefit Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. Larkfield is a member of the Link Group of companies.

#### **Group Structure**

Larkfield Housing Association joined the Link Group Limited (a Registered Social Landlord) on 28 November 2006 as a subsidiary. Although Larkfield Housing Association became a wholly controlled subsidiary of Link Group, it retained its name, identity and membership. There have been a number of benefits to Larkfield Housing Association from this move including Larkfield Housing 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 Larkfield Housing Association recorded a surplus of £297,781 (2015: £ 453,098). Investments to the housing stock in the year included the final phase of the bathroom replacement programme and also the first phase of the current central heating system replacement programme. Larkfield Housing Association carried out periodic electrical testing to 76 properties and fitted 15 adaptations throughout the stock. A cavity insulation/ external wall insulation improvement programme to 160 properties was also completed and 386 gas appliances were also serviced.

##### **Turnover**

Turnover of £1,978,864 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 Larkfield Housing 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 require that we need a greater increase to meet our obligations and ensure our long term viability. From April 2015, tenants are charged rents on a twelve monthly cycle.

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2016**

#### **Estate Maintenance**

Larkfield Housing Association acts as Management Agent to 566 owner-occupiers in the Larkfield area. Accounts are issued each year to recover the costs of common maintenance.

#### **Property Acquisitions**

Larkfield Housing Association acquired 1 property within its area of operation through its internal "Buy Back Scheme" for owner occupiers.

#### **Financing and Liquidity**

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

Larkfield Housing Association has a £4.5 million private finance loan facility. In December 2014 Larkfield Housing Association negotiated a new loan facility with RBS. Under the terms of the financing agreement, there are a number of financial and operational covenants that limit Larkfield Housing 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**

Larkfield Housing Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Larkfield Housing 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.

Larkfield Housing Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2016 100% of Larkfield Housing Association's borrowings (2015: 100%) were subject to fixed rates of interest.

#### **Members of Committee of Management**

The Members of the Committee of Larkfield Housing Association during the year to 31 March 2016 and subsequent to the day of signing were as follows:

(Chairperson)	Frances Beattie	(appointed 15 September 2015)
(Former Chairperson)	Moira McBride	(resigned 16 June 2015)
(Vice Chair)	Rev Allan McIntyre	
(Secretary)	Suzanne Harris	
(Member)	Jim Canning	
(Member)	Clr David Wilson	
(Member)	Margaret Bell	
(Member)	Sheralee MacMillan	(appointed 15 September 2015)
(Member)	Dennis Flannery	(appointed 15 September 2015)
(Member)	John Scott	(appointed 15 September 2015)
(Member)	Eddie Mullan	(resigned 16 February 2016)
(Member)	Kirsteen Begley	(resigned 18 August 2015)
(Member)	Sandra Levens	(resigned 19 May 2015)
(Member)	Karen Pollock	(resigned 19 May 2015)

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2016**

#### **Future Developments**

Larkfield Housing 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 Housing Association'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 £Nil (2015: £300) were made during the year. No donations were made for political purposes.

Larkfield Housing 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 "Future Skills" project developed by the Inverclyde Financial Inclusion Partnership with the housing associations operating in the area to promote digital inclusion and financial inclusion within Inverclyde.

#### **Maintenance Policies**

Larkfield Housing 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 Larkfield Housing 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.

Larkfield Housing Association delivered its commitment to achieve the Scottish Housing Quality Standard (SHQS) by 2015. The only exceptions to this are the 23 Atholl Steel flats in mixed tenure blocks and 7 properties with electric heating systems. These have been reported to the Scottish Housing Regulator through Larkfield Housing Association's Annual Return on the Charter and classed as "in abeyance" within the ARC. Larkfield Housing Association is also working to achieve our additional obligations for 2020 as set out by the Scottish Housing Regulator in 2015 in their Energy Efficiency Standard for Social Housing (ESSH).

#### **Services**

Larkfield Housing Association aims 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.

Larkfield Housing Association has continued to deliver many completed adaptations to existing properties, to meet the specific needs of tenants. Larkfield Housing Association now provides management services for 260 properties in Port Glasgow on behalf of Link Housing Association Ltd.

#### **Credit Payment Policy**

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

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **Report of Committee of Management For year ended 31 March 2016**

#### **Best use of Resources**

Larkfield Housing Association regularly conducts risk assessments, and takes 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 has, with advice from its auditors, introduced a formal risk management process to assess business risks and implement risk management strategies. This involved identifying the types of risks Larkfield Housing 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 has reviewed the adequacy of Larkfield Housing Association's current internal controls.

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

- Type of risks Larkfield Housing Association faces.
- Level of risks which it regards as acceptable.
- Probability of the risks concerned materialising.
- Larkfield Housing Association's ability to reduce the incidents and impact on the business of risks that do materialise; and the costs of operating particular controls relative to the benefit obtained.
- Responsibility of management to implement the Committee's policies and to identify and evaluate risks for their consideration.
- Responsibility of employees regarding internal control as part of their accountability for achieving objectives.
- Implementation of the control system into Larkfield Housing Association's operations ensuring integration into the culture of Larkfield Housing Association.
- Development of systems to respond quickly to evolving risks arising from factors within Larkfield Housing Association and to changes in the external environment.
- Implementation of 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 2016**

#### **Employee Involvement and Health & Safety**

Larkfield Housing 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.

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

#### **Internal Financial Control**

The Committee of Management is responsible for establishing and maintaining Larkfield Housing Association's system of internal control. Internal control systems are designed to meet the particular needs of Larkfield Housing 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 Larkfield Housing 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

Larkfield Housing 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 Larkfield Housing Association's properties. This policy follows the generally accepted practice/principles of the housing movement. Larkfield's rental policy and actual rent levels will be kept under review to monitor comparability and affordability levels.

##### 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 Larkfield Housing Association may continue. It is the policy of Larkfield Housing 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 2016**

**Auditor**

KPMG LLP was re-appointed as auditor during the year. A resolution to re-appoint KPMG LLP as auditor will be put to the members of Larkfield Housing Association at the annual general meeting.

**Provision of information to the auditor**

The Directors who held office at the date of approval of this report of committee of management confirm that, so far as they each are aware, there is no relevant audit information of which Larkfield Housing Association's auditor is unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that Larkfield Housing Association's auditor is aware of that information

On behalf of the Committee of Management



Frances Beattie – Chairperson



Jim Canning – Committee member

Dated: 9<sup>th</sup> August 2016

## LARKFIELD HOUSING ASSOCIATION LIMITED

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

The Committee of Management (which is 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.

Co-operative and Community Benefit Society law requires the Committee of Management to prepare financial statements for each financial year. Under those regulations the Committee of Management has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

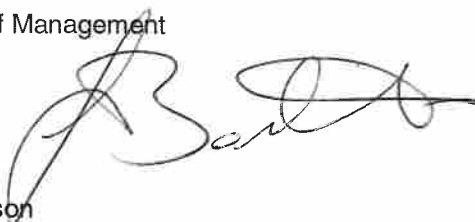
The financial statements are required by law to give a true and fair view of the state of affairs of Larkfield Housing Association and of its income and expenditure for that period.

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 Larkfield Housing Association will continue in business.

The Committee of Management is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of Larkfield Housing Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, 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 Larkfield Housing Association and to prevent and detect fraud and other irregularities

By order of the Committee of Management



Frances Beattie – Chairperson



Jim Canning – Committee member

Dated: 9<sup>th</sup> August 2016

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Committee of Management Statement on Internal Financial Controls For year ended 31 March 2016

The Committee of Management acknowledges its ultimate responsibility for ensuring that Larkfield Housing 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 Larkfield Housing 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 Larkfield Housing 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 reviews reports from its area manager, staff and from the internal auditor and external auditor to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing Larkfield Housing Association; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management has continued to review the system of internal financial control in Larkfield Housing Association during the year ended 31 March 2016. 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 external auditor's report on the financial statements.

By order of the Committee of Management



Frances Beattie – Chairperson



Jim Canning – Committee Member

Dated: 9<sup>th</sup> August 2016

## **LARKFIELD HOUSING ASSOCIATION LIMITED**

### **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 2016 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to Larkfield Housing Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 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 Larkfield Housing Association those matters we are required to state to it 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 Larkfield Housing Association as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Committee of Management and auditor**

As more fully explained in the Statement of Committee Responsibilities set out on page 8, the 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, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of Larkfield Housing Association as at 31 March 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Independent auditor's report to the Members of Larkfield Housing Association Limited (cont'd)**

**Matters on which we are required to report by exception**

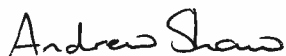
We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with Larkfield Housing Association's books of account; or
- we have not received all the information and explanations we need for our audit.

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Controls on page 9:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; and
- is materially inconsistent with the knowledge acquired by us in the course of performing our audit.



**Andrew Shaw**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

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

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

*26 August 2016*

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Statement of Comprehensive Income For year ended 31 March 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	2	1,978,864	1,832,910
Less: Operating expenditure	2	(1,541,181)	(1,210,614)
<b>Operating surplus</b>	2	437,683	622,296
Interest receivable		699	464
Interest and financing costs		(128,601)	(151,662)
Other finance charges		(12,000)	(18,000)
<b>Surplus on ordinary activities before taxation</b>		297,781	453,098
Taxation		-	-
Surplus for the year		297,781	453,098
Total comprehensive income for the year		297,781	453,098

All activities relate to continuing activities within the year. Comparative figures reflect the adoption of the SORP Accounting by Registered Social Housing Providers 2014 and FRS 102.

### Statement of Changes in Reserves

	Share capital £	Revenue reserve £	Total £
Balance as at 1 April 2015	101	4,400,412	4,400,513
Issue of shares	6	-	6
Cancellation of shares	(10)	-	(10)
Surplus from Statement of Comprehensive Income	-	297,781	297,781
Balance as at 31 March 2016	97	4,698,193	4,698,290

The notes on page 15 to 31 form part of these financial statements

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Statement of Financial Position  
As at 31 March 2016**

	Notes	2016	2015
		£	£
<b>Non-current assets</b>			
Tangible Fixed Assets			
Housing properties	6	8,323,678	8,213,338
Other fixed assets	6	141,217	150,807
		<u>8,464,895</u>	<u>8,364,145</u>
<b>Current assets</b>			
Trade and other debtors	7	155,507	240,960
Cash and cash equivalents		1,747,571	1,191,129
		<u>1,903,078</u>	<u>1,432,089</u>
Creditors: Amounts falling due within one year	8	(566,130)	(256,681)
<b>Net current assets</b>		1,336,948	1,175,408
<b>Total assets less current liabilities</b>		9,801,843	9,539,553
Creditors: Amounts falling due after more than one year	9	(4,500,000)	(4,500,000)
<b>Deferred income</b>	10	(64,553)	(66,040)
<b>Provisions for liabilities</b>	11	(539,000)	(573,000)
<b>Net assets</b>		<u><u>4,698,290</u></u>	<u><u>4,400,513</u></u>
<b>Capital and reserves</b>			
Share capital		97	101
Revenue reserve		4,698,193	4,400,412
<b>Total capital and reserves</b>		<u><u>4,698,290</u></u>	<u><u>4,400,513</u></u>

The financial statements were authorised for issue by the Committee of Management on 2nd August 2016 and are signed on its behalf by:

Frances Beattie – Chairperson

Jim Canning – Committee Member

Suzanne Harris – Secretary

The notes on page 15 to 31 form part of these financial statements

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Statement of Cash Flows**  
**For year ended 31 March 2016**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>Net cash inflow from operating activities</b>	1,136,922	652,428
<b>Cash flow from investing activities</b>		
Capitalised improvement expenditure	(516,475)	(433,147)
Acquisition and construction of properties	(23,100)	-
Sale of tangible fixed assets – properties	87,002	29,294
Interest received on cash and cash equivalents	699	464
<b>Net cash outflow from investing activities</b>	<u>(451,874)</u>	<u>(403,389)</u>
<b>Cash flow from financing activities</b>		
Interest paid on loans	(128,602)	(151,662)
Issue of share capital	6	2
Cancellation of share capital	(10)	(10)
New loan capital	-	4,500,000
Loan repaid	-	(4,539,737)
<b>Net cash outflow from financing</b>	<u>(128,606)</u>	<u>(191,407)</u>
<b>Increase in cash and cash equivalents</b>	556,442	57,632
Opening Cash and Cash Equivalents	1,191,129	1,133,497
Closing Cash and Cash Equivalents	<u>1,747,571</u>	<u>1,191,129</u>

The notes on page 15 to 31 form part of these financial statements



## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 1. Principal Accounting Policies

Larkfield Housing Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 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 Housing SORP 2014, Statement of Recommended Practice for registered social housing providers.

##### (a) Basis of preparation

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

These financial statements are prepared in accordance with the applicable accounting standards and statements of recommended practice, and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2014 (SORP 2014) and Financial Reporting Standard 102 (FRS 102).

Larkfield has adopted FRS 102 and the SORP 2014 this year and the financial statements have been restated accordingly. The effect of these restatements is shown in note 21.

##### (b) Going Concern

The Management Committee anticipates that a surplus will be generated in the year to 31 March 2017 and the year to 31 March 2018. Larkfield Housing Association has a healthy cash and net current asset position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continues 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 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 Larkfield Housing Association:

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 1. Principal Accounting Policies (cont'd)

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

#### 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:

Housing Properties held for letting	- 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.

#### (g) 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.

#### (h) Pension

The Association participates in the SHAPS Defined Contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the Association.

The Association has obligations for past service deficits in the SHAPS Defined Benefit pension scheme and makes contributions to this scheme in accordance with a deficit recovery plan agreed with the scheme trustees. The scheme is a multi employer scheme and it is not possible for the Association to obtain sufficient information to account for it as a defined benefit pension scheme.

The Association accounts for amounts that it has agreed to pay towards the scheme deficit as a defined contribution scheme, in accordance with paragraph 28.11A of FRS102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

#### (i) Provisions

The Association recognises provisions when: there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 1. Principal Accounting Policies (cont'd)

- (j) **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.
- (k) **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.
- (l) **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.
- (m) **Buy Backs**  
Properties are bought back at open market value as agreed with Larkfield Housing Association's lenders.
- (n) **Taxation**  
Larkfield Housing Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2012 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.
- (o) **Finance**  
The financial statements have been prepared on the basis that the capital expenditure referred to in note 6 will be grant aided, funded by loan or met out of reserves.
- (p) **Financial instruments**  
Loans provided by lenders are classed as "basic" under the requirements of FRS102 and are measured at amortised cost.
- (q) **Value added tax**  
Larkfield Housing 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.
- (r) **Grant**  
Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Non-government grants are accounted for using the Performance Method, as outlined in Section 34 of Financial Reporting Standard 102 and the SORP 2014. Non-government grants are recognised as income when the performance conditions have been met.

**LARKFIELD HOUSING ASSOCIATION LIMITED**

Notes to the Financial Statements  
For the year ended 31 March 2016

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

	2016		2015	
	Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus £
<b>Affordable lettings activities</b>				
Affordable lettings activities	1,773,578	(1,361,280)	412,298	602,836
Other activities (note 4)	205,286	(179,901)	25,385	19,460
<b>Total</b>	<b>1,978,864</b>	<b>(1,541,181)</b>	<b>437,683</b>	<b>622,296</b>
<b>2016 total</b>	<b>1,978,864</b>	<b>(1,541,181)</b>	<b>437,683</b>	
<b>2015 total</b>	<b>1,832,910</b>	<b>(1,210,614)</b>	<b>622,296</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 2016**

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

	2016 Total £	2015 Total £
<b>Revenue from lettings</b>		
Rent receivable net of service charges	1,749,917	1,746,987
	<u>1,749,917</u>	<u>1,746,987</u>
<b>Gross income from rents and service charges</b>	<u>(11,826)</u>	<u>(6,588)</u>
Less voids		
<b>Net income from rents and service charges</b>	<u>1,738,091</u>	<u>1,740,399</u>
Grants from the Scottish Ministers	34,000	-
Grants released from deferred income	1,487	1,487
	<u>1,773,578</u>	<u>1,741,886</u>
<b>Total turnover from social letting activities</b>		
<b>Expenditure</b>		
Management and maintenance administration costs	381,196	395,286
Planned cyclical maintenance including major repairs	279,952	146,283
Reactive maintenance costs	328,730	283,912
Bad debts – rents and service charges	16,403	23,840
Depreciation of social housing	277,877	262,373
Loss on disposal of fixed assets	77,122	27,356
	<u>1,361,280</u>	<u>1,139,050</u>
<b>Operating costs for social letting activities</b>		
<b>Operating Surplus on affordable letting activities</b>	<u>412,298</u>	<u>602,836</u>

All income and expenditure relates to general needs housing.

**LARKFIELD HOUSING ASSOCIATION LIMITED**

Notes to the Financial Statements  
For the year ended 31 March 2016

**4. Particulars of Turnover, Cost of Sales, Operating Costs and Operating Surplus**

	Other income	Total Turnover	Other operating costs	Operating Surplus
	2016	2016	2016	2015
	£	£	£	£
Factoring	5,620	5,620	(4,839)	781
Agency/management services for RSLs	49,385	49,385	(43,817)	5,568
Gain on disposal of properties	90,588	90,588	(77,823)	12,765
Other activities	59,693	59,693	(53,422)	6,271
<b>Total from other activities,</b>	<b>205,286</b>	<b>205,286</b>	<b>(179,901)</b>	<b>25,385</b>
<b>Total from other activities, 2015</b>	<b>91,024</b>	<b>91,024</b>	<b>(71,564)</b>	<b>19,460</b>

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 5. Taxation

Larkfield Housing Association is considered to pass the tests set out in paragraph 1 schedule 6 of the Finance Act 2010 and meets the definition of a charitable company for UK corporation tax purposes. Accordingly, it is potentially exempt from taxation in respect of income or capital gains received within categories set out in chapter 3 part II of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992, to the extent such income or gains are applied exclusively to charitable purposes.

6. Non-current assets	Housing properties held for letting £	Office premises £	Office equipment £	Furniture & fittings £	2016 Total £	2015 Total £
<b>Cost</b>						
At 1 April 2015	10,475,716	237,905	94,010	5,701	10,813,332	10,455,065
Additions during year	539,575	-	-	-	539,575	433,147
Disposals during year	(207,466)	-	-	-	(207,466)	(74,880)
At 31 March 2016	<u>10,807,825</u>	<u>237,905</u>	<u>94,010</u>	<u>5,701</u>	<u>11,145,441</u>	<u>10,813,332</u>
<b>Depreciation</b>						
At 1 April 2015	2,262,378	87,393	93,715	5,701	2,449,187	2,207,574
Provided during year	277,878	9,516	74	-	287,468	271,986
Disposals during year	(56,109)	-	-	-	(56,109)	(30,373)
At 31 March 2016	<u>2,484,147</u>	<u>96,909</u>	<u>93,789</u>	<u>5,701</u>	<u>2,680,546</u>	<u>2,449,187</u>
<b>Net book value</b>						
At 31 March 2016	<u>8,323,678</u>	<u>140,996</u>	<u>221</u>	<u>-</u>	<u>8,464,895</u>	<u>8,364,145</u>
At 31 March 2015	<u>8,213,338</u>	<u>150,512</u>	<u>295</u>	<u>-</u>	<u>8,364,145</u>	
					<b>2016</b> £	<b>2015</b> £
Capitalised improvements					-	-
Capitalised component replacements					516,475	433,147
Expensed					197,471	51,850
Total works expenditure on housing properties					<u>713,946</u>	<u>484,997</u>

All land and buildings are wholly owned by Larkfield Housing Association Limited

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

<b>7. Debtors</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Gross rent arrears	86,264	80,046
Adjustment to discount arrears balance with payment plans	(5,949)	-
Less: Bad debt provision	(18,832)	(16,122)
	<u>61,483</u>	<u>63,924</u>
Debtor – owner occupiers	27,736	31,607
Provision for bad debts – owner occupiers	(5,594)	(6,541)
	<u>22,142</u>	<u>25,066</u>
Debtors – tenant recharges	42,588	51,129
Less: Bad debt provision	(27,784)	(34,888)
	<u>14,804</u>	<u>16,241</u>
Prepayments and accrued income	57,078	126,757
Amounts due from group undertakings	-	8,972
	<u>155,507</u>	<u>240,960</u>
<b>8. Creditors: amounts falling due within one year</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade creditors	31,812	-
Accruals and deferred income	190,200	177,335
Amounts due to parent	312,148	43,208
Amounts due to group companies	31,970	36,138
	<u>566,130</u>	<u>256,681</u>
<b>9. Creditors due after one year</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Facility loan	<u>4,500,000</u>	<u>4,500,000</u>



## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

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

The Royal Bank of Scotland holds a standard security on 196 of Larkfield Housing Association's 390 properties. The loan is repayable at a fixed rate of interest, 2.85% (2015: 2.85%), in one payment due as follows:

	2016 £	2015 £
Between two and five years	4,500,000	4,500,000
	<u>4,500,000</u>	<u>4,500,000</u>

The total facility available to Larkfield Housing Association at the yearend was £4.5 million (2015: £4.5 million).

#### 10. Deferred income

	2016 £	2015 £
<b>Social Housing Grants</b>		
Balance as at 1 April 2015	66,040	67,527
Amortisation in the year	(1,487)	(1,487)
Balance as at 31 March 2016	<u>64,553</u>	<u>66,040</u>

The social housing grants are only repayable when the properties are disposed of. There are no amounts due within 5 years.

#### 11. Provisions for Liabilities

	2016 £	2015 £
<b><i>Provision for pension liabilities</i></b>		
Balance as at 1 April 2015	573,000	558,000
Unwinding of the discount factor (interest expense)	12,000	18,000
Deficit contribution paid	(44,000)	(43,000)
Remeasurements – impact of any change in assumptions	(2,000)	40,000
Balance as at 31 March 2016	<u>539,000</u>	<u>573,000</u>

The pension provision relates to Larkfield Housing Association's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS). The liability for past service deficit contributions has been calculated in accordance with FRS102 paragraph 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015 – 2.22%).

A schedule of payments has been agreed between Larkfield Housing Association and the scheme to recover the deficit over the next 6 years. Payments of £43,000 will be made in 2016/17.

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

**12. Employees**

	<b>2016</b>	<b>2015</b>
	£	£
Staff costs during year		
Wages and salaries	350,204	302,454
Social security costs	33,118	27,258
Other pension costs	71,071	71,283
	<u>454,393</u>	<u>400,995</u>
The average full time equivalent (FTE) employed by Larkfield Housing Association during the year were as follows:		
	<b>FTE</b>	<b>FTE</b>
Housing, administrative and finance staff	<u>10.7</u>	<u>9.2</u>
The total number of employees employed	<u>12</u>	<u>10</u>

The key management personnel are defined as the Managing Director and any other person reporting directly to the Managing Director. The Managing Director is the equivalent of the Chief Executive.

Number of key management personnel during the year whose total emoluments (including pension contributions) were:

	<b>2016</b>	<b>2015</b>
£50,000 - £59,999	<u>1</u>	<u>1</u>

**Emoluments payable to the Managing Director :**

	£	£
Emoluments excluding pension contributions	49,109	46,672
Employer's pension contributions	6,285	6,270
	<u>55,394</u>	<u>52,942</u>

The key management personnel are defined as the members of the Committee of Management and the Housing Association Area Manager.

	<b>2016</b>	<b>2015</b>
	£	£
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	<u>1,132</u>	<u>314</u>

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 13. Pension commitments

##### 13a Defined Contribution Scheme

Larkfield Housing Association Limited offers all staff membership to the SHAPS Defined Contribution scheme, with employer contribution rates of 6%, 9% or 12% of pensionable salaries. As at the balance sheet date, there were 12 active members (2015: 7) of the Defined Contribution Scheme employed by Larkfield Housing Association Limited.

##### 13b Defined Benefit Scheme – Past Service Deficit Liability

Larkfield Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

Larkfield Housing Association Limited closed this scheme to all staff in 1<sup>st</sup> October 2014.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

##### Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304,000 per annum (payable monthly and increasing by 3% each on 1st April)
-----------------------------------------	-----------------------------------------------------------------------------------

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**LARKFIELD HOUSING ASSOCIATION LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2016**

**13. Pension commitments (cont'd)**

Present Values of Provision

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	539	573	558

**Statement of Comprehensive Income Impact**

	<b>2016</b> £	<b>2015</b> £
Interest expense	12,000	18,000
Remeasurements – impact of any change in assumptions	(2,000)	40,000
Contributions paid in respect of future service	27,070	28,284
Net scheme expenses	<u>1,523</u>	<u>1,523</u>
Total costs recognised in Statement of Comprehensive Income	<u><u>38,593</u></u>	<u><u>87,807</u></u>

**14. Auditor's remuneration**

	<b>2016</b> £	<b>2015</b> £
Audit fees	<u>5,400</u>	<u>5,400</u>

**15. Share capital**

	<b>2016</b>	<b>2015</b>
Shares of £1 fully paid and issued at beginning of year	101	109
Shares issued during year	6	2
Shares cancelled during year	(10)	(10)
Shares issued at end of year	<u>97</u>	<u>101</u>

Each member of Larkfield Housing Association holds one share of £1 in Larkfield Housing 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 Larkfield Housing Association. Each member has a right to vote at members' meetings.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2016

16. Notes to the cash flow statement

	2016 £	2015 £
(a) <b>Reconciliation of operating surplus to net cash inflow from operating activities:</b>		
Surplus for the year	297,781	453,098
Depreciation of tangible fixed assets	287,467	271,986
Decrease / (increase) in trade and other debtors	85,452	(41,407)
Increase/(decrease) in trade and other creditors	309,449	(211,175)
(Decrease)/increase in provision	(34,000)	15,000
Carrying amount of tangible fixed asset disposals	154,945	44,628
Proceeds from the sale of fixed assets	(90,588)	(29,413)
Government grants utilised in the year	(1,487)	(1,487)
Interest payable	128,602	151,662
Interest received	(699)	(464)
Net cash inflow from operating activities	<u>1,136,922</u>	<u>652,428</u>

	2016 £	2015 £
(b) <b>Reconciliation of net cash inflow to movement in net debt</b>		
Increase in cash for year	556,442	57,632
Loan repayments	-	4,539,737
Loan finance	-	(4,500,000)
Change in net debt	556,442	97,369
Net debt as at 1 April 2015	<u>(3,308,871)</u>	<u>(3,406,240)</u>
Net debt as at 31 March 2016	<u>(2,752,429)</u>	<u>(3,308,871)</u>

(c) <b>Analysis of changes in net debt</b>	<b>1 April 2015</b> £	<b>Cash Flow</b> £	<b>Other Changes</b> £	<b>31 March 2016</b> £
Cash at bank and in hand	1,191,129	556,442	-	1,747,571
Debt due within one year	-	-	-	-
Debt due after one year	(4,500,000)	-	-	(4,500,000)
	<u>(3,308,871)</u>	<u>556,442</u>	<u>-</u>	<u>(2,752,429)</u>

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

<b>17. Housing Units in Management</b>	<b>2016 No</b>	<b>2015 No</b>
General Needs	<u>390</u>	<u>393</u>

### 18. Related parties

Members of the Management Committee are related parties of Larkfield Housing Association as defined by Financial Reporting Standard 102.

As at 31 March 2016 six members of the Board were tenants, one owned a property which benefits from property management services performed by Larkfield Housing Association, three members were employees of public entities and one was a Councillor. The tenancies of those Board members who were tenants during the year are on normal commercial terms and they cannot use their position to their advantage. The transactions made with the related public entities are made at arm's length, on normal commercial terms and these Board members cannot use their position to their advantage.

Transactions with governing body members were as follows:

Rent received from tenants on the Committee	£23,337
Factoring charges received from owners on the Committee	£36
Tenants and owner Committee member arrears as at 31 <sup>st</sup> March 2016	£53

As a wholly owned subsidiary of Link Group Limited Larkfield Housing Association is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited.

### 19. 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.

### 20. Transition to the Financial Reporting Standard 102

In accordance with the Statement of Recommended Practice Larkfield Housing Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the year ended 31 March 2015 have been restated in accordance with FRS 102. The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously. The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2016

20. Transition to the Financial Reporting Standard 102 (continued)

	Reported in 2014 Accounts £	Restatement £	Restated 2014 Accounts £
<b>Reconciliation of Capital and Reserves</b>			
Tangible fixed assets – housing properties	8,019,543	67,527	8,087,070
Tangible fixed assets – other fixed assets	160,421	-	160,421
Debtors	199,552	-	199,552
Cash	1,133,497	-	1,133,497
Creditors – due within one year	(761,740)	-	(761,740)
Creditors – more than one year	(4,245,854)	-	(4,245,854)
Deferred income - grants	-	(67,527)	(67,527)
Pension liability	-	(558,000)	(558,000)
		<b>(558,000)</b>	
<b>Decrease in net assets</b>		<b>(558,000)</b>	
Share capital	109	-	109
Revenue reserve	4,505,310	(558,000)	3,947,310

**Decrease in capital and reserves**

**(558,000)**

	Reported in 2015 Accounts £	Restatement £	Restated 2015 Accounts £
<b>Reconciliation of Capital and Reserves</b>			
Tangible fixed assets – housing properties	8,147,298	66,040	8,213,338
Tangible fixed assets – other fixed assets	150,807	-	150,807
Debtors	240,960	-	240,960
Cash	1,191,129	-	1,191,129
Creditors – due within one year	(256,681)	-	(256,681)
Creditors – more than one year	(4,500,000)	-	(4,500,000)
Deferred income - grants	-	(66,040)	(66,040)
Pension liability	-	(573,000)	(573,000)
		<b>(573,000)</b>	
<b>Decrease in net assets</b>		<b>(573,000)</b>	
Share capital	101	-	101
Revenue reserve	4,973,412	(573,000)	4,400,412

**Decrease in capital and reserves**

**(573,000)**

## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### 20. Transition to the Financial Reporting Standard 102 (continued)

##### Reconciliation of Restated Surpluses for the Year

		Reported in 2015 Accounts £	Restatement £	Restated 2015 Accounts £
Turnover	(i) & (ii)	1,802,010	30,900	1,832,910
Operating Costs	(i) & (ii)	(1,194,856)	(15,758)	(1,210,614)
Operating Surplus		607,154	15,142	622,296
Interest receivable		464	-	464
Interest payable		(151,662)	-	(151,662)
Finance charges	(iii)	-	(18,000)	(18,000)
Profit on disposal of fixed assets	(ii)	12,142	(12,142)	-
<b>Net Increase in Surplus</b>		<b>468,098</b>	<b>(15,000)</b>	<b>453,098</b>

#### Notes

##### (i) Capital Grants and Depreciation

Social Housing Grants and Other grants have been accounted for in accordance with the SORP 2014, which means that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in turnover over the useful life of the related asset.

Consequently, property depreciation is now calculated on the gross historic costs of the asset, rather than the historic cost net of grant, resulting in a higher depreciation charge.

Non-current assets, and deferred income have increased by £ 66,040 due to grants of £ 74,368 being transferred to deferred income, offset by an increase in property depreciation of £ 8,328.

In 2014/15, £1,487 of grants were released from deferred income to turnover for the year and operating costs increased by £1,487 due to the increased depreciation charge for the year.

##### (ii) Pension Provision

Larkfield Housing Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme and this has been recognised as a liability in accordance with FRS 102.

This liability was not previously recognised and payments made under this agreement were written off as operating costs. The liability for deficit payments to this scheme has been discounted to its present value of £573,000 at 31 March 2015.

Operating costs have decreased by £3,000 in 2014/15, to reallocate actual pension payments of £43,000 made in the year against the provision, and a charge of £40,000 to adjust the provision to reflect any changes in assumptions by the pension scheme administrators.

The unwinding of the discount on this provision is recognised as a finance cost in the Statement of Comprehensive income, in accordance with FRS 102 Para 28.13A.



## LARKFIELD HOUSING ASSOCIATION LIMITED

### Notes to the Financial Statements For the year ended 31 March 2016

#### Notes (continued)

#### (iii) Gain or Loss on Disposal of Property

Gains and losses on disposal of properties were previously reported in the Statement of Comprehensive Income after calculation operating surplus. Such gains and losses are now considered as operating activities, and proceeds and costs of disposal of properties will be included in turnover and operating costs.

In 2014/15, turnover has been increased by £29,413 and operating costs by £ 17,271, to reflect the net profit of £12,142 on disposal of properties, which was previously reported after operating surplus.