



LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2013**

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

**Scott-Moncrieff
Chartered Accountants**

LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2013**

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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
Margaret Bell - Vice Chairperson
Marion Jones - Secretary
Allan McIntyre
James Canning
Gordon Cameron
Frances Beattie
Pauline Folan
Tracey Thompson
Arlene Keogh

Registered Office

14 Lothian Road
Greenock
PA16 OPG

Auditor

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

Bankers

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

Solicitors

Patten and Prentice
2 Ardgowan Square
Greenock
PA16 8PP

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2013

The Committee of Management present their annual report and the audited financial statements for the year ended 31 March 2013.

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;
- 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 £425,359 (2012: £374,183).

Investments to the housing stock in the year included phase one of our kitchen and bathroom replacement programmes, general external decoration works to our Stuart and Atholl Cottage stock. We also replaced a number of gas boilers throughout the stock.

Turnover

Turnover of £1.7 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 2013

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

Treasury Management

The Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way the Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2013 49.6% of the Association's borrowings (2012: 49.9%) were subject to fixed rates of interest.

Transfers from Designated Reserves

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

Fixed Assets

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2013

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2013 were as follows:

(Chairperson)	Moira McBride	
(Vice-Chairperson)	Margaret Bell	
(Secretary)	Marion Jones	
(Member)	James Canning	
(Member)	Allan McIntyre	
(Member)	Gordon Cameron	
(Member)	Kathy McDade	resigned January 2013
(Member)	Paul Galbraith	resigned January 2013
(Member)	Frances Beattie	
(Member)	Arlene Keogh	appointed September 2012
(Co-optee)	Pauline Folan	appointed September 2012
(Co-optee)	Tracey Thompson	appointed March 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 £333 (2012: £50) 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 and "Inverclyde Tenancy Support" project offering support and advice services for vulnerable tenants at risk of losing their home.

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 2013

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 2013

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 2013**

Auditor

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

On behalf of the Committee of Management

A handwritten signature in black ink, appearing to read "Mervin Jones". The signature is written in a cursive style with a large initial 'M' and a long, sweeping underline.

Dated: 18th June 2013

LARKFIELD HOUSING ASSOCIATION LIMITED

Statement of Committee Responsibilities

For the year ended 31 March 2013

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

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

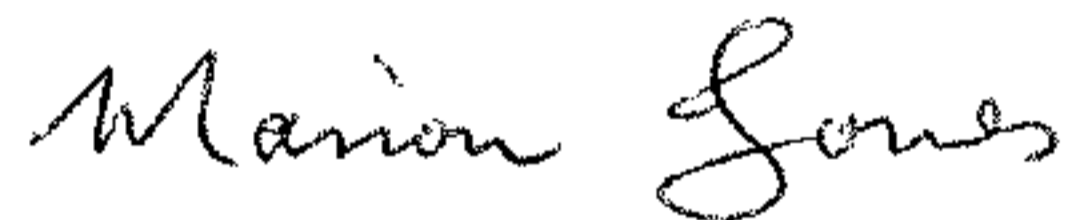
We are also responsible for:

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

By order of the Committee of Management



Moira McBride – Chairperson



Marion Jones - Secretary

Dated: 18th June 2013

LARKFIELD HOUSING ASSOCIATION LIMITED

Committee of Management Statement on Internal Financial Controls For year ended 31 March 2013

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

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

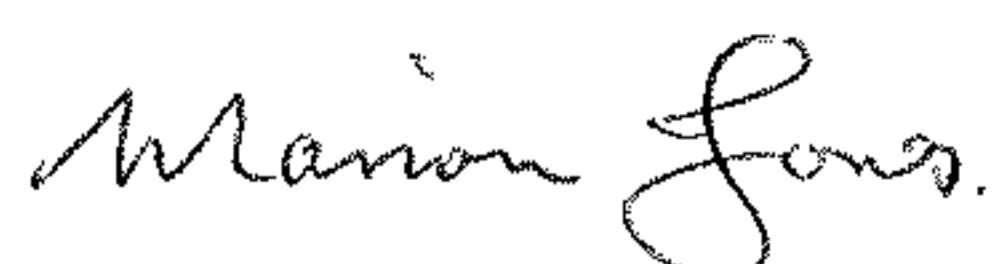
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- experienced and suitably qualified staff take responsibility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

The Committee of Management have continued to review the system of internal financial control in the Association during the year ended 31 March 2013. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Committee of Management



Moira McBride – Chairperson



Marion Jones - Secretary

Dated: 18th June 2013

LARKFIELD HOUSING ASSOCIATION LIMITED

Auditor's Report on Corporate Governance Matters

For the year ended 31 March 2013

Corporate Governance

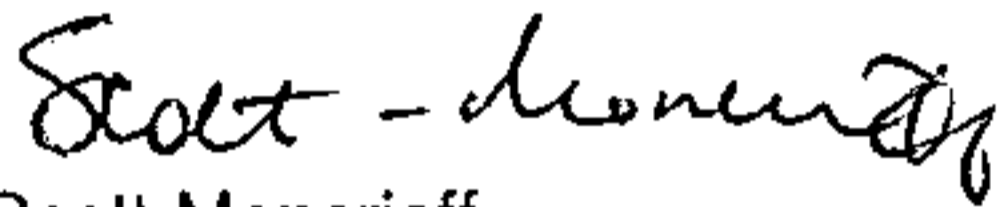
In addition to our audit of the accounts, we have reviewed the Committee of Management's statement on page 9 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

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



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

Dated: 18th June 2013

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of the Independent Auditor 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 2013 which comprise the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Housing Providers issued in 2010.

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

Respective responsibilities of the Management Committee and auditor

As explained more fully in the Management Committee Responsibilities statement set out on page 8, the committee members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its surplus for the year ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Housing Providers issued in 2010;

LARKFIELD HOUSING ASSOCIATION LIMITED

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

Opinion on financial statements (cont'd)

- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 as issued by the Scottish Housing Regulator.

In our opinion the information given in the Report of the Management Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial Provident Societies Acts, 1965 to 2002 require us to report to you if, in our opinion:

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



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

Dated: 18th June 2013

LARKFIELD HOUSING ASSOCIATION LIMITED

**Income and Expenditure Account
For year ended 31 March 2013**

	Notes	2013 £	2012 £
Turnover	2	1,697,693	1,640,721
Less: Operating costs	2	1,189,847	1,071,816
Operating surplus	2	507,846	568,905
Gain on sale of fixed assets		21,656	-
Interest receivable		242	369
Interest payable		(104,385)	(195,091)
Surplus on ordinary activities		<u>425,359</u>	<u>374,183</u>

All activities relate to continuing activities within the year.

**Statement of total recognised gains and losses
For year ended 31 March 2013**

	Notes	2013 £	2012 £
Surplus for year		425,359	374,183
Prior year adjustment		-	1,512,578
Total gains and losses recognised since last financial statements		<u>425,359</u>	<u>1,886,761</u>

The notes on pages 16 to 30 form part of these financial statements

LARKFIELD HOUSING ASSOCIATION LIMITED

**Balance Sheet
As at 31 March 2013**

	Notes	2013	2012
		£	£
Tangible fixed assets			
Housing properties	6	7,881,312	7,595,575
Other fixed assets	6	169,544	186,265
		<u>8,050,856</u>	<u>7,781,840</u>
Debtors	7	240,675	118,160
Cash at bank and in hand		567,062	772,677
		<u>807,737</u>	<u>890,837</u>
Current Liabilities			
Creditors due within one year	8	(421,384)	(423,967)
Net current assets		<u>386,353</u>	<u>466,870</u>
Total assets less current liabilities		<u>8,437,209</u>	<u>8,248,710</u>
Creditors due after one year	9	(4,739,367)	(4,976,227)
Net assets		<u><u>3,697,842</u></u>	<u><u>3,272,483</u></u>
Capital and reserves			
Share capital	13	99	99
Revenue reserve	15	3,697,743	3,272,384
Total capital and reserves		<u><u>3,697,842</u></u>	<u><u>3,272,483</u></u>

The financial statements were authorised for issue by the Committee of Management on 18th June 2013 and are signed on its behalf by:

Maura McBride
Maura McBride – Chairperson
Marion Jones
Marion Jones - Secretary

The notes on pages 16 to 30 form part of these financial statements

LARKFIELD HOUSING ASSOCIATION LIMITED

**Cash Flow Statement
For year ended 31 March 2013**

	2013	2012
	£	£
Net cash inflow from operating activities	641,460	889,444
Returns on investments and servicing of finance		
Interest received	242	369
Interest paid	(104,385)	(195,091)
	<hr/>	<hr/>
Net cash flow from returns on investments and servicing of finance	(104,143)	(194,722)
Taxation	-	-
Investing activities		
Purchase of major repairs capitalised	(577,858)	(283,975)
Purchase of other fixed assets	-	(1,002)
Capital grants received	-	-
Sale of tangible fixed assets - properties	56,311	-
	<hr/>	<hr/>
Net cash inflow from investing activities	(521,426)	(284,977)
	<hr/>	<hr/>
Net cash inflow before financing	15,770	409,745
	<hr/>	<hr/>
Financing		
Issue of share capital	(3)	(14)
Cancelled shares	3	11
Loan repaid	(221,385)	(206,922)
	<hr/>	<hr/>
Net cash inflow from financing	(221,385)	(206,925)
	<hr/>	<hr/>
(Decrease)/increase in cash	<u>(205,615)</u>	<u>202,820</u>

Further details are given in note 16.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2013

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 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 2014 and the year to 31 March 2015. 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 2013

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 2013

1. Principal Accounting Policies (cont'd)

(l) Improvements

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

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

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

(m) Value added tax

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2013

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2013		2012	
	Turnover £	Operating Costs £	Turnover £	Operating Costs £
Income and Expenditure from lettings				
Social Lettings	1,631,881	(1,141,105)	1,554,033	(992,954)
Other activities	65,812	(48,742)	86,688	(78,862)
Total	1,697,693	(1,189,847)	1,640,721	(1,071,816)
				Operating Surplus £
				561,079
				7,826
				568,905

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 2013

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

	General Needs Housing £	2013 Total £	2012 Total £
Income from rent and service charges			
Rent receivable net of service charges	1,636,864	1,636,864	1,557,166
Service charges	-	-	-
Gross income from rents and service charges	<u>1,636,864</u>	<u>1,636,864</u>	<u>1,557,166</u>
Less voids	(4,983)	(4,983)	(3,133)
Net income from rents and service charges	<u>1,631,881</u>	<u>1,631,881</u>	<u>1,554,033</u>
Grants from the Scottish Ministers	-	-	-
Other revenue grants	-	-	-
Total turnover from social letting activities	<u>1,631,881</u>	<u>1,631,881</u>	<u>1,554,033</u>
Expenditure			
Management and maintenance administration costs	367,410	367,410	368,175
Planned cyclical maintenance including major repairs	245,039	245,039	204,301
Reactive maintenance costs	273,420	273,420	209,175
Bad debts – rents and service charges	(2,230)	(2,230)	21,549
Depreciation of social housing	257,466	257,466	189,754
Operating costs for social letting activities	<u>1,141,105</u>	<u>1,141,105</u>	<u>992,954</u>
Operating Surplus on letting activities, 2013	<u>490,776</u>	<u>490,776</u>	
Operating Surplus on letting activities, 2012			<u>561,079</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements
For the year ended 31 March 2013

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

	Grants from Scottish Ministers	Other Revenue Grants	Other income	2013 £	Total Turnover 2012 £	Operating costs – bad debts	Other operating costs 2013 £	2013 £	Operating Surplus 2012 £
Wider role activities	-	-	-	-	32,432	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	7,534	7,534	10,368	-	3,482	4,052	6,986
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	45,644	45,644	43,519	-	45,260	384	471
Other agency/ management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Development and improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Other activities	-	-	12,634	12,634	-	-	-	12,634	369
Total from other activities, 2013	-	-	65,812	65,812	-	-	48,742	17,070	-
Total from other activities, 2012	32,432	-	54,256	-	86,688	-	-	-	7,826

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2013**

5. Taxation

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

6. Tangible Assets

	Housing properties held for letting £	Office premises £	Office equipment £	Furniture & fittings £	Total £
Cost					
At 1 April 2012	9,310,814	237,905	93,487	5,701	9,647,907
Additions during year	577,858	-	-	-	577,858
Disposals during year	(112,743)	-	-	-	(112,743)
At 31 March 2013	9,775,929	237,905	93,487	5,701	10,113,022
Depreciation					
At 1 April 2012	1,640,871	58,845	86,889	5,094	1,791,699
Provided during year	214,033	9,516	6,598	607	230,754
Disposals during year	(34,655)	-	-	-	(34,655)
At 31 March 2013	1,820,249	68,361	93,487	5,701	1,987,798
Grants					
As at 1 April 2012	74,368	-	-	-	74,368
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
At 31 March 2013	74,368	-	-	-	74,368
Net book value					
At 31 March 2013	7,881,312	169,544	-	-	8,050,856
At 31 March 2012	7,595,575	179,060	6,598	607	7,781,840

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 2013**

7. Debtors	2013	2012
	£	£
Amounts falling due within one year:		
Gross rent arrears	57,185	57,843
Less: Bad debt provision	(11,290)	(20,893)
	<u>45,894</u>	<u>36,950</u>
Debtor – owner occupiers	60,132	56,549
Provision for bad debts – owner occupiers	(12,117)	(8,526)
	<u>48,016</u>	<u>48,023</u>
Debtors – tenant recharges	43,831	56,670
Less: Bad debt provision	(25,431)	(37,607)
	<u>18,490</u>	<u>19,063</u>
Prepayment and accrued income	93,995	14,124
Amounts due from group undertakings	34,280	-
	<u>240,675</u>	<u>118,160</u>
	<u><u>240,675</u></u>	<u><u>118,160</u></u>
 8. Creditors due within one year		
Trade Creditors	-	25,274
Accruals and deferred income	60,213	52,679
Amounts due to group undertakings	101,887	88,350
Rents in advance	22,424	36,279
Facility loan	236,860	221,385
	<u>421,384</u>	<u>423,967</u>
	<u><u>421,384</u></u>	<u><u>423,967</u></u>
 9. Creditors due after one year		
Facility loan	4,539,737	4,776,597
The Scottish Government	199,630	199,630
	<u>4,739,367</u>	<u>4,976,227</u>
	<u><u>4,739,367</u></u>	<u><u>4,976,227</u></u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2013**

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

The Scottish Government has advanced funds to the Association in respect of proposed works to owner occupied properties. These funds will be repaid to the lender once repairs are completed and costs received from the owners. The 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 6.055% to 0.896% (2012: 6.03% to 1.197%), in instalments due as follows:

	2013 £	2012 £
In one year or less	236,860	221,385
Between two and five years	1,125,012	1,051,500
In five years or more	3,414,725	3,725,097
	<u>4,776,597</u>	<u>4,997,982</u>

The total facility available to the Association at the year end was £5.9 million (2012: £5.9 million).

10. Employees

	2013 £	2012 £
Staff costs during year		
Wages and salaries	237,025	278,868
Social security costs	16,482	21,902
Other pension costs	43,194	46,796
	<u>296,701</u>	<u>347,566</u>

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

	No	No
Housing staff	8	8
Administrative and finance staff	<u>2</u>	<u>2</u>

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

	2013 £	2012 £
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 2013

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 she has no other pension arrangements to which the Association contributes. The Association's contributions for the Director in the year amounted to £nil (2012: £nil).

	2013 £	2012 £
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	584	935

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)	2013 No	2012 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 scheme. The Scheme is funded and is contracted-out of the State Pension Scheme.

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

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

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

LARKFIELD HOUSING ASSOCIATION LIMITED

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

11. Pension commitments (cont'd)

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

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employers debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-cut 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 2012. As of this date the estimated employer debt for Larkfield Housing Association Limited was £1,469,875.

The Scheme offers five benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

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

LARKFIELD HOUSING ASSOCIATION LIMITED

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

11. Pension commitments (cont'd)

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

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

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

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

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

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

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

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

12. Auditor's remuneration	2013	2012
	£	£
Remuneration of the auditor (including expenses and VAT)	7,210	7,200
Remuneration of the auditor in respect of services other than those of auditor	-	-
	<u>7,210</u>	<u>7,200</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2013**

13. Share capital	2013	2012
Shares of £1 fully paid and issued at beginning of year	99	96
Shares issued during year	3	14
Shares cancelled during year	(3)	(11)
	<u>99</u>	<u>99</u>
Shares issued at end of year	<u>99</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.

14. Reconciliation of capital and reserves	2013	2012
	£	£
Capital and reserves at 1 April 2012	3,272,483	2,898,297
Surplus for year	425,359	374,183
Shares cancelled in year	(3)	(11)
New share capital subscribed	3	14
	<u>3,697,842</u>	<u>3,272,483</u>
Capital and reserves at 31 March 2013	<u>3,697,842</u>	<u>3,272,483</u>

15. Revenue reserves	2013	2012
	£	£
At 1 April 2012	3,272,384	2,898,201
Surplus for year	425,359	374,183
	<u>3,697,743</u>	<u>3,272,384</u>
At 31 March 2013	<u>3,697,743</u>	<u>3,272,384</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2013**

16. Notes to the cash flow statement

	2013	2012		
(a) Reconciliation of operating surplus to net cash inflow from operating activities:				
Surplus for year	425,359	374,183		
Add: Interest payable	104,385	195,091		
Less: Interest receivable	(242)	(369)		
	<hr/>	<hr/>		
Operating surplus for year	529,502	568,905		
Depreciation	274,187	201,673		
Cancellation of share capital	-	11		
(Increase)/decrease in debtors	(122,515)	58,826		
(Decrease)/increase in creditors	(18,058)	59,312		
(Gain)/loss on sale of fixed assets	(21,656)	717		
	<hr/>	<hr/>		
Net cash inflow from operating activities	<u>641,460</u>	<u>889,444</u>		
	 2013	 2012		
	£	£		
(b) Reconciliation of net cash inflow to movement in net debt				
(Decrease)/ increase in cash for year	(205,615)	202,820		
Loan repayments	221,385	206,922		
	<hr/>	<hr/>		
Change in net debt	15,770	409,742		
Net debt as at 1 April 2012	(4,424,935)	(4,834,677)		
	<hr/>	<hr/>		
Net debt as at 31 March 2013	<u>4,409,165</u>	<u>(4,424,935)</u>		
(c) Analysis of changes in net debt	As At	Cash	Other	At
	1 April 2012	Flow	Changes	31 March 2013
	£	£	£	£
Cash at bank and in hand	772,677	(205,615)	-	567,062
Debt due within one year	(221,385)	221,385	(236,860)	(236,860)
Debt due after one year	(4,976,227)	-	236,860	(4,739,367)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(4,424,935)</u>	<u>15,770</u>	<u>-</u>	<u>(4,409,165)</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

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

17. Housing Units in Management	2013 No	2012 No
General Needs	394	396
Shared ownership	-	-
Supported housing	-	-
	<u>394</u>	<u>396</u>
	<u>394</u>	<u>396</u>
18. Scottish Secure Tenancy Rents	2013 £	2012 £
Average Scottish Secure Tenancy rent for housing accommodation	4,134	3,933
	<u>4,134</u>	<u>3,933</u>
	<u>4,134</u>	<u>3,933</u>
Number of assured tenancies	394	396
	<u>394</u>	<u>396</u>
	<u>394</u>	<u>396</u>
Percentage increase from previous year	5.2%	5.8%
	<u>5.2%</u>	<u>5.8%</u>
	<u>5.2%</u>	<u>5.8%</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.