



LARKFIELD HOUSING ASSOCIATION LIMITED

**Report and Financial Statements
For year ended 31 March 2015**

**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 2015

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Registration particulars

Financial Services 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	-	Acting Chairperson
	Suzanne Harris	-	Secretary
	Allan McIntyre		
	Jim Canning		
	Eddie Mullan		
	Margaret Bell		
	Cllr David Wilson		
	Kirsten Begley		
	Dennis Flannery		

Area Manager	Lynne Griffin
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Registered Office	14 Lothian Road Greenock PA16 OPG
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Auditor	KPMG LLP Chartered Accountants Statutory Auditor Saltire Court 20 Castle Terrace Edinburgh EH1 2EG
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Bankers	Bank of Scotland PO Box 10 38 St Andrews Square Edinburgh EH2 2YR
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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 2015

The Committee of Management presents its annual report and the audited financial statements for the year ended 31 March 2015.

Principal Activity

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

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

Charitable Status

The Association attained charitable status in February 2011 and the objectives set out within its 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. There have been 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 £468,098 (2014: £807,567).

Investments to the housing stock in the year included the final phase of our current kitchen replacement programme, bathroom replacements, replacement of 69 porch windows and periodic electrical testing to 50 properties. We also replaced a number of gas boilers throughout the stock and serviced 386 gas appliances within our stock. In the last financial year a Scottish Government creditor of £199,630 was released, which increased the surplus.

Turnover

Turnover of £1.8 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 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 2015

Estate Maintenance

The Association acts as Management Agent to 563 owner-occupiers in the Larkfield area. Accounts are issued each year to recover the costs of common maintenance.

Property Acquisitions

There were no property acquisitions within the financial year.

Financing and Liquidity

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

The Association has a £4.5 million private finance loan facility. In December 2014 the 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 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 2015 100% of the Association's borrowings (2014: 49.3%) were subject to fixed rates of interest.

Transfers from Designated Reserves

The results for the year are shown in the Income and Expenditure Account on page 12 and there have been no transfers to or from designated reserves.

Fixed Assets

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2015

Members of Committee of Management

The Members of the Committee of the Association during the year to 31 March 2015 and subsequent to the day of signing were as follows:

(Chairperson)	Moira McBride	resigned June 2015
(Vice-Chairperson)	Frances Beattie	
(Secretary)	Suzanne Harris	
(Member)	Jim Canning	
(Member)	Rev Allan McIntyre	
(Member)	Kirsteen Begley	
(Member)	Cllr David Wilson	
(Member)	Margaret Bell	
(Member)	Sandra Levens	elected September 2014, resigned May 2015
(Member)	Karen Pollock	elected September 2014, resigned May 2015
(Co-optee)	Dennis Flannery	appointed September 2014
(Co-optee)	Eddie Mullan	appointed March 2015
(Co-optee)	Lesley Aird	resigned June 2014
(Member)	Pauline Follan	resigned June 2014

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 £300 (2014: £0) were made during the year. No donations were made for political purposes.

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

Maintenance Policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Income and Expenditure account. In addition the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs will be charged to the Income and Expenditure account unless they qualify as capital expenditure within the terms of the SORP.

Larkfield 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 8 properties with electric heating systems. These have been reported to the Scottish Housing Regulator through the Association's Annual Return on the Charter and classed as "in abeyance" within the ARC.

LARKFIELD HOUSING ASSOCIATION LIMITED

Report of Committee of Management For year ended 31 March 2015

Services

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

We 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 2015

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 and Investors in Diversity 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. 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 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 2015

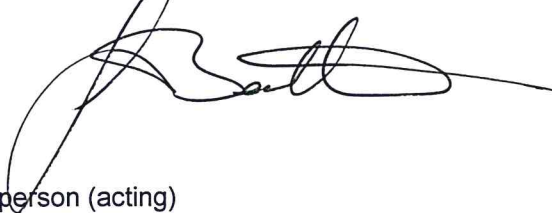
Auditor

KPMG LLP was re-appointed as auditor during the year. A resolution to re-appoint KPMG as auditor will be put to the members of the 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 the 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 the Association's auditor is aware of that information

On behalf of the Committee of Management

A handwritten signature in black ink, appearing to read 'Frances Beattie', written over the text 'On behalf of the Committee of Management'.

Frances Beattie – Chairperson (acting)

A handwritten signature in black ink, appearing to read 'Jim Canning', written below the signature of Frances Beattie.

Jim Canning – Committee member

Dated: August 2015

LARKFIELD HOUSING ASSOCIATION LIMITED

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

For the year ended 31 March 2015

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.

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

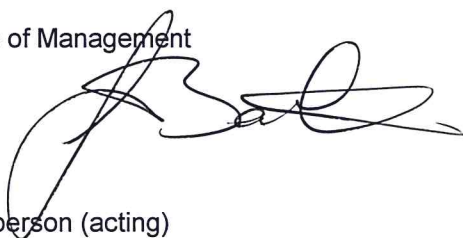
The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

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

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

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

By order of the Committee of Management



Frances Beattie – Chairperson (acting)



Jim Canning – Committee member

Dated: August 2015

LARKFIELD HOUSING ASSOCIATION LIMITED

Committee of Management Statement on Internal Financial Controls For year ended 31 March 2015

The Committee of Management acknowledges its 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:

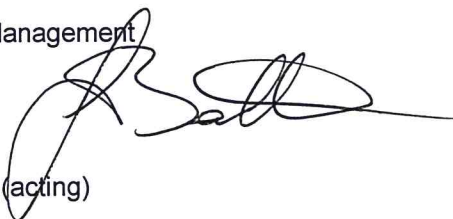
- the reliability of financial information used within the Association or for publication;
- the proper authorisation and recording of transactions;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

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:

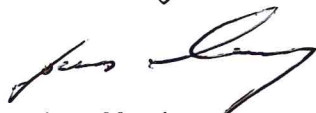
- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility 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 reviews reports from its area manager, staff and from the internal 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 the 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 the Association during the year ended 31 March 2015. 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 auditor's report on the financial statements.

By order of the Committee of Management



Francis Beattie – Chairperson (acting)



Jim Canning – Committee Member

Dated: August 2015

Independent Auditor's report to the Members of Larkfield Housing Association Limited

We have audited the financial statements of Larkfield Housing Association Limited ("the Society") for the year ended 31 March 2015 set out on pages 12 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Society, 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 the Society 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 the Society 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 Society's Committee of Management is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 the Society as at 31 March 2015 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, Registered Social Landlords Determination of Accounting Requirements 2012, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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 the 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 Control on page 9:

- does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- 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
Saltire Court
Castle Terrace
Edinburgh
EH1 2EG

^{21st}
Dated: August 2015

LARKFIELD HOUSING ASSOCIATION LIMITED

Income and Expenditure Account For year ended 31 March 2015

	Notes	2015 £	2014 £
Turnover	2	1,802,010	1,972,956
Less: Operating costs	2	(1,194,856)	(1,071,945)
Operating surplus	2	607,154	901,011
Gain on sale of fixed assets		12,142	-
Interest receivable		464	165
Interest payable		(151,662)	(93,609)
Surplus on ordinary activities before taxation		468,098	807,567

All activities relate to continuing activities within the year.

There are no other recognised gains or losses other than those included in the above Income and Expenditure account. Historical costs, surpluses and deficits are identical to those shown in the accounts.

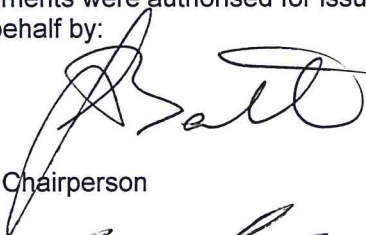
The notes on page 15 to 29 form part of these financial statements

LARKFIELD HOUSING ASSOCIATION LIMITED

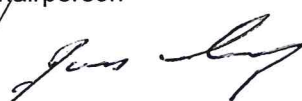
Balance Sheet As at 31 March 2015

	Notes	2015 £	2014 £
Tangible fixed assets			
Housing properties	6	8,221,666	8,093,911
Less: Grants		(74,368)	(74,368)
Other fixed assets	6	150,807	160,421
		<u>8,298,105</u>	<u>8,179,964</u>
Debtors	7	240,959	199,552
Cash at bank and in hand		<u>1,191,129</u>	<u>1,133,497</u>
		<u>1,432,088</u>	<u>1,333,049</u>
Current liabilities			
Creditors due within one year	8	<u>(256,684)</u>	<u>(761,740)</u>
Net current assets		1,175,404	571,309
Total assets less current liabilities		9,473,509	8,751,273
Creditors due after one year	9	<u>(4,500,000)</u>	<u>(4,245,854)</u>
Net assets		<u>4,973,509</u>	<u>4,505,419</u>
Capital and reserves			
Share capital	13	101	109
Revenue reserve	15	<u>4,973,408</u>	<u>4,505,310</u>
Total capital and reserves		<u>4,973,509</u>	<u>4,505,419</u>

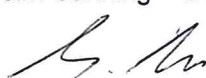
The financial statements were authorised for issue by the Committee of Management on August 2015 and are signed on its behalf by:



Frances Beattie – Chairperson



Jim Canning – Committee Member



Suzanne Harris - Secretary

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

LARKFIELD HOUSING ASSOCIATION LIMITED

Cash Flow Statement For year ended 31 March 2015

	2015 £	2014 £
Net cash inflow from operating activities	652,419	1,332,282
Returns on investments and servicing of finance		
Interest received	464	165
Interest paid	(151,662)	(93,609)
	<hr/>	<hr/>
Net cash flow from returns on investments and servicing of finance	(151,198)	(93,444)
Taxation	-	-
Investing activities		
Purchase of major repairs capitalised	(433,147)	(435,030)
Purchase of other fixed assets	-	(523)
Capital grants received	-	-
Sale of tangible fixed assets - properties	29,293	-
	<hr/>	<hr/>
Net cash inflow from investing activities	(403,854)	(435,553)
	<hr/>	<hr/>
Net cash inflow before financing	97,367	803,285
	<hr/>	<hr/>
Financing		
Issue of share capital	2	10
New loan capital	4,500,000	
Loan repaid	(4,539,737)	(236,860)
	<hr/>	<hr/>
Net cash inflow from financing	(39,735)	(236,850)
	<hr/>	<hr/>
Increase in cash	<u>57,632</u>	<u>566,435</u>

Further details are given in note 16.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

1. Principal Accounting Policies

The 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 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 anticipates that a surplus will be generated in the year to 31 March 2016 and the year to 31 March 2017. The 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 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 2015

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:

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) **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.

(l) **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.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

1. Principal Accounting Policies (cont'd)

(l) Improvements

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

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

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

(m) Value added tax

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

LARKFIELD HOUSING ASSOCIATION LIMITED

**Notes to the Financial Statements
For the year ended 31 March 2015**

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2015 Operating Costs £	Operating Surplus £	2014 Operating Surplus £
Income and Expenditure from lettings				
Social Lettings	1,741,886	(1,140,204)	601,682	690,437
Other activities	60,124	(54,652)	5,472	210,574
Total	1,802,010	(1,194,856)	607,154	901,011
2014 total	1,972,956	(1,071,945)	901,011	

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 2015**

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

	2015 Total £	2014 Total £
Income from rent and service charges		
Rent receivable net of service charges	1,748,474	1,689,065
Gross income from rents and service charges	<u>1,748,474</u>	<u>1,689,065</u>
Less voids	(6,588)	(7,324)
Net income from rents and service charges	<u>1,741,886</u>	<u>1,681,741</u>
Total turnover from social letting activities	<u>1,741,886</u>	<u>1,681,741</u>
Expenditure		
Management and maintenance administration costs	397,223	307,112
Planned cyclical maintenance including major repairs	146,495	116,492
Reactive maintenance costs	284,405	245,033
Bad debts – rents and service charges	23,840	25,868
Depreciation of social housing	260,885	234,417
Loss on disposal of fixed assets	27,356	62,382
Operating costs for social letting activities	<u>1,140,204</u>	<u>991,304</u>
Operating Surplus on letting activities	<u>601,682</u>	<u>690,437</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 2015**

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

	Other income £	Total Turnover 2015 £	Other operating costs 2015 £	2015 £	Operating Surplus 2015 £	2014 £
Factoring	7,700	7,700			901	3,496
Agency/management services for RSLs	48,417	48,417	(6,799) (47,853)		564	77
Other activities	4,007	4,007	-		4,007	207,001
Total from other activities,	<u>60,124</u>	<u>60,124</u>	<u>(54,652)</u>	<u>5,472</u>	<u>210,574</u>	
Total from other activities, 2014	<u>291,215</u>	<u>291,215</u>	<u>(80,641)</u>	<u>210,574</u>		

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

5. Taxation

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

6. Tangible fixed assets	Housing properties held for letting £	Office premises £	Office equipment £	Furniture & fittings £	Total £
Cost					
At 1 April 2014	10,117,449	237,905	94,010	5,701	10,455,065
Additions during year	433,147	-	-	-	433,147
Disposals during year	(74,880)	-	-	-	(74,880)
At 31 March 2015	10,475,716	237,905	94,010	5,701	10,813,332
Depreciation					
At 1 April 2014	2,023,538	77,877	93,617	5,701	2,200,733
Provided during year	260,885	9,516	98	-	270,499
Disposals during year	(30,373)	-	-	-	(30,373)
At 31 March 2015	2,254,050	87,393	93,715	5,701	2,440,859
Grants					
As at 1 April 2014	74,368	-	-	-	74,368
At 31 March 2015	74,368	-	-	-	74,368
Net book value					
At 31 March 2015	8,147,298	150,512	295	-	8,298,105
At 31 March 2014	8,019,543	160,028	393	-	8,179,964

None of the Association's properties are held under a lease. Total works expenditure on housing properties amounted to £484,997 (2014 - £445,152) of which £433,147 (2014 - £435,030) was capitalised and £51,850 (2014 - £10,122) was expensed. Of the £433,147 (2014 - £435,030) works capitalised, £433,147 (2014 - £435,030) were replacements and £nil (2014- £nil) were improvements.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

7. Debtors	2015 £	2014 £
Amounts falling due within one year:		
Gross rent arrears	80,046	81,258
Less: Bad debt provision	(16,122)	(16,796)
	<u>63,924</u>	<u>64,462</u>
Debtor – owner occupiers	31,607	47,474
Provision for bad debts – owner occupiers	(6,541)	(9,790)
	<u>25,066</u>	<u>37,684</u>
Debtors – tenant recharges	51,129	61,311
Less: Bad debt provision	(34,888)	(38,918)
	<u>16,241</u>	<u>22,393</u>
Prepayment and accrued income	126,756	69,258
Amounts due from group undertakings	8,972	5,755
	<u>240,959</u>	<u>199,552</u>
8. Creditors due within one year		
Trade creditors	-	107,644
Accruals and deferred income	177,338	270,481
Amounts due to group undertakings	43,208	59,300
Rents in advance	36,138	30,432
Facility loan	-	293,883
	<u>256,684</u>	<u>761,740</u>
9. Creditors due after one year		
Facility loan	4,500,000	4,245,854
	<u>4,500,000</u>	<u>4,245,854</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

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

The Royal Bank of Scotland holds a standard security on 196 of the Association's 393 properties. The loan is repayable at a fixed rate of interest, 2.85% (2014: 3.01% to 0.888%), in one payment due as follows:

	2015 £	2014 £
In one year or less	-	293,883
Between two and five years	4,500,000	1,365,526
In five years or more	-	2,880,328
	<u>4,500,000</u>	<u>4,539,737</u>

The total facility available to the Association at the year end was £4.5 million (2014: £4.5 million).

10. Employees

	2015 £	2014 £
Staff costs during year		
Wages and salaries	302,454	279,851
Social security costs	27,258	22,468
Other pension costs	71,283	47,111
	<u>400,995</u>	<u>349,430</u>

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

	FTE	FTE
Housing staff	6.73	6.73
Administrative and finance staff	2.50	2.50

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.

	2015 £	2014 £
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 2015

10. Employees (cont'd)

The Director is an ordinary member of the Association's pension scheme described in note 11. No enhanced or special terms apply to memberships and he has no other pension arrangements to which the Association contributes. The Association's contributions for the Director in the year amounted to £nil (2014: £nil).

	2015 £	2014 £
Total expenses reimbursed insofar as not chargeable to UK income tax – Committee of Management	314	425

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)	2015 No	2014 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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million equivalent to a past service funding level of 56.4%.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 2014. As of this date the estimated employer debt for Larkfield Housing Association Limited was £1,842,243.

The Scheme offers six benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Larkfield Housing Association Limited has elected to operate a DC scheme for all employees, which was effective from 1st October 2014.

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

11. Pension commitments (cont'd)

During the accounting period from 1st April 2014 to 30th September 2014 Larkfield Housing Association Limited paid contributions at the rate of 19.2% of pensionable salaries, and member contributions were 9.6%. From 1st October, following the transfer to the DC option, Larkfield Housing Association Limited paid contributions at the rate of either 12% of pensionable salaries, and member contributions were 5%, 9% of pensionable salaries, and member contributions were 4% 6% of pensionable salaries, and member contributions were 3%. In addition Larkfield Housing Association paid contributions of 10.6% of pensionable salary roll as at September 2009 index linked by 4.5% per year.

As at the balance sheet date, there were seven active members of the Scheme employed by Larkfield Housing Association Limited. Larkfield Housing Association Limited continues to offer membership of the Scheme to its employees.

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

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

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

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

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

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

12. Auditor's remuneration	2015 £	2014 £
Remuneration of the auditor (including expenses and VAT)	5,400	5,400
	<u>5,400</u>	<u>5,400</u>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

13. Share capital	2015	2014
Shares of £1 fully paid and issued at beginning of year	109	99
Shares issued during year	2	10
Shares cancelled during year	(10)	-
	<hr/>	<hr/>
Shares issued at end of year	101	109
	<hr/>	<hr/>

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	2015 £	2014 £
Capital and reserves at 1 April 2014	4,505,419	3,697,842
Surplus for year	468,098	807,567
Shares cancelled in year	(10)	-
New share capital subscribed	2	10
	<hr/>	<hr/>
Capital and reserves at 31 March 2015	4,973,509	4,505,419
	<hr/>	<hr/>

15. Revenue reserves	2015 £	2014 £
At 1 April 2014	4,505,310	3,697,743
Surplus for year	468,098	807,567
	<hr/>	<hr/>
	4,973,408	4,505,310
	<hr/>	<hr/>

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

16. Notes to the cash flow statement

	2015	2014
(a) Reconciliation of operating surplus to net cash inflow from operating activities:		
Surplus for year	468,098	807,567
Less: Gain on sale of fixed assets	(12,142)	-
Add: Interest payable	151,662	93,609
Less: Interest receivable	(464)	(165)
Operating surplus for year	607,154	901,011
Depreciation	270,499	244,063
Cancellation of share capital	(10)	-
(Increase)/decrease in debtors	(41,407)	41,123
(Decrease)/increase in creditors	(211,173)	283,333
Loss on sale of fixed assets	27,356	62,382
Release of Scottish Government loan to income	-	(199,630)
Net cash inflow from operating activities	652,419	1,332,282

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

	2015 £	2014 £
(b) Reconciliation of net cash inflow to movement in net debt		
Increase in cash for year	57,632	566,435
Release of Scottish Government loan to income		199,630
Loan repayments	4,539,737	236,860
Loan finance	(4,500,000)	
Change in net debt	97,369	1,002,925
Net debt as at 1 April 2014	(3,406,240)	(4,409,165)
Net debt as at 31 March 2015	(3,308,871)	(3,406,240)

(c) Analysis of changes in net debt	As At 1 April 2014 £	Cash Flow £	Other Changes £	At 31 March 2015 £
Cash at bank and in hand	1,133,497	57,632	-	1,191,129
Debt due within one year	(293,883)	39,737	254,146	-
Debt due after one year	(4,245,854)	-	(254,146)	(4,500,000)
	(3,406,240)	97,369	-	(3,308,871)

LARKFIELD HOUSING ASSOCIATION LIMITED

Notes to the Financial Statements For the year ended 31 March 2015

17. Housing Units in Management	2015 No	2014 No
General Needs	393	394
Shared ownership	-	-
Supported housing	-	-
	<u>393</u>	<u>394</u>
18. Scottish Secure Tenancy Rents	2015 £	2014 £
Average Scottish Secure Tenancy rent for housing accommodation	<u>4,438</u>	<u>4,288</u>
Number of assured tenancies	<u>393</u>	<u>394</u>
Percentage increase from previous year	<u>3.5%</u>	<u>3.7%</u>

19. Related parties

As at 31 March 2015 five members of the Board were tenants, two owned properties which benefit from property management services performed by the Association, four 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.

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.

