

Lochfield Park Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No.HAC268

FSA Reference No. 2444RS

Scottish Charity No. SC037694

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012

MANAGEMENT COMMITTEE

Hannah McDonald	Chairperson
Ann Restrick	Vice-Chairperson
Margaret Cox	Secretary
Sandra Falconer	Treasurer
Catherine White	
Steven Gallacher	
Janet McAloon	
Jane Boyce	
Marie Quinn	
Joan Buchanan	
Ann Whitley	
Alex Cairnes	

EXECUTIVE OFFICERS

Kenneth Halliday	Director
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REGISTERED OFFICE

37 Drumlanrig Avenue
Easterhouse
Glasgow
G34 0JF

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Clydesdale Bank plc
47 Main Street
Baillieston
Glasgow
G69 6AD

SOLICITORS

T C Young
7 West George Street
Glasgow
G2 1BA

FINANCE AGENTS

FMD Financial Services Limited
15 Ladyloan Place
Glasgow
G15 8LB

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012**

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2444RS. The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC037694.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The last year has seen the Association continue its positive progress in all key areas. The Management Committee and staff team have ensured that targets and objectives agreed at the Strategy Day held in April 2011 have been achieved.

Highlights this year include

- Completion of Planned Paint Programme on time and under budget.
- Completion of kitchen Replacement Contract at Phase 2.
- Stock Condition Survey updated.
- Well attended Annual General Meeting held in September 2011.
- Financial Position strengthened further, through effective management.
- Short, medium and long term projections updated
- Welfare Rights / Financial Advice Service continued to grow.
- Performance Targets achieved in all key service areas.
- Significant environmental improvement works carried out to the estate.

With no change in the lack of development programmes throughout Glasgow and no clear indication from the Government as to when we might see a change, the Association focussed on core business areas including customer service during the last twelve months.

We also sought to further improve the long term prospects of the organisation through updating the Financial and Planning Systems along with an updated Stock Condition Survey.

The long term future of the Association remains healthy with current stock numbers, and any further developments can only strengthen the position further.

Despite the negativity surrounding austerity measures and the current financial climate Lochfield Park will continue to seek funding to continue the regeneration of the Lochend Area. We are also aware of the wider area and have been instrumental in securing funding for a major regeneration project at the neighbouring Brucefield Park Area. The Association has been acting as facilitator and Agent for the first phase of improvement works and is hopeful that further phases can be achieved.

The Association also provides a Welfare Rights/ Financial Advice Service to tenants and local residents which is proving to be invaluable. Lochfield Park is the only Registered Social Landlord in Greater Easterhouse to provide this type of service from its own resources.

Whilst future development opportunities remain uncertain everyone connected with the Association is committed to ensuring that we are in a position to take advantage of any opportunities that may arise over the next year.

The Association continues to invest in its staff team to ensure we have the right people with the necessary skills to provide the level of service our tenants expect. We are also aware of the need for continual training and support for our committee members to ensure they have the skills necessary to perform their duties effectively.

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012**

Review of Business and Future Developments (Contd.)

Meeting the requirements of the new Housing Charter and SPSO Model Complaints Procedures will be high on the agenda for this year however work has already commenced in this regard.

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee 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 period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31ST MARCH 2012

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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 maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee'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 of the Association's systems include ensuring that:

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

Donations

During the year the Association made charitable donations amounting to £300 (2011: £75).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee


MARGARET COX

Secretary

28 August 2012

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
LOCHFIELD PARK HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 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 the requirements relating to corporate governance matters within Bulletin 2006/5 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 4 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.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
28 August 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Lochfield Park Housing Association Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that 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 on 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 the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
28 August 2012

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
TURNOVER	2.		1,644,036		1,627,364
Operating Costs	2.		(989,583)		(990,857)
OPERATING SURPLUS	9.		654,453		636,507
Gain On Sale Of Housing Stock	7.	9,840		7,842	
Interest Receivable and Other Income		29,993		19,360	
Interest Payable and Similar Charges	8.	(403,620)		(409,896)	
			(363,787)		(382,694)
SURPLUS FOR YEAR			<u>290,666</u>		<u>253,813</u>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	Restated 2011 £
Surplus for the financial year	290,666	253,813
Prior year adjustment (as explained in Note 27)	<u>(39,203)</u>	<u>-</u>
Total gains recognised since last annual report	<u>251,463</u>	<u>253,813</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		37,891,048		38,152,747
Less: Social Housing Grant	11.(a)		(29,692,277)		(29,883,796)
: Other Public Grants	11.(a)		(533,391)		(533,391)
Other fixed assets	11.(b)		7,665,380		7,735,560
			747,965		772,898
			8,413,345		8,508,458
FIXED ASSET INVESTMENTS					
Shared Equity Cost	21.	380,268		380,268	
Shared Equity Grant	21.	(380,268)		(380,268)	
			-		-
CURRENT ASSETS					
Debtors	13.	91,396		94,902	
Investments	23.	1,507,348		1,000,000	
Cash at bank and in hand		1,144,996		1,331,043	
			2,743,740		2,425,945
CREDITORS: Amounts falling due within one year					
	14.	(531,455)		(423,333)	
NET CURRENT ASSETS			2,212,285		2,002,612
TOTAL ASSETS LESS CURRENT LIABILITIES			10,625,630		10,511,070
CREDITORS: Amounts falling due after more than one year					
	15.	(8,014,646)		(8,190,767)	
NET ASSETS			2,610,984		2,320,303
CAPITAL AND RESERVES					
Share Capital	17.		266		251
Designated Reserves	18.(a)		1,738,306		1,738,306
Revenue Reserves	18.(b)		872,412		581,746
			2,610,984		2,320,303

The Financial Statements were approved by the Management Committee and signed on their behalf on 28 August 2012.


Chairperson


Vice-Chairperson


Secretary

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	£	2012 £	Restated 2011 £
Net Cash Inflow from Operating Activities	16.		1,110,384	801,921
Returns on Investment and Servicing of Finance				
Interest Received		31,637	19,387	
Interest Paid		(446,494)	(367,022)	
Net Cash Outflow from Investment and Servicing of Finance			(414,857)	(347,635)
Capital Expenditure and Financial Investment				
Acquisition and Construction of Properties		(216,799)	(269,849)	
Purchase of Other Fixed Assets		(2,354)	23,081	
Social Housing Grant Received		(18,316)	(12,880)	
Social Housing Grant Repaid		(18,997)	(46,435)	
Other Grants Received		-	(7,474)	
Proceeds on Disposal of Properties		61,900	91,371	
Net Cash Outflow from Capital Expenditure and Financial Investment			(194,566)	(222,186)
Net Cash Inflow before use of Liquid Resources and Financing			500,961	232,100
Management of Liquid Resources				
Change in short term deposits with banks			(507,348)	-
Financing				
Loan Principal Repayments		(179,680)	(173,085)	
Share Capital Issued	16		4	
Net Cash Outflow from Financing			(179,664)	(173,081)
(Decrease) / Increase in Cash	16.		(186,051)	59,019

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

Retirement Benefits

employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Windows	30 years
Kitchen Units	15 years
Bathroom Suites	25 years
Rewiring	30 years
Structure	50 years

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	- 2%
Furniture and Fittings	- 10% to 20%
Computer Equipment	- 33.3%
Office Equipment	- 10% to 20%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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

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

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

		2012			2011		
	Notes	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	1,631,403	983,808	647,595	1,616,854	981,704	635,150
Other Activities	4.	12,633	5,775	6,858	10,510	9,153	1,357
Total		1,644,036	989,583	654,453	1,627,364	990,857	636,507

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Shared ownership	2012 Total	Restated 2011 Total
	£	£	£	£
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	1,593,339	41,087	1,634,426	1,606,868
Gross Rents Receivable	1,593,339	41,087	1,634,426	1,606,868
Less: Rent losses from voids	3,023	-	3,023	767
Net Rents Receivable	1,590,316	41,087	1,631,403	1,606,101
Revenue Grants From Local Authorities and Other Agencies	-	-	-	10,753
Total Income From Social Letting	1,590,316	41,087	1,631,403	1,616,854
Expenditure on Social Letting Activities				
Management and maintenance administration costs	520,566	-	520,566	500,554
Reactive Maintenance	117,591	-	117,591	91,460
Bad Debts - Rents and Service Charges	16,172	-	16,172	81
Planned and Cyclical Maintenance, including Major Repairs	153,016	-	153,016	218,473
Depreciation of Social Housing	171,625	4,838	176,463	171,136
Operating Costs of Social Letting	978,970	4,838	983,808	981,704
Operating Surplus on Social Letting Activities	611,346	36,249	647,595	635,150
2011	600,106	35,044		

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2012 £	Operating Surplus /(Deficit) 2011 £
Wider Role Activities	5,950	-	-	6,111	12,061	-	5,775	6,286	-
Factoring	-	-	-	572	572	-	-	572	442
Other Activities - Stage III Adaptations	-	-	-	-	-	-	-	-	915
Total From Other Activities	5,950	-	-	6,683	12,633	-	5,775	6,858	1,357
2011	-	10,068	-	442	10,510	-	9,153	1,357	

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

2012	2011
£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

64,958	62,607
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Pension contributions made on behalf on Officers with emoluments greater than £60,000

6,124	9,387
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	1	1
£70,001 to £80,000	-	-
£80,001 to £90,000	-	-

6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	9	8
The average total number of Employees employed during the year was	9	8
Staff Costs were:	£	£
Wages and Salaries	281,541	264,428
Social Security Costs	22,844	20,469
Other Pension Costs	52,700	40,103
	357,085	325,000

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2012	2011
	£	£
Sales Proceeds	61,900	91,371
Cost of Sales	52,060	83,529
Gain On Sale Of Housing Stock	<u>9,840</u>	<u>7,842</u>

8. INTEREST PAYABLE

	2012	2011
	£	£
On Bank Loans & Overdrafts	<u>403,620</u>	<u>409,896</u>

9. SURPLUS FOR YEAR

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	203,750	201,974
Auditors' Remuneration - Audit Services	6,483	5,024
Operating Lease Rentals - Other	<u>15,533</u>	<u>6,845</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Completed Shared Ownership Properties £	Total £
COST			
As at 1st April 2011- restated	38,323,694	1,046,874	39,370,568
Additions	88,048	-	88,048
Disposals	(190,904)	-	(190,904)
Schemes Completed	-	-	-
As at 31st March 2012	38,220,838	1,046,874	39,267,712
DEPRECIATION			
As at 1st April 2011- restated	1,175,419	42,402	1,217,821
Charge for Year	171,625	4,838	176,463
Disposals	(17,620)	-	(17,620)
As at 31st March 2012	1,329,424	47,240	1,376,664
SOCIAL HOUSING GRANT			
As at 1st April 2011- restated	29,127,191	756,605	29,883,796
Additions	(51,299)	-	(51,299)
Disposals	(140,220)	-	(140,220)
Schemes Completed	-	-	-
As at 31st March 2012	28,935,672	756,605	29,692,277
OTHER CAPITAL GRANTS			
As at 1st April 2011- restated	533,391	-	533,391
Additions	-	-	-
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2012	533,391	-	533,391
NET BOOK VALUE			
As at 31st March 2012	7,422,351	243,029	7,665,380
As at 31st March 2011	7,487,693	247,867	7,735,560

Additions to housing properties includes capitalised development administration costs of £NIL (2011 - £6,826) and capitalised major repair costs to existing properties of £NIL (2011 £NIL)

All land and housing properties are freehold.

LOCHFELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2011- restated	794,918	71,603	866,521
Additions	-	2,354	2,354
As at 31st March 2012	794,918	73,957	868,875
AGGREGATE DEPRECIATION			
As at 1st April 2011- restated	47,695	45,928	93,623
Charge for year	15,898	11,389	27,287
As at 31st March 2012	63,593	57,317	120,910
NET BOOK VALUE			
As at 31st March 2012	731,325	16,640	747,965
As at 31st March 2011	747,223	25,675	772,898

12 COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Other		
Expiring within one year	1,152	-
Expiring between two and five years	18,608	7,363

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2012 £	2011 £
Arrears of Rent & Service Charges	79,325	60,669
Less: Provision for Doubtful Debts	(25,000)	(18,000)
	<u>54,325</u>	<u>42,669</u>
Social Housing Grant Receivable	1,817	34,800
Other Debtors	35,254	17,433
	<u>91,396</u>	<u>94,902</u>

14. CREDITORS: Amounts falling due within one year

	2012 £	2011 £
Housing Loans	164,892	168,448
Trade Creditors	99,241	153,565
Rent in Advance	36,294	29,749
Other Taxation and Social Security	6	-
Other Creditors	73,852	71,571
Accruals and Deferred Income	157,170	-
	<u>531,455</u>	<u>423,333</u>

15. CREDITORS: Amounts falling due after more than one year

	2012 £	2011 £
Housing Loans	<u>8,014,646</u>	<u>8,190,767</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	164,892	168,448
Between one and two years	169,492	171,774
Between two and five years	552,552	575,976
In five years or more	<u>7,292,602</u>	<u>7,443,017</u>
	8,179,538	8,359,215
Less: Amount shown in Current Liabilities	<u>164,892</u>	<u>168,448</u>
	<u>8,014,646</u>	<u>8,190,767</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

Reconciliation of operating surplus to net cash inflow from operating activities

	2012 £	2011 £
Operating Surplus	654,453	636,507
Depreciation	203,750	201,974
Change in Debtors	(31,121)	49,450
Change in Creditors	283,303	(85,863)
Share Capital Written Off	(1)	(147)
Net Cash Inflow from Operating Activities	<u>1,110,384</u>	<u>801,921</u>

Reconciliation of net cash flow to movement in net debt

	2012 £	£	2011 £	£
(Decrease) / Increase in Cash	(186,051)		59,019	
Cash flow from management of liquid resources	507,348		-	
Cash flow from change in debt	<u>179,677</u>		<u>173,085</u>	
Movement in net debt during year		500,974		232,104
Net debt at 1st April 2011		<u>(6,028,172)</u>		<u>(6,260,276)</u>
Net debt at 31st March 2012		<u>(5,527,198)</u>		<u>(6,028,172)</u>

Analysis of changes in net debt

	At 01.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	<u>1,331,043</u>	<u>(186,051)</u>		<u>1,144,996</u>
Liquid Resources	1,331,043	(186,051)		1,144,992
Debt: Due within one year	1,000,000	(507,348)		1,507,348
Due after more than one year	(168,448)	179,677	(176,121)	(164,892)
	<u>(8,190,767)</u>	<u>-</u>	<u>176,121</u>	<u>(8,014,646)</u>
Net Debt	<u>(6,028,172)</u>	<u>(513,722)</u>	<u>-</u>	<u>(5,527,198)</u>

LOCHFELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	251
Issued in year	16
Cancelled in year	(1)
At 31st March 2012	<u>266</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.

18. RESERVES

(a) Designated Reserves	Cyclical Maintenance £	Major Repairs £	Total £
At 1st April 2011	151,979	1,586,327	1,738,306
Transfer to / (from) Revenue Reserves	-	-	-
At 31st March 2012	<u>151,979</u>	<u>1,586,327</u>	<u>1,738,306</u>

(b) Revenue Reserves	Total £
At 1st April 2011 (as restated)	581,746
Surplus for the year	290,666
At 31st March 2012	<u>872,412</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	358	360
- Rehabilitation	100	100
Shared Ownership	22	22
	<u>480</u>	<u>482</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

10 members are tenants of the Association

2 members are factored owners

1 member is a relevant local councillor

1 member is an employee of a relevant local authority

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

21. FIXED ASSET INVESTMENT

	2012 £	2011 £
Shared Equity Properties		
Development Cost of Shared Equity Property	380,268	380,268
Less: Grants Receivable	380,268	380,268
	<u>-</u>	<u>-</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. OTHER FINANCIAL COMMITMENTS

During the year the Association received £160,000 from Glasgow City Council for the refurbishment of the neighbouring Brucefield Park. This sum is committed to being spent over the course of the forthcoming year to upgrade the properties in Brucefield Park. At the balance sheet date the Association had £157,170 remaining to be spent.

23. CURRENT ASSET INVESTMENTS

	2012	2011
	£	£
Short Term Deposits	1,507,348	1,000,000

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS

General

Lochfield Park Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five 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

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.

Lochfield Park Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the final salary with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

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 actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Lochfield Park Housing Association Limited paid contributions at the rate of 5.4% of pensionable salaries. Member contributions were 5.4%.

As at the balance sheet date there were 8 active members of the Scheme employed by Lochfield Park Housing Association Limited. The annual pensionable payroll in respect of these members was £276,470. Lochfield Park Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th 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 £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th 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%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% 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 from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation 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 buyout 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 currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
Increase / (Decrease) in Net Book Value of Housing Properties	(39,203)

The effect of adopting component accounting has been to increase / decrease reserves as at 1 April 2010 by £-38552.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	7,774,763	7,735,560
Office Premises	747,223	747,223
Revenue Reserves	620,949	581,746
	<hr/>	<hr/>
Housing Depreciation Charge	170,485	171,136
	<hr/>	<hr/>

The reported surplus in 2011 has been restated by £651 and now stands at £253813