



Alexander Sloan
Accountants and Business Advisers

Lochfield Park Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

Registered Housing Association No. HAC268

FCA Reference No. 2444R(S)

Scottish Charity No. SCO37694

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

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LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2019

MANAGEMENT COMMITTEE

Hannah McDonald	Chairperson
Ann Whitley	Vice-Chairperson
Joan Buchanan	Secretary
Cathy White	
Margaret Cox	
Steven Gallacher	
Jane Boyce	
Marie Quinn	
Kate Serries	
Jade McCulloch	
Theresa McKerracher	(Resigned - September 2018)
Moirá Gilfillan	

EXECUTIVE OFFICERS

Kenneth Halliday	Director
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REGISTERED OFFICE

37 Drumlanrig Avenue
Easterhouse
Glasgow
G34 0JF

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Quinn Internal Audit
55 Lady Place
Livingston
EH54 6TB

FINANCE AGENTS

FMD Financial Services Limited
14 Ladyloan Place
Glasgow
G15 8LB

BANKERS

Clydesdale Bank PLC
47 Main Street
Baillieston
Glasgow
G69 6AD

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2019.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2444R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SCO37694.

Principal Activities

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

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

Review of Business and Future Developments

The last year has seen the Association consolidate and strengthen its financial position through good governance, sound financial management and increasing stock numbers. The Management Committee and staff team have also ensured that targets and objectives agreed at the Strategy Day held in April 2018 have been achieved.

Highlights this year include

- SFHA Spotlight article in the March 2019 edition of Housing magazine.
- Completion of 29 Bathroom upgrades at Phase 4a
- Gutter cleaning to all properties.
- Well attended Annual General Meeting held in September 2018 with 31 attendees and 11 committee members in place
- Increased stock numbers through acquisition and improvement of properties in Brucefield Park area.
- Short, medium and long term projections updated.
- Welfare Rights / Financial Advice Service continued to grow.
- Performance Targets achieved in all key service areas.
- Upgraded Website, Facebook and Twitter Pages launched
- Carried out 14 Medical Adaptations to properties
- Loan Debts were reduced and cash backed reserves increased.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

The Association sought to further improve the long term prospects of the organisation through updating Financial and Planning Systems along with an EEESH assessment which showed all of the Association's properties meet the standard.

Despite the negativity surrounding austerity measures and the current financial climate, Lochfield Park continues to seek funding to continue the regeneration of the Lochend Area.

To this end we have successfully moved forward with the proposed development of 2 new phases of housing - Phase 10 - Abbeycraig Road (84 units) and Phase 11 - Abbeygreen Street (15 units).

The two projects have been approved by GCC (the funding agency) and the Association is trying its utmost to progress both projects as a matter of priority to assist the Government with its' aim of 50,000 homes in this Parliament.

These are exciting opportunities for the Association to be involved in and offer great potential for significant community development in this part of Easterhouse.

Lochfield Park has continued to increase stock numbers through the acquisition and refurbishment of empty homes in the Brucefield Park Area. At the 31st March Lochfield Park had acquired 38 empty properties.

The Management Committee remains committed to investing 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.

Two of the current staff team have been supported by the Association to undertake Housing related College Qualifications and have successfully gained their qualifications.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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 Co-operative and Community Benefit Act 2014 requires 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 judgements 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2019. 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.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2019

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;
- Quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- 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.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations amounting to £739 (2018 - £1,007).

Auditors

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

By order of the Management Committee


JOAN BUCHANNAN

Secretary

6 August 2019

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS 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 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

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 5 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls 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 relevant Regulatory Standards in respect of internal financial controls within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.


ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
8 August 2019



Alexander Sloan
Accountants and Business Advisers

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Lochfield Park Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- 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 Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

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

Responsibilities of the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on Page 4, the Management Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
8 August 2019



Alexander Sloan
Accountants and Business Advisers

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	£	2019 £	£	2018 £
REVENUE	2.		2,737,496		2,635,192
Operating Costs	2.		(1,896,430)		(1,797,306)
OPERATING SURPLUS			841,066		837,886
Gain On Sale Of Housing Stock	7	12,479		-	
Interest Receivable and Other Income		19,355		26,191	
Interest Payable and Similar Charges	8	(341,898)		(350,949)	
Other Finance Income / (Charges)	11	(9,000)		(1,028)	
			(319,064)		(325,786)
SURPLUS FOR THE YEAR	9		522,002		512,100
Other comprehensive income					
Adjustment relating to Opening Pension Liability	25		(142,000)		
Actuarial Gains/ (Losses) on defined benefit Pension Plan	25		(81,000)		-
TOTAL COMPREHENSIVE INCOME			299,002		512,100

The notes on pages 13 to 32 form part of these financial statements.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	£	2019 £	£	2018 £
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	12 (a)		28,982,763		29,209,884
Other Non-current Assets	12 (b)		637,500		664,633
			<u>29,620,263</u>		<u>29,874,517</u>
CURRENT ASSETS					
Receivables	14	595,024		95,129	
Investments	24	2,039,233		2,024,335	
Cash at bank and in hand		<u>1,371,041</u>		<u>1,545,327</u>	
		4,005,298		3,664,791	
CREDITORS: Amounts falling due within one year	15	(683,184)		(630,611)	
NET CURRENT ASSETS			<u>3,322,114</u>		<u>3,034,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>32,942,377</u>		<u>32,908,697</u>
CREDITORS: Amounts falling due after more than one year	16	(6,619,436)		(7,152,384)	
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	25.	(419,000)		-	
			<u>(419,000)</u>		<u>-</u>
DEFERRED INCOME					
Social Housing Grants	18	(18,348,450)		(18,560,440)	
Other Grants	18	<u>(777,400)</u>		<u>(716,784)</u>	
			<u>(19,125,850)</u>		<u>(19,277,224)</u>
NET ASSETS			<u>6,778,091</u>		<u>6,479,089</u>
EQUITY					
Share Capital	19		188		188
Revenue Reserves			7,196,903		6,478,901
Pension Reserves			<u>(419,000)</u>		<u>-</u>
			<u>6,778,091</u>		<u>6,479,089</u>

The Financial Statements were approved by the Management Committee and authorised for issue and signed on their behalf on 6 August 2019.

Chairperson

Committee Member

Secretary

The notes on pages 13 to 32 form part of these financial statements.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	17	923,790	1,046,193
Investing Activities			
Acquisition and Construction of Properties	(585,727)	(384,738)	
Purchase of Other Fixed Assets	(4,425)	(18,329)	
Social Housing Grant Received	-	(2,502)	
Other Grants Received	-	25,984	
Changes on short term deposits with banks	(14,898)	(24,335)	
Proceeds on Disposal of Properties	12,479	-	
Net cash outflow from investing activities		(592,571)	(403,920)
Financing Activities			
Loan Advances Received	-	-	
Interest Received on Cash and Cash Equivalents	19,355	26,191	
Interest Paid on Loans	(304,508)	(350,949)	
Loan Principal Repayments	(220,356)	(212,580)	
Share Capital Issued	4	9	
Net cash outflow from financing activities		(505,505)	(537,329)
(Decrease) / increase in cash		(174,286)	104,944
Opening Cash & Cash Equivalents		1,545,327	1,440,383
Closing Cash & Cash Equivalents		1,371,041	1,545,327
Cash and Cash equivalents as at 31 March			
Cash		1,371,041	1,545,327
		1,371,041	1,545,327

The notes on pages 13 to 32 form part of these financial statements.

LOCHFELD PARK HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Share Association Capital	Scottish Housing Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 31 March 2017				
Issue of Shares	189	-	5,966,801	5,966,990
Cancellation of Shares	9	-	-	9
Surplus for the year	(10)	-	-	(10)
	-	-	512,100	512,100
Balance as at 31 March 2018	188	-	6,478,901	6,479,089
Balance as at 1 April 2018				
Issue of Shares	188	-	6,478,901	6,479,089
Cancellation of Shares	4	-	-	4
Other comprehensive income	(4)	-	-	(4)
Surplus for the year	-	(419,000)	196,000	(223,000)
	-	-	522,002	522,002
Balance as at 31 March 2019	188	(419,000)	7,196,903	6,778,091

The notes on pages 13 to 32 form part of these financial statements.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

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 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2019. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Association participates in the Scottish Housing Associations Defined Benefit Pension Scheme where retirement benefits to 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Valuation Of Housing Properties

Housing Properties are stated at cost 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 12. 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.

Component	Useful Economic Life
Land	Not depreciated
Kitchen Units	Over 15 years
Bathroom Suits	Over 25 years
Windows	Over 30 years
Rewiring	Over 30 years
Martec Doors	Over 30 years
Structure	Over 50 years

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Depreciation and Impairment of Other Non-Current Assets

Non-current 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:

Asset Category	Depreciation Rate
Office Premises	2%
Furniture and Fittings	20%
Computer & Office Equipment	33%

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as non-current asset disposals and any gain or loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

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 Statement of Comprehensive Income in accordance with the Statement of Recommended Practice.

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

Housing Property Managed By Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme has been transferred to the third party.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Management Committee to exercise judgement in applying the Association's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

a) Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

b) Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

c) Useful life of properties, plant and equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

e) Defined pension liability

Determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING AND OTHER ACTIVITIES

		2019			2018		
	Notes	Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Affordable letting activities	3	2,736,624	1,848,772	887,852	2,635,192	1,749,123	886,069
Other Activities	4	872	47,658	(46,786)	-	48,183	(48,183)
Total		2,737,496	1,896,430	841,066	2,635,192	1,797,306	837,886

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing	Shared Ownership	2019 Total	2018 Total
	£	£	£	£
Revenue from Lettings				
Rent receivable net of service charges	1,995,851	39,945	2,035,796	1,972,825
Gross income from rent and service charges	1,995,851	39,945	2,035,796	1,972,825
Less: Rent losses from voids	2,252	-	2,252	5,854
Net Rents Receivable	1,993,599	39,945	2,033,544	1,966,971
Grants released from deferred income	642,872	12,729	655,601	653,221
Total turnover from affordable letting activities	2,683,950	52,674	2,736,624	2,635,192
Expenditure on affordable letting activities				
Management and maintenance administration costs	580,123	12,564	592,687	564,602
Planned and cyclical maintenance, including major repairs	311,271	-	311,271	223,731
Reactive maintenance costs	117,094	-	117,094	146,274
Bad Debts - rents and service charges	14,872	-	14,872	8,851
Depreciation of affordable let properties	798,653	14,195	812,848	805,665
Operating costs of affordable letting activities	1,822,013	26,759	1,848,772	1,749,123
Operating surplus on affordable letting activities	861,937	25,915	887,852	886,069
2018	858,921	27,148		

LOCHFELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Other Income	Total Turnover	Operating Costs Other	Operating Surplus /(Deficit) 2019	Operating Surplus /(Deficit) 2018
	£	£	£	£	£
Wider role activities	-	-	47,658	(47,658)	(48,183)
Factoring	872	872	-	872	-
Total From Other Activities	872	872	47,658	(46,786)	(48,183)
2018	-	-	48,183	(48,183)	

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.

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

No pension contributions were made to Officers receiving greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

2019 **2018**

£ **£**

75,386 73,456

75,386 73,456

75,386 73,456

The number of Officers, including the highest paid Officer, who received emoluments over £60,000 was in the following ranges:-

£70,001 to £80,000

Number **Number**
1 1

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries
Social Security Costs
Other Pension Costs

2019 **2018**

No. **No.**

9 9

9 9

£ **£**

347,860 329,980

37,167 35,448

33,777 32,509

418,804 397,937

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2019 £	2018 £
Sales Proceeds	12,479	-
Cost of Sales	-	-
Gain On Sale Of Housing Stock	<u>12,479</u>	<u>-</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2019 £	2018 £
On Bank Loans & Overdrafts	<u>341,898</u>	<u>350,949</u>

9. SURPLUS FOR THE YEAR

	2019 £	2018 £
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	844,406	836,995
Auditors' Remuneration - Audit Services	8,250	8,000
Gain on sale of fixed assets	<u>(12,479)</u>	<u>-</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.

11. OTHER FINANCE INCOME / CHARGES

	2019 £	2018 £
Unwinding of Discounted Pension Liabilities	<u>9,000</u>	<u>1,028</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
As at 1 April 2018	40,092,206	232,029	908,839	41,233,074
Additions	107,200	478,527	-	585,727
Disposals	(13,990)	-	-	(13,990)
Schemes Completed	120,505	(60,588)	(59,917)	-
As at 31 March 2019	40,305,921	649,968	848,922	41,804,811
DEPRECIATION				
As at 1 April 2018	11,771,032	-	252,158	12,023,190
Charge for Year	798,653	-	14,195	812,848
Transfers	8,452	-	(8,452)	-
Disposals	(13,990)	-	-	(13,990)
As at 31 March 2019	12,564,147	-	257,901	12,822,048
NET BOOK VALUE				
As at 31 March 2019	27,741,774	649,968	591,021	28,982,763
As at 31 March 2018	28,321,174	232,029	656,681	29,209,884

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £107,200 (2018 - £166,953).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £535,565 (2018 - £536,958). The amount capitalised is £107,200 (2018 - £166,953) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £107,200 (2018 - £166,953) and improvement of £Nil (2018 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £12,389,290 (2018 - £12,699,498).

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets			
	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1 April 2018	797,078	179,275	976,353
Additions	-	4,425	4,425
As at 31 March 2019	797,078	183,700	980,778
AGGREGATE DEPRECIATION			
As at 1 April 2018	159,417	152,303	311,720
Charge for year	15,942	15,616	31,558
As at 31 March 2019	175,359	167,919	343,278
NET BOOK VALUE			
As at 31 March 2019	621,719	15,781	637,500
As at 31 March 2018	637,661	26,972	664,633

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

	2019 £	2018 £
Other		
Not later than one year	1,032	1,032
Later than one year and not later than five years	2,838	3,870

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Arrears of Rent & Service Charges	106,342	110,057
Less: Provision for Doubtful Debts	(45,000)	(45,000)
	<u>61,342</u>	<u>65,057</u>
Social Housing Grant Receivable	506,044	1,817
Other Receivables	27,638	28,255
	<u>595,024</u>	<u>95,129</u>

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Housing Loans	355,404	220,199
Trade Payables	60,664	80,932
Rent Received in Advance	40,383	41,246
Other Payables	192,443	191,795
Liability for Past Service Contributions	-	59,613
Accruals and Deferred Income	34,290	36,826
	<u>683,184</u>	<u>630,611</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Liability for Past Service Contributions	-	177,387
Housing Loans	6,619,436	6,974,997
	<u>6,619,436</u>	<u>7,152,384</u>
Housing Loans		
Amounts due within one year	355,404	220,199
Amounts due in one year or more but less than two years	233,209	368,000
Amounts due in two years or more but less than five years	866,434	850,359
Amounts due in more than five years	5,519,793	5,756,638
	<u>6,974,840</u>	<u>7,195,196</u>
Less: Amount shown in Current Liabilities	355,404	220,199
	<u>6,619,436</u>	<u>6,974,997</u>
Liability for Past Service Contributions		
Amounts due within one year	-	59,613
Amounts due in one year or more but less than two years	-	61,402
Amounts due in two years or more but less than five years	-	115,985
Amounts due in more than five years	-	-
	<u>-</u>	<u>237,000</u>
Less: Amount shown in Current Liabilities	-	59,613
	<u>-</u>	<u>177,387</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Royal Bank of Scotland	Standard security over 260 properties	5.6%	2037	Fixed
Royal Bank of Scotland	Standard security over 260 properties	5.7%	2037	Fixed
Royal Bank of Scotland	Standard security over 260 properties	4.3%	2034	Fixed
Royal Bank of Scotland	Standard security over 260 properties	LIBOR plus 0.23%	2039	Variable
Glasgow City Council	No security over properties	Nil	2023	n/a

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 £	2018 £
Surplus for the year	522,002	512,100
Depreciation	844,406	836,995
Gain on disposal	(12,479)	-
Amortisation of Capital Grants	(655,601)	(653,221)
Change in debtors	4,332	62,926
Change in creditors	(23,019)	(37,355)
Unwinding of Discount on Pension Liability	(41,000)	(1,028)
Transfer of interest to financial activities	285,153	325,786
Share Capital Written Off	(4)	(10)
Net cash inflow from operating activities	923,790	1,046,193

Reconciliation of net cash flow to movement in net debt

	2019 £	2018 £
(Decrease) / increase in cash	(174,286)	104,944
Cashflow from change in net debt	412,641	537,320
Movement in net debt during the year	238,355	642,264
Net debt at 1st April 2018	(3,802,921)	(4,445,185)
Net debt at 31 March 2019	(3,564,566)	(3,802,921)

Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	1,545,327	(174,286)		1,371,041
Bank overdrafts	-			-
Liquid resources	1,545,327	(174,286)	-	1,371,041
Debt: Due within one year	2,024,335	14,898		2,039,233
Due after more than one year	(220,199)	397,743	532,948	(355,404)
	(7,152,384)	-	(532,948)	(6,619,436)
Net Debt	(3,802,921)	238,355	-	(3,564,566)

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
Social Housing Grants				
As at 1 April 2018	29,197,489	-	670,772	29,868,261
Additions in the year	-	419,166	-	419,166
Eliminated on disposal of components and property	(14,056)	-	-	(14,056)
Transferred	34,304	-	(34,304)	-
As at 31 March 2019	29,217,737	419,166	636,468	30,273,371
Amortisation				
As at 1 April 2018	11,084,541	-	223,280	11,307,821
Eliminated on disposal	(7,881)	-	(6,175)	(14,056)
Amortisation in year	618,427	-	12,729	631,156
As at 31 March 2019	11,695,087	-	229,834	11,924,921
Net book value				
As at 31 March 2019	17,522,650	419,166	406,634	18,348,450
As at 31 March 2018	18,112,948	-	447,492	18,560,440
Other Grants				
As at 1 April 2018	789,467	-	-	789,467
Additions in the year	85,061	-	-	85,061
As at 31 March 2019	874,528	-	-	874,528
Amortisation				
As at 1 April 2018	72,683	-	-	72,683
Amortisation in year	24,445	-	-	24,445
As at 31 March 2019	97,128	-	-	97,128
Net book value				
As at 31 March 2019	777,400	-	-	777,400
As at 31 March 2018	716,784	-	-	716,784
Total grants net book value as at 31 March 2019	18,300,050	419,166	406,634	19,125,850
Total grants net book value as at 31 March 2018	18,829,732	-	447,492	19,277,224

This is expected to be released to the Statement of Comprehensive Income in the following years:

	2019 £	2018 £
Amounts due within one year	655,601	653,221
Amounts due in one year or more	18,470,249	18,624,003
	19,125,850	19,277,224

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid

	2019 £	2018 £
As at 1 April 2018	188	189
Issued in year	4	9
Cancelled in year	(4)	(10)
As at 31 March 2019	188	188

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.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

	2019 No.	2018 No.
General Needs - Built by Association	356	355
General Needs - Purchased by Association	139	139
Shared Ownership	19	20
	<u>514</u>	<u>514</u>

21. RELATED PARTY TRANSACTIONS

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

Those members who 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.

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

	2019 £	2018 £
Rent received from tenants on the Management Committee and their close family members	<u>42,146</u>	<u>48,785</u>

At the year end total rent arrears owed by the tenant members on the Management Committee (and their close family) were £413 (2018 - £40).

Members of the Management Committee who are tenants	11	12
---	----	----

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 37 Drumlanrig Avenue, Easterhouse, Glasgow.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Easterhouse, Glasgow.

23. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £853 (2018 - £432) in the year by way of reimbursement of expenses. No remuneration is paid to Management Committee members in respect of their duties to the Association.

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INVESTMENTS

Short term deposits

	2019	2018
	£	£
Short term deposits	<u>2,039,233</u>	<u>2,024,335</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2015. 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 £341m and indicated an increase in the shortfall of assets compared to liabilities to approximately £207m, equivalent to a past service funding level of 62.2%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

Change in Accounting Estimate

The pension fund is administered by the Pensions Trust. Previously only the past service deficit was included as a liability in the financial statements as the Association's share of the pension assets and liabilities could not be determined. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The figures are available at 1 April 2018 and 31 March 2019. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

In January 2019, the FRS issued FRED 71 (Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multiemployer defined benefit plans) which provides proposed changes to FRS 102 on how to treat the transition from defined contribution to defined benefit accounting. This method has been adopted by the Housing Association as the most appropriate treatment. As a result the change has been accounted for as change in accounting estimate.

Due to the change in accounting estimate the past service deficit liability has been removed as the liability is included in the pension liability now calculated by the actuary and shown under Pension and Other Provisions for Liabilities and Charges in the Balance Sheet. The change has been reflected in Other Comprehensive Income as follows:

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Opening pension liability per actuary	379,000
Opening past service deficit	237,000
Movement to other comprehensive income	142,000

As a result the unwinding of the past service deficit is no longer shown within finance charges. Instead the expenses, interest and other comprehensive income as detailed within this note are incorporated within the financial statements.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at 31 March

	2019 %p.a.	2018 %p.a.
Salary increases	3.3%	3.1%
Pension increases	3.3%	3.1%
Discount rate	2.4%	2.6%

The members of the scheme comprise the following:

	2019 No
Employee members	8
Deferred pensioners	6
Pensioners	4
	18

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2019 £000	2018 £000
Equities	818	766
Bonds	1,075	979
Property	152	107
Cash	2	3
	<u>2,047</u>	<u>1,855</u>

Net Pension Liability

	2019 £000
Fair value of employer's assets	2,047
Present value of scheme liabilities	(2,466)
	<u>(419)</u>

Reconciliation of fair value of employer assets

	2019 £000
Opening fair value of employer assets	1,855
Expected Return on Assets	87
Contributions by Members	36
Contributions by the Employer	103
Estimated Benefits Paid	(34)
Closing fair value	<u>2,047</u>

Reconciliation of defined benefit obligations

	2019 £000
Opening defined benefit obligation	2,234
Current Service Cost	53
Interest Cost	59
Contributions by members	36
Actuarial Gains	118
Estimated Benefits Paid	(34)
Closing defined benefit obligation	<u>2,466</u>

LOCHFIELD PARK HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Statement of Comprehensive Income

	2019 £
Charged to operating costs:	
Service cost	9,614
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(50,000)
Interest on pension scheme liabilities	59,000
	9,000
Net Charge to the Statement of Comprehensive Income	18,614

Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019 £'000
Actuarial gain/(loss) recognised in year	(81)
Cumulative actuarial gains	(81)