

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No. HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

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LOCHABER HOUSING ASSOCIATION LIMITED

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2014**

BOARD OF MANAGEMENT

Dion Alexander	Chairperson
Hugh Donaldson	Vice-chairperson
Drew MacFarlane Slack	Secretary
Alex Farquar	Treasurer
Margaret Boyd	
Andrew Carr	
Roger Gibbins	
Bren Gormley	Councillor
Catriona Hunter	
Ken Johnston	resigned 24/03/14
Janis McDonald	resigned 13/09/13
Brian Murphy	Councillor Co-optee
Jean Sinclair	Tenant
Alison Gainsford	appointed 10/02/14

EXECUTIVE OFFICERS

Blair Allan	Chief Executive
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REGISTERED OFFICE

101 High Street
Fort William
PH33 6DG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Clydesdale Bank
58 High Street
Fort William
PH33 6AH

SOLICITORS

MacIntyre & Company
38 High Street
Fort William
PH33 6AT

ACCOUNTANTS

David Smith
Chartered Accountant
Kepoch
Croft Road
Oban

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2014**

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2289R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC030951.

Principal Activities

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

Review of Business and Future Developments

Development

Historically, one of the Association's major objectives has been the development of new affordable properties. But the Board took a decision in 2011 not to engage further in the direct provision of new build affordable housing until such time as the constraints to viable development have been removed through a significant increase in government subsidy and a reversal of the disadvantageous conditional lending from the financial sector. During this financial year, however, the Scottish Government reinstated grant levels to something much nearer their historic levels and the lending institutions revised their approach sufficiently to enable the Board to decide to reinstate our development activity. We have agreed a development programme with the Scottish Government and Highland Council of 31 socially rented units and 6 shared equity units for completion in 2015/16. These units will be delivered through a partnership that has been agreed with the Highland Small Communities Housing Trust (HSCHT), through which we hope that we will produce progressive and innovative ways to help meet the housing needs of the communities of Lochaber.

Property Maintenance

The Association has in place cyclical and planned maintenance programmes that will ensure that we achieve the completion of our Scottish Housing Quality Standard delivery plan for 2015. Our planned maintenance programme again mainly included fitting new kitchens, bathrooms and replacement heating systems. Our overall maintenance spend, for 2013/14 exceeded £1.3 million and is projected to be maintained at a similar level for the next three years.

Our reactive maintenance performance continues to be very satisfactory, exceeding all response time targets as well as producing high levels of tenant satisfaction.

The Association's subsidiary maintenance company, LHA Property Services CIC continues to serve us well through achieving its targets, providing customer responsive and efficient service standards through which we are improving performance in relation to our key indicators and by generating surpluses for re-investment in tenants' homes.

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2014**

Review of Business and Future Developments (Contd)

Housing Management

It has been a challenging year for our housing management service. A key risk has been that presented by welfare reform, restricted in the main to the impact of the bedroom tax on the lives of some tenants and the potential consequences for our rent arrears and levels of bad debt. However, this risk has been carefully and successfully managed through raising the awareness of affected tenants, staff training and working with our tenants to maximise access to discretionary housing benefit payments. As a consequence, our rent arrears levels have suffered only a marginal increase. The further impact of other aspects of welfare reform and the application of the rules surrounding Universal Credit are difficult to predict but our budgets have been amended to account for the potential for increased bad debts going forward. We have had additional assurance in relation to our risk management activity in this area through our internal audit programme.

Review of the year

2013 marked the Association's 25th Anniversary. One of the highlights of this was the launch of our Community Fund, through which we were able to support the important activities of a range of voluntary organisations throughout Lochaber with donation of up to £200. This will be an annual fund, which will be underpinned by a financial contribution from our wholly owned subsidiary Community Interest Company - LHA Property Services CIC.

Otherwise, the year has been largely about moving forward again in being active in the area of new build affordable housing development, establishing a viable programme in partnership with the HSCHT. In addition, as stated above, significant effort has been devoted to preparing for the impact of welfare reform.

During the year we have had to work hard too at ensuring that we were prepared for the completion of our first Annual Return of the Charter, which was submitted to the Scottish Housing Regulator in May 2014. We have also implemented a range of strategic priorities, including updating our Asset Management Strategy; introducing a Voluntary Sales Policy; revisiting our Wider Role Strategy; reviewing our Tenant Participation Strategy; completing a comprehensive customer survey; established a Governance Sub-Committee and initiated our first Board appraisal and development process; successfully piloting an energy advice and advocacy service for our tenants; established a partnership with Lochaber Credit Union through which we hope to assist our tenants in addressing the worst impacts of austerity, including avoiding pay day loan commitments and managing benefits through the revised arrangements presented by Universal Credit.

Future plans

There continues to be concern around the implementation of the Universal Credit welfare reforms within a continuing regime of austerity and public sector spending cuts. All of this makes life difficult for many of our more vulnerable tenants. We continue to work to support tenants in sustaining their tenancies and at the same time protecting the Association's income so that we can continue to provide effective services and deliver repairs and improvements to our tenants' homes.

We will continue to work on implementing our strategic principles, which underpin our business plan. These are: housing supply through partnership; improved financial strength; growth and diversification through our subsidiaries; continual improvement in our performance; excellence in governance; engagement with tenants; and making a social impact. Specifically, in implementing these objectives, we will work with the Council and the Scottish Government to extend our development programme in to further approvals in 2015; undertake a strategic review of our lending commitments; review our staffing arrangements to ensure that we are operating as cost effectively and efficiently as possible; review our rent setting policy; achieve accreditation with TPAS (Scotland); work with our tenants through the Your Voice group to improve services; and review and improving our Business Continuity Plan.

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2014**

Board of Management and Executive Officers

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

Each member of the Board of Management 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 Board of Management.

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

Statement of Board of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management 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 Board of Management 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 Board of Management 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 2010 and the Determination of Accounting Requirements 2012. 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 Board of Management 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 Board of Management 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 Board of Management 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 BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2014

Statement on Internal Financial Control

The Board of Management 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 Board of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements 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 Board of Management 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 Board of Management;
- the Board of Management 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 £1,327 (2013 £308).

Auditors

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

By order of the Board of Management



DREW MACFARLANE SLACK
Secretary
23rd June 2014

**REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT OF
LOCHABER 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 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 5 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
23rd June 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Lochaber Housing Association Limited for the year ended 31st March 2014 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 work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, 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 Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 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 properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LOCHABER HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception (contd.)

- 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
8th July 2014

LOCHABER HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	2,905,147	4,550,072
Operating Costs	2.	<u>(2,087,702)</u>	<u>(3,027,863)</u>
OPERATING SURPLUS	9.	817,445	1,522,209
Gain On Sale Of Housing Stock	7.	152,219	38,394
Interest Receivable and Other Income		162,867	105,187
Interest Payable and Similar Charges	8.	<u>(355,516)</u>	<u>(504,438)</u>
		<u>(40,430)</u>	<u>(360,857)</u>
SURPLUS FOR THE YEAR		<u>777,015</u>	<u>1,161,352</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2014 £	2013 £
Surplus for the financial year		777,015	1,161,352
Unrealised loss on revaluation of office premises	11.(b)		(20,000)
Prior year adjustment	25	-	<u>(661,386)</u>
Total gains recognised since last annual report		<u>777,015</u>	<u>479,966</u>



The Notes on pages 12 to 29 form part of these financial statements

LOCHABER HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

	Notes	2014	2013
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	57,463,397	57,171,775
Less: Social Housing Grant	11.(a)	(41,698,075)	(41,760,068)
		<u>15,765,322</u>	<u>15,411,707</u>
Other fixed assets	11.(b)	521,505	537,347
		<u>16,286,827</u>	<u>15,949,054</u>
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	23.	10,000	10,000
Shared Equity Cost	23.	936,698	936,698
Shared Equity Grant	23.	(936,698)	(936,698)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Stock	14.	-	79,460
Debtors	14.	398,057	577,906
Investments	24.	-	480,000
Cash at bank and in hand		1,510,753	1,096,521
		<u>1,908,810</u>	<u>2,233,887</u>
CREDITORS: Amounts falling due within one year	16	(1,331,733)	(1,695,404)
NET CURRENT ASSETS		<u>577,077</u>	<u>538,483</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,873,904</u>	<u>16,497,537</u>
CREDITORS: Amounts falling due after more than one year	17.	(12,086,670)	(12,487,317)
NET ASSETS		<u>4,787,234</u>	<u>4,010,220</u>
CAPITAL AND RESERVES			
Share Capital	19.	56	57
Designated Reserves	20.(a)	2,646,255	2,646,255
Revenue Reserves	20.(b)	2,026,981	1,249,966
Revaluation Reserves	19.(c)	113,942	113,942
		<u>4,787,234</u>	<u>4,010,220</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 23rd June 2014.



Chairperson



Vice-Chairperson



Secretary

LOCHABER HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014**

	Notes	2014 £	2013 £
Net Cash Inflow from Operating Activities	18.	1,240,665	1,907,342
Returns on Investment and Servicing of Finance			
Interest Received	162,867	105,187	
Interest Paid	(355,516)	(504,438)	
Net Cash Outflow from Investment and Servicing of Finance		(192,649)	(399,251)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(923,385)	(774,279)	
Purchase of Other Fixed Assets	(16,824)	(5,642)	
Social Housing Grant Received	17,427	297,038	
Social Housing Grant Repaid	(127,497)		
Proceeds on Disposal of Properties	330,910	76,104	
Net Cash Outflow from Capital Expenditure and Financial Investment		(719,369)	(406,779)
Net Cash Inflow before use of Liquid Resources and Financing		328,647	1,101,312
Management of Liquid Resources			
Change in short term deposits with banks		480,000	(480,000)
Financing			
Loan Advances Received	-	433,510	
Loan Principal Repayments	(394,415)	(1,055,910)	
Share Capital Issued	-	4	
Net Cash Outflow from Financing		(394,415)	(622,396)
Increase / (decrease) in Cash	18.	414,232	(1,084)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 Determination of Accounting Requirements 2012. 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 receivable and is recognised as it falls due.

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made 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>
Structure	50 years
Roof	50 years
Render	40 years
Heating	20 years
Hot water cylinder	10 years
External doors	25 years
Windows	25 years
Bathroom	25 years
Kitchen	15 years

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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:-

Leasehold Improvements	-over the period of the lease
Furniture and Equipment	-between 20% (reducing balance basis)

Office premises are valued at open market (OMV) in the financial statements. No depreciation is charged on the Office Premises as in the opinion of the Board the current market value is represented by the Book Value.

The carrying value of tangible fixed assets are reviewed for impairment 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 or 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 the grant received.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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 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 or 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.

VAT

The Association is registered for VAT. As the major part of the Association's operations are exempt from VAT expenditure is shown inclusive of VAT.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,731,888	1,972,295	759,593	2,623,620	1,814,130	809,490
Other Activities	4.	173,259	115,407	57,852	1,926,452	1,213,733	712,719
Total		2,905,147	2,087,702	817,445	4,550,072	3,027,863	1,522,209

13. PARTICULARS OF INCOME & EXPENDITURE ON SOCIAL LETTING

	General Needs Housing £	Shared ownership £	2014 Total £	2013 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	2,545,879	125,242	2,671,121	2,562,991
Service Charges Receivable	74,029	3,988	78,017	72,868
Gross Rents Receivable	2,619,908	129,230	2,749,138	2,635,859
Less: Rent losses from voids	17,250	-	17,250	12,239
Net Rents Receivable	2,602,658	129,230	2,731,888	2,623,620
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
Total Income From Social Letting	2,602,658	129,230	2,731,888	2,623,620
Expenditure on Social Letting Activities				
Service Costs	95,109	3,988	99,097	75,740
Management and maintenance administration costs	805,655	21,565	827,220	791,640
Reactive Maintenance	273,448	-	273,448	258,598
Bad Debts - Rents and Service Charges	30,989	800	31,789	24,576
Planned and Cyclical Maintenance, including Major Repairs	374,940	-	374,940	274,231
Depreciation of Social Housing	362,724	3,077	365,801	389,345
Operating Costs of Social Letting	1,942,865	29,430	1,972,295	1,814,130
Operating Surplus on Social Letting Activities	659,793	99,800	759,593	809,490
2013	713,913	95,577		

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

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) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£	£
Care and Repair of Property	-	-	-	15,037	15,037	-	52,822	(37,785)	(36,075)
Other Agency or Management Services	-	-	-	13,081	13,081	-	13,081	-	-
Commercial rents	-	-	-	34,320	34,320	-	10,183	24,137	26,731
Other Income	-	-	-	39,321	39,321	-	39,321	-	7,361
CESP Funding	-	-	-	71,500	71,500	-	-	71,500	714,702
Total From Other Activities	-	-	-	173,259	173,259	-	115,407	57,852	712,719
2013	-	-	-	1,926,452	1,926,452	-	1,213,733	712,719	-

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

OFFICERS' EMOLUMENTS

	2014	2013
	£	£
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.		
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>65,340</u>	<u>63,553</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>4,117</u>	<u>3,813</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>65,340</u>	<u>63,553</u>

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

6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>16</u>
The average total number of Employees employed during the year was	<u>17</u>	<u>18</u>
Staff Costs were:	£	£
Wages and Salaries	400,360	433,837
Social Security Costs	48,079	47,273
Other Pension Costs	69,497	65,055
Temporary, Agency and Seconded Staff	-	-
	<u>517,936</u>	<u>546,165</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	330,911	76,104
Cost of Sales	<u>178,692</u>	<u>37,710</u>
Gain On Sale Of Housing Stock	<u>152,219</u>	<u>38,394</u>

8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	355,516	504,438
On Other Loans	-	-
	<u>355,516</u>	<u>504,438</u>
Less: Interest Capitalised	<u>-</u>	<u>-</u>
	<u>355,516</u>	<u>504,438</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2013 £nil).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS FOR THE YEAR

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	398,468	412,027
Auditors' Remuneration - Audit Services	8,212	12,264
Operating Lease Rentals - Land & Buildings	30,666	28,912
Operating Lease Rentals - Other	<u>7,963</u>	<u>6,186</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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

INTANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2013	56,322,020	445,692	2,717,916	185,102	59,670,730
Additions	915,885	7,500	-	-	923,385
Disposals	(265,351)	-	(34,923)	-	(300,274)
As at 31st March 2014	56,972,554	453,192	2,682,993	185,102	60,293,841
DEPRECIATION					
As at 1st April 2013	2,437,011	-	33,194	28,750	2,498,955
Charge for Year	352,193	-	3,077	3,108	358,378
Disposals	(26,515)	-	(374)	-	(26,889)
As at 31st March 2014	2,762,689	-	35,897	31,858	2,830,444
SOCIAL HOUSING GRANT					
As at 1st April 2013	38,921,561	410,594	2,304,965	122,948	41,760,068
Additions	152,774	-	-	-	152,774
Disposals	(184,523)	-	(30,244)	-	(214,767)
As at 31st March 2014	38,889,812	410,594	2,274,721	122,948	41,698,075
NET BOOK VALUE					
As at 31st March 2014	15,320,053	42,598	372,375	30,296	15,765,322
As at 31st March 2013	14,963,448	35,098	379,757	33,404	15,411,707

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £708,265 (2013 £1,159,386)

All land and housing properties are freehold.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Improvements £	Office Premises £	Office Furniture & Equipment £	Total £
COST				
As at 1st April 2013	305,522	275,000	211,033	791,555
Additions	15,000	-	1,824	16,824
As at 31st March 2014	<u>320,522</u>	<u>275,000</u>	<u>212,857</u>	<u>808,379</u>
AGGREGATE DEPRECIATION				
As at 1st April 2013	93,466	-	160,742	254,208
Charge for year	22,243	-	10,423	32,666
As at 31st March 2014	<u>115,709</u>	<u>-</u>	<u>171,165</u>	<u>286,874</u>
NET BOOK VALUE				
As at 31st March 2014	<u>204,813</u>	<u>275,000</u>	<u>41,692</u>	<u>521,505</u>
As at 31st March 2013	<u>212,056</u>	<u>275,000</u>	<u>50,291</u>	<u>537,347</u>

The office premises were revalued at on an open market value basis by DM Hall LLP in 2013. It is the Board of Management's opinion that the current value of the land and buildings is consistent with the valuation shown in the financial statements.

The historical cost of the office premises is as follows:

	£
Cost and net book value as at 31st March 2014 & 2013	<u>161058</u>

12. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>5,392</u>	<u>-</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Land and Buildings		
Expiring in over five years	46,000	39,000
Other		
Expiring within one year	388	388
Expiring between two and five years	<u>8,990</u>	<u>5,457</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. STOCK

	2013 £	2012 £
Stock	-	79,460
	<u>-</u>	<u>79,460</u>
<u>Stock is analysed as follows:</u>		
Development cost on completed properties held for sale	-	146,662
Housing Association Grant on completed properties held for sale	-	(67,202)
	<u>-</u>	<u>79,460</u>

Stock and work in progress includes the cost of construction less housing grants of housing properties intended for resale through low cost home ownership schemes.

15 DEBTORS

	2014 £	2013 £
Arrears of Rent & Service Charges	102,096	78,529
Less: Provision for Doubtful Debts	(59,003)	(37,838)
	<u>-</u>	<u>-</u>
Social Housing Grant Receivable	43,093	40,691
Other Debtors	16,269	112,242
Other Debtors	188,416	244,238
Amounts Due from Group Undertakings	150,279	180,735
	<u>398,057</u>	<u>577,906</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Housing Loans	395,856	389,624
Trade Creditors	27,206	3,672
Rent in Advance	213,723	205,030
Social Housing Grant in Advance	565,725	797,045
Other Taxation and Social Security	30,787	8,058
Other Creditors	3,045	17,145
Accruals and Deferred Income	95,391	274,830
	<u>1,331,733</u>	<u>1,695,404</u>

At the balance sheet date there were pension contributions outstanding of £ nil (2013 £19,100)

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

	2014	2013
	£	£
Housing Loans	<u>12,086,670</u>	<u>12,487,317</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	395,856	389,624
Between one and two years	404,582	397,993
Between two and five years	1,269,559	1,247,462
In five years or more	<u>10,412,529</u>	<u>10,841,862</u>
	12,482,526	12,876,941
Less: Amount shown in Current Liabilities	395,856	389,624
	<u>12,086,670</u>	<u>12,487,317</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	817,445	1,522,209
Depreciation	398,468	422,569
Change in Stock	79,460	706,700
Change in Debtors	83,876	47,513
Change in Creditors	(138,583)	(76,947)
CESP Funding		(714,702)
Share Capital Written Off	(1)	-
Net Cash Inflow from Operating Activities	1,240,665	1,907,342

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase / (decrease) in Cash	414,232		(1,084)	
Cash flow from management of liquid resources	(480,000)		480,000	
Cash flow from change in debt	(406,879)		622,400	
Movement in net debt during year		(472,647)		1,101,316
Net debt at 1st April 2013		(11,300,420)		(12,401,736)
Net debt at 31st March 2014		(11,773,067)		(11,300,420)

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	1,096,521	414,232		1,510,753
Liquid Resources	1,096,521	414,232		1,510,753
Debt: Due within one year	480,000	480,000		-
Due after more than one year	(389,624)	(406,879)	400,647	(395,856)
	(12,487,317)	-	400,647	(12,086,670)
Net Debt	(11,300,420)	487,353	801,294	(10,971,773)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	57
Issued in year	-
Cancelled in year	(1)
At 31st March 2014	<u>56</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.

(a) Designated Reserves

	Major Repairs £	Total £
At 1st April 2013	2,646,255	2,646,255
Transfer to / (from) Revenue Reserves	-	-
At 31st March 2014	<u>2,646,255</u>	<u>2,646,255</u>

(b) Revenue Reserves

	Total £
At 1st April 2013	1,249,966
Surplus for the year	777,015
At 31st March 2014	<u>2,026,981</u>

(c) Revaluation Reserves

	Total £
At 1st April 2013	113,942
Increase in year	-
At 31st March 2014	<u>113,942</u>

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014 No.	2013 No.
General Needs - New Build	643	645
- Rehabilitation	-	-
Shared Ownership	58	59
	<u>701</u>	<u>704</u>

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 RELATED PARTY TRANSACTIONS

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

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

- 1 member is a tenant of the Association
- 2 members are relevant local councillors

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.

The Association's transactions with its subsidiaries are detailed in note 23

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	936,698	936,698
Less: Grants Receivable	936,698	936,698
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Investments in Subsidiaries		
As at 31st March 2014 & 31st March 2013	10,000	10,000
	<u> </u>	<u> </u>

The Association has two 100% owned subsidiaries, Lochaber Care and Repair Limited and Lochaber Housing Association Property Services CIC. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

In the opinion of the Board of Management the aggregate value of the assets of the subsidiaries is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

During the year Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,354,508 (2013: £1,088,516). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services the year £24,724 (2013: £24,000 and defrayed expenses on behalf of Lochaber Housing Association Property Services, which were subsequently reimbursed. The Association paid a grant of £25,000 (2013: £25,000) to Lochaber Care and Repair as a contribution to administration costs.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The aggregate amount of capital and reserves and the results of Lochaber Care and Repair Limited for the year ended 31st March 2014 were as follows:

	Lochaber Care and Repair Limited		Lochaber Housing Association Property Services CIC	
	2014	2013	2014	2013
	£	£	£	£
Capital & Reserves	<u>64,997</u>	<u>73,416</u>	<u>57,198</u>	<u>40,869</u>
Profit for the year	<u>-8419</u>	<u>-197</u>	<u>16329</u>	<u>4762</u>

24. CURRENT ASSET INVESTMENTS

	2014	2013
	£	£
Short Term Deposits	<u>-</u>	<u>480,000</u>

A prior period adjustment was reported in the 2013 financial statements. This adjustment restated the opening revenue reserves at 1 April 2012 and net book value of Housing Property, reducing both by £661,836.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. PENSION BENEFIT PARTICIPATIONS

General

Lochaber 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 six benefit structures to employers, namely:

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

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.

Lochaber Housing Association Limited has elected to operate the Career average revalued earnings with a 1/120th accrual rate, contracted in from 01 April 2012 for both existing members and new entrants.

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 Lochaber Housing Association Limited paid contributions at the rate of 4.7% of pensionable salaries. Member contributions were 4.7%

As at the balance sheet date there were 10 active members of the Scheme employed by Lochaber Housing Association Limited. The annual pensionable payroll in respect of these members was £373,151. Lochaber 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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. RETIREMENT BENEFIT OBLIGATIONS

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. 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 £470 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

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 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 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	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The Trustees have recently supplied Lochaber Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Lochaber Housing Association Limited will be required to pay £49,553 per annum as a contribution to the past service deficit. This will represent an increase of 11.3 % in Lochaber Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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.

