

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2016

Registered Housing Association No. HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE BOARD OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE BOARD OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7
STATEMENT OF COMPREHENSIVE INCOME	9
STATEMENT OF FINANCIAL POSITION	10
STATEMENT OF CASHFLOWS	11
STATEMENT OF CHANGES IN EQUITY	12
NOTES TO THE FINANCIAL STATEMENTS	13

LOCHABER HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2016

BOARD OF MANAGEMENT

Hugh Donaldson	Chairperson
Andrew Carr	Vice-chairperson
Alex Farquar	Treasurer
Dion Alexander	
Margaret Boyd	resigned 4 March 2016
Roger Gibbins	
Bren Gormley	Councillor
Jenni Hodgson	appointed 29/06/15
Catriona Hunter	
Lyn Kilpatrick	
Brian Murphy	Councillor Co-optee
Jean Sinclair	Tenant
Jacqui Wight	appointed 10 August 2015
Stuart Reid	appointed 11 May 2015

EXECUTIVE OFFICERS

Blair Allan	Chief Executive/Acting Secretary
Margaret Moynihan	Head of Housing an Corporate Services
Sean Doherty	Head of Asset Management

REGISTERED OFFICE

101 High Street
Fort William
PH33 6DG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

INTERNAL AUDITORS

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

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

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2016

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2289R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC030951.

Principal Activities

The Association is a Registered Scottish Charity and we provide relief of those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

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

During 2015/16 the Association has been to begin building affordable housing accommodation on four sites in Caol, Fort William, Kilchoan and Strontian. This has been made possible through our development services partnership with the Highlands Small Communities Housing Trust. Our new build development pipeline includes the construction of 120 further units of new affordable homes throughout Lochaber to 2018/19.

We continue to manage risk closely. Our Business Plan is based on prudent forecast assumptions in relation to interest rates, voids and bad debts, inflation and voids. In addition, we closely monitor our lending covenants. The level of our regulatory engagement continues to be low.

We are members of the Scottish Housing Network and continue to measure our performance against other rural housing associations on a quarterly and annual basis. In addition, LHA also agreed to be included within a pilot run by Housemark on a Small Housing Association Value for Money Project.. This provided the Association with additional useful information in measuring our performance and this work will be continued through through VFM benchmarking now being provided by the Scottish Housing Network. The feedback which we receive from these sources helps us to continually improve our services. Our Your Voice group of tenants have been assisting and leading us in reporting our performance to our tenants.

Our planned maintenance programme again mainly included fitting new kitchens, bathrooms, replacement heating systems and building new walls and paths. As our accounts show, this expenditure is central in underpinning our strategic objectives associated with service quality, tenant satisfaction, asset management and financial viability. 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.

Our housing management activity remains substantially focused on managing transitions to universal credit under the UK Government's welfare reform agenda. While this has not been fully rolled out in our area we are engaged with two partnerships with the housing association sector in the Highlands including CAB locally, as well as a local partnership with Highland Communities Credit Union designed to support tenants in managing their finances and improving financial inclusion.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Review of Business and Future Developments (Contd.)

The Future

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. During the coming year we finalise our revised Business Plan 2016-19.

We will continue to work with the HSCHT to develop more affordable housing and work in partnership with the Scottish government and the Highland Council to deliver their affordable housing supply targets. The Board has set as priorities to develop our community engagement activities and to establish a fuel poverty initiative to support tenants in achieving affordable warmth.

We will also complete our tri-annual tenant satisfaction survey during 2016/17 and begin a review to improve digital services to tenants. We will also continue to expand our private sector initiatives - Lochaber365 and LochaberLets.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

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 Co-operative and Community Benefit Act 2014 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. 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.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

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;
- 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 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.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016. 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.

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



BLAIR ALLAN

Secretary

04 July 2016

LOCHABER HOUSING ASSOCIATION LIMITED

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 Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" 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 "Our Regulatory Framework" 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 "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

A handwritten signature in black ink, appearing to read 'Alexander Sloan', written in a cursive style.

ALEXANDER SLOAN
Chartered Accountants

GLASGOW
04 July 2016

We have audited the financial statements of Lochaber Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies 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 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 Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2015.

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.
- 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.

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

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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
04 July 2016

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
REVENUE	2.	4,040,209	3,883,724
Operating Costs	2.	(3,257,835)	(3,062,977)
OPERATING SURPLUS	9.	782,374	820,747
Gain On Sale Of Housing Stock	7.	107,170	53,281
Interest Receivable and Other Income		59,585	143,224
Interest Payable and Similar Charges	8.	(346,762)	(354,875)
Other Finance Charges	11.	(18,029)	(15,579)
		(198,036)	(173,949)
SURPLUS FOR YEAR		<u>584,338</u>	<u>646,798</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>584,338</u>	<u>646,798</u>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 13 to 27 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

NON-CURRENT ASSETS			
Housing Properties - Depreciated Cost	12.(a)	48,360,639	48,205,885
Other Non Current Assets	12.(b)	547,081	221,892
		48,907,720	48,427,777
INVESTMENTS			
Investment in subsidiaries	25.	10,000	10,000
		10,000	10,000
CURRENT ASSETS			
Receivables	15.	1,010,852	520,997
Development Cost of Housing Property		63,474	-
Cash at bank and in hand		1,014,181	1,740,896
		2,088,507	2,261,893
CREDITORS: Amounts falling due within one year	16.	(1,306,299)	(1,516,075)
NET CURRENT ASSETS		782,208	745,818
TOTAL ASSETS LESS CURRENT LIABILITIES		49,699,928	49,183,595
CREDITORS: Amounts falling due after more than one year	17.	(11,687,819)	(11,957,916)
DEFERRED INCOME			
Social Housing Grants	19.	(31,776,573)	(31,574,481)
		(31,776,573)	(31,574,481)
NET ASSETS		6,235,536	5,651,198
EQUITY			
Share Capital	20.	57	57
Revenue Reserves		6,235,479	5,651,141
		6,235,536	5,651,198

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 04 July 2016.


Chairperson


Vice-Chairperson


Secretary

The notes on pages 13 to 27 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
Net Cash Inflow from Operating Activities	18.	960,454	1,240,261
Investing Activities			
Acquisition and Construction of Properties	(1,606,273)	(760,104)	
Purchase of Other Fixed Assets	(362,353)	(7,460)	
Social Housing Grant Received	630,236	65,554	
Social Housing Grant Repaid	-	(121,167)	
Proceeds on Disposal of Properties	158,481	224,422	
Proceeds on Disposal of Other Fixed Assets	-	272,125	
Net Cash Outflow from Investing Activities		(1,179,909)	(326,630)
Financing Activities			
Loan Advances Received	288,446	-	
Interest Received on Cash and Cash Equivalents	59,585	143,229	
Interest Paid on Loans	(346,762)	(354,875)	
Loan Principal Repayments	(508,532)	(422,425)	
Share Capital Issued	3	4	
Net Cash Outflow from Financing		(507,260)	(634,067)
(Decrease) / Increase in Cash		(726,715)	279,564
Opening Cash & Cash Equivalents		1,740,896	1,461,332
Closing Cash & Cash Equivalents		1,014,181	1,740,896
Cash and Cash equivalents as at 31 March 2016.			
Cash		1,014,181	1,740,896
Bank overdraft		-	-
		1,014,181	1,740,896

The notes on pages 13 to 27 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	56	5,004,343	5,004,399
Issue of Shares	4		4
Cancellation of Shares	(3)		(3)
Adjustment from transition to FRS 102		181,873	181,873
Surplus for Year		464,925	464,925
Balance as at 31st March 2015	57	5,651,141	5,651,198
Balance as at 1st April 2015	57	5,651,141	5,651,198
Issue of Shares	3		3
Cancellation of Shares	(3)		(3)
Unrealised movement on revaluation			-
Revaluation in year			-
Transfer to revenue Reserve on disposal		-	-
Surplus for Year		584,338	584,338
Balance as at 31st March 2016	57	6,235,479	6,235,536

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

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.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure 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 of the asset to which it relates.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

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.

<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 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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:-

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

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 a non-current asset disposals and any gain and 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.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Lochaber'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, is disclosed below:

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.

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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

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.

Pension deficit creditor

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Board feel this is the best available estimate of the past service liability.

Development Interest

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

Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Management Committee 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.

c) 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.

d) Financial Instrument Break Clause

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 Management Committee 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.

Financial Instruments - Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard

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

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 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	3,923,326	3,096,129	827,197	3,783,016	2,928,232	854,784
Other Activities	4.	116,883	161,706	(44,823)	100,708	134,745	(34,037)
Total		4,040,209	3,257,835	782,374	3,883,724	3,062,977	820,747

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared ownership £	2016 Total £	Restated 2015 Total £
Revenue from Lettings				
Rent Receivable Net of Service Charges	2,693,565	129,037	2,822,602	2,746,755
Service Charges	108,471	4,340	112,811	82,914
Gross income from rent and service charges	2,802,036	133,377	2,935,413	2,829,669
Less: Rent losses from voids	18,011	-	18,011	6,364
Net Rents Receivable	2,784,025	133,377	2,917,402	2,823,305
Grants released from deferred income	946,031	-	946,031	959,711
Revenue grants from Scottish Ministers	44,893	-	44,893	-
Other revenue grants	15,000	-	15,000	-
Total turnover from affordable letting activities	3,789,949	133,377	3,923,326	3,783,016
Expenditure on affordable letting activities				
Management and maintenance administration costs	841,482	21,031	862,513	808,048
Service Costs	132,094	3,946	136,040	79,492
Planned and cyclical maintenance, including major repairs	377,615	-	377,615	400,830
Reactive maintenance costs	298,816	-	298,816	328,722
Bad Debts - rents and service charges	20,936	-	20,936	10,207
Depreciation of affordable let properties	1,353,811	46,398	1,400,209	1,300,933
Operating costs of affordable letting activities	3,024,754	71,375	3,096,129	2,928,232
Operating surplus on affordable letting activities	765,195	62,002	827,197	854,784
2015	737,872	116,912		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF REVENUE, 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	Operating Costs Other	Operating Surplus / (Deficit) 2016	Operating Surplus / (Deficit) 2015
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	-	-	(15,000)
Care and Repair of Property	-	-	-	15,736	15,736	15,736	43,249	(27,513)	(34,321)
Development and construction of property activities	-	-	-	-	-	-	36,498	(36,498)	-
Other Agency or Management Services	-	-	-	13,502	13,502	13,502	13,502	-	-
Commercial Rents	-	-	-	22,574	22,574	22,574	3,386	19,188	18,158
Other Income	-	-	-	65,071	65,071	65,071	65,071	-	-
Loss on disposal of fixed asset	-	-	-	-	-	-	-	-	(2,874)
Total From Other Activities	-	-	-	116,883	116,883	116,883	161,706	(44,823)	(34,037)
2015	-	-	-	100,708	100,708	100,708	134,745	(34,037)	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

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.

	2016	2015
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>68,703</u>	<u>67,687</u>
No Pension contributions were made to Officers receiving greater than £60,000		
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,192</u>	<u>5,115</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>68,703</u>	<u>67,687</u>
Total Compensation paid to key management personnel	<u>174,758</u>	<u>172,174</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	<u>1</u>	<u>1</u>

6. EMPLOYEE INFORMATION

	2016	2015
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>15</u>
The average total number of Employees employed during the year was	<u>17</u>	<u>16</u>
Staff Costs were:	£	£
Wages and Salaries	450,253	400,680
Social Security Costs	48,306	48,300
Other Pension Costs	32,021	31,260
	<u>530,580</u>	<u>480,240</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2016	2015
	£	£
Sales Proceeds	158,481	224,422
Cost of Sales	51,311	171,141
Gain On Sale Of Housing Stock	<u>107,170</u>	<u>53,281</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	<u>346,762</u>	<u>354,875</u>

9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,401,903	1,333,006
Auditors' Remuneration - Audit Services	10,867	9,280
Operating Lease Rentals - Land & Buildings	35,930	35,930
Operating Lease Rentals - Other	7,536	7,412
Gain on sale of fixed assets	-	50,406

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

	2016	2015
	£	£
Unwinding of Discounted Liabilities	<u>18,029</u>	<u>15,579</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Leasehold Property £	Total £
COST					
As at 1st April 2015	57,297,415	568,159	2,590,134	185,102	60,640,810
Additions	536,356	1,069,917	-	-	1,606,273
Disposals	(193,547)	-	-	-	(193,547)
Schemes Completed	-	-	-	-	-
As at 31st March 2016	<u>57,640,224</u>	<u>1,638,076</u>	<u>2,590,134</u>	<u>185,102</u>	<u>62,053,536</u>
DEPRECIATION					
As at 1st April 2015	11,546,221	-	796,153	92,551	12,434,925
Charge for Year	1,309,086	-	46,398	9,255	1,364,739
Disposals	(106,767)	-	-	-	(106,767)
As at 31st March 2016	<u>12,748,540</u>	<u>-</u>	<u>842,551</u>	<u>101,806</u>	<u>13,692,897</u>
NET BOOK VALUE					
As at 31st March 2016	<u>44,891,684</u>	<u>1,638,076</u>	<u>1,747,583</u>	<u>83,296</u>	<u>48,360,639</u>
As at 31st March 2015	<u>45,751,194</u>	<u>568,159</u>	<u>1,793,981</u>	<u>92,551</u>	<u>48,205,885</u>

Additions to housing properties includes capitalised development administration costs of £nil (2015 - £nil) and capitalised major repair costs to existing properties of £536,356 (2015 £609,247)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £ 536,356. The amount capitalised is £536,356, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £536,356 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £34,148,931 (2015 - £34,708,275).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)				
b) Other Tangible Assets				
	Commercial Premises £	Office Furniture & Equipment £	Office Improvements £	Total £
COST				
As at 1st April 2015	-	220,317	320,522	540,839
Additions	327,010	35,343	-	362,353
Eliminated on Disposals	-	-	-	-
As at 31st March 2016	327,010	255,660	320,522	903,192
AGGREGATE DEPRECIATION				
As at 1st April 2015	-	180,995	137,952	318,947
Charge for year	-	14,921	22,243	37,164
Eliminated on disposal	-	-	-	-
As at 31st March 2016	-	195,916	160,195	356,111
NET BOOK VALUE				
As at 31st March 2016	327,010	59,744	160,327	547,081
As at 31st March 2015	-	39,322	182,570	221,892

13. CAPITAL COMMITMENTS		
	2016 £	2015 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	3,041,563	-

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

14. COMMITMENTS UNDER OPERATING LEASES		
	2016 £	2015 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Land and Buildings		
Expiring within one year	-	-
Expiring between two and five years	-	-
Expiring in over five years	322,000	368,000
Other		
Not later than one year	729	-
Later than one year and not later than five years	18,237	26,502
Later than five years	-	-

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of Rent & Service Charges	99,168	93,610
Less: Provision for Doubtful Debts	<u>(52,536)</u>	<u>(48,664)</u>
	46,632	44,946
Social Housing Grant Receivable	486,016	74,215
Other Receivables	289,604	300,603
Amounts Due from Group Undertakings	<u>178,600</u>	<u>101,233</u>
	<u>1,010,852</u>	<u>520,997</u>

16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing Loans	419,937	402,620
Trade Payables	89,442	6,331
Rent in Advance	64,381	212,093
Social Housing Grant in Advance	470,556	576,642
Other Taxation and Social Security	38,382	18,209
Other Payables	44,455	36,548
Liability for Past Service Contributions	51,928	50,205
Accruals and Deferred Income	<u>127,218</u>	<u>213,427</u>
	<u>1,306,299</u>	<u>1,516,075</u>

At the balance sheet date there were pension contributions outstanding of £9,299 (2015 £nil)

17. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Liability for Past Service Contributions	267,741	300,435
Housing Loans	<u>11,420,078</u>	<u>11,657,481</u>
	<u>11,687,819</u>	<u>11,957,916</u>
<i>Housing Loans</i>		
Amounts due within one year	419,937	402,620
Amounts due in one year or more but less than two years	430,304	411,773
Amounts due in two years or more but less than five years	1,357,543	1,293,893
Amounts due in more than five years	<u>9,632,231</u>	<u>9,951,815</u>
	<u>11,840,015</u>	12,060,101
Less: Amount shown in Current Liabilities	<u>419,937</u>	402,620
	<u>11,420,078</u>	<u>11,657,481</u>
<i>Liability for Past Service Contributions</i>		
Amounts due within one year	51,928	50,205
Amounts due in one year or more but less than two years	54,051	49,923
Amounts due in two years or more but less than five years	163,309	153,600
Amounts due in more than five years	<u>50,381</u>	<u>96,912</u>
	<u>319,669</u>	<u>350,640</u>

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

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Royal Bank of Scotland	Standard Security over 235 properties	5.99%	2036	fixed
Royal Bank of Scotland	Standard Security over 0 properties	0.97%	2038	variable
Royal Bank of Scotland	Standard Security over 0 properties	4.99%	2040	fixed
Royal Bank of Scotland	Standard Security over 0 properties	2.34%	2042	variable
Nationwide	Standard Security over 299 properties	0.94%	2026	variable
Nationwide	Standard Security over 0 properties	0.94%	2036	variable
Nationwide	Standard Security over 0 properties	0.94%	2027	variable
Nationwide	Standard Security over 0 properties	0.94%	2035	variable
Nationwide	Standard Security over 0 properties	0.94%	2035	variable
Tiodus Bank	Standard Security over 0 properties	3.50%	2040	variable
Social Investment Scotland	Standard Security over 0 properties	7.00%	2026	fixed

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.635% (2015 - 3.58%)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31st march 2016</i>	2016 £	2015 £
Operating Surplus	782,374	820,747
Depreciation	1,420,056	1,333,006
Change in properties developed for resale	(63,474)	-
Amortisation of Capital Grants	(946,031)	(959,711)
Change in debtors	(78,054)	(64,999)
Change in creditors	(136,385)	123,925
Gain on sale of fixed assets	-	2,875
Unwinding of Discount on Pension Liability	(18,029)	(15,579)
Share Capital Written Off	(3)	(3)
Balance as at 31st March 2016	<u>960,454</u>	<u>1,240,261</u>

19. DEFERRED INCOME

<i>Social Housing Grants</i>	2016 £	2015 £
Balance as at 1st April 2015	31,574,481	32,543,551
Additions in year	1,148,123	73,564
Released / Repaid as the result of property disposal	-	(82,923)
Amortisation in Year	(946,031)	(959,711)
Balance as at 31st March 2016	<u>31,776,573</u>	<u>31,574,481</u>
Total	<u>31,776,573</u>	<u>31,574,481</u>

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

	2,016 £	2,015 £
Amounts due within one year	946,031	959,711
Amounts due in one year or more	30,830,542	30,614,770
	<u>31,776,573</u>	<u>31,574,481</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2015	57
Issued in year	3
Cancelled in year	(3)
	<hr/>
At 31st March 2016	57

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.

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2016	2015
	No.	No.
General Needs - New Build	640	641
Shared Ownership	57	57
	<hr/>	<hr/>
	697	698

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY TRANSACTIONS

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

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.

Transactions with governing body members (and their close family) were as follows:

Rent Received from Tenants on the Committee	£ 4,283
Factoring Charges received from owners on the Committee	0

At the year end total rent arrears owed by the tenant members of the Committee were £nil

At the year end total factoring arrears owed by the factored owners of the Committee were £nil

The chief executive of Lochaber Housing Association is a committee member of Lochaber Credit Union. During the year, the Association provided a grant of £15,000 to support the growth and development of the credit union.

Lochaber Housing Association has the right to nominate a Trustee to the Board of The Highlands Small Communities Housing Trust. The Association entered into a 3 year agreement with the Trust whereby the Trust provides housing development services. During 2015-16, the total charged to Lochaber Housing Association was £36,000.

23. 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 101 High Street, Fort William, PH33 6DG.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Fort William.

24. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £nil in the year by way of reimbursement of expenses (2015 - £nil). No remuneration is paid to Board members in respect of their duties in the Association.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INVESTMENTS

	2016	2015
	£	£
Investments in Subsidiaries		
As at 31st March 2016 & 31st March 2015	10,000	10,000

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

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

During the year, Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,197,449 (2015: £1,353,740). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services CIC for the year amounting to £25,945 (2015: £25,288) and defrayed expenses on behalf of Lochaber Housing Association Property Services CIC amounting to £698,573 (2015: £601,861), which were subsequently reimbursed. The Association paid a grant of £25,000 (2015: £25,000) to Lochaber Care and Repair as a contribution to administration costs. Lochaber Property Services CIC made a donation to Lochaber Housing Association of £128,000 (2015: £128,000).

The aggregate amount of capital and reserves and the results of Lochaber Care and Repair Limited for the year ended 31st March 2016 were as follows:

	2016	2015
	£	£
Capital & Reserves	86,984	71,242
Surplus for the year	15,742	7,177

The aggregate amount of capital and reserves and the results of Lochaber Housing Association Property Services CIC for the year ended 31st March 2016 were as follows:

	2016	2015
	£	£
Capital & Reserves	68,538	57,979
Profit for the year	10,559	782

The Association participates in a shared equity arrangement at 31 March 2016. At this date the Association has expended £936698 on shared equity properties.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

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.

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 FRS102 represents the employer contribution payable.

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

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

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.

All employer's in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £319,669 (2015 - £350,568). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 4%.

The Association made payments totalling £50968 (2015: £49533) to the pension scheme during the year.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves							
At 31 March 2015				At 31 March 2014			
Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£	£	£	£
Non Current Assets	57,700,867	(9,273,090)	48,427,777	57,984,902	(8,458,488)	49,526,414	
Investment	10,000	-	10,000	10,000	-	10,000	
Debtors due after more than a year	-	-	-	-	-	-	
Negative Goodwill	-	-	-	-	-	-	
Current Assets	2,261,893	-	2,261,893	1,908,810	-	1,908,810	
Current Liabilities	(1,455,278)	(60,797)	(1,516,075)	(1,331,733)	(9,531)	(1,341,264)	
Non Current Liabilities	(11,657,481)	(300,435)	(11,957,916)	(12,086,670)	(384,594)	(12,471,264)	
Deferred Income	(41,607,841)	10,033,360	(31,574,481)	(41,698,075)	9,154,524	(32,543,551)	
	5,252,160	399,038	5,651,198	4,787,234	301,911	5,089,145	
Capital & Reserves	(5,252,160)	(399,038)	(5,651,198)	(4,787,234)	(301,911)	(5,089,145)	

Reconciliation of Retained Surpluses for the Year				
Year Ended 31 March 2015				
Note	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£
Revenue		2,924,013	959,711	3,883,724
Operating Costs		(2,300,718)	(762,259)	(3,062,977)
Other Income		53,281	-	53,281
Exceptional item		-	-	-
Interest Receivable		143,224	-	143,224
Interest Payable		(354,875)	-	(354,875)
Change in Fair Value of Financial Inst.		-	-	-
Other Finance Income / Costs		-	(15,579)	(15,579)
		464,925	181,873	646,798
Surplus		464,925	181,873	646,798

Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A