



Alexander Sloan
Accountants and Business Advisers

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2017

Registered Housing Association No.HAL 151

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 2017

BOARD OF MANAGEMENT

Di Alexander	
Andrew Carr	Vice-Chair
Hugh Donaldson	Chair
Alex Farquar	Secretary
Roger Gibbins	
Bren Gormley	Councillor
Jenni Hodgson	
Catriona Hunter	
Lyn Kilpatrick	
Brian Murphy	Councillor
Jean Sinclair	Tenant
Stuart Reid	appointed 11 May 2016, Treasurer
Jaqui Wight	

EXECUTIVE OFFICERS

Blair Allan	Chief Executive
Margaret Moynihan	Head of Housing and 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

FINANCE AGENTS

David Smith
Chartered Accountant
Keppoch
Croft Road
Oban
PA34 5JN

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2017.

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
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

This has been another successful year for our new build development ambitions. In partnership with the Highland Small Communities Housing Trust, we have delivered new build affordable housing opportunities in Kilchoan; Lochyside, Fort William; and Strontian. In addition we started on site with a further two projects in Fort William and one in Duror. Our development activity has been supported by strategic partnership with not only the HSCHT but with the Scottish Government and Highland Council, enhanced through weekly planning and operational meetings of the Highland Housing Hub. Together with these partners we hope that our current and future development programme can assist in achieving the government's ambitious targets for 2015 – 2020 and assist in maximising Lochaber's share of the available funding.

During the year we refreshed our Business Plan to take us from 2016 to 2019 and through this process reviewed our strategic objectives and core values. Our Business Plan continues to show medium and long term enhanced viability, and our regulatory engagement level continues to be low.

Our main income is our rents. During the year we completed a review of our rent setting policy in order to harmonise rents in the interests of fairness. This involved a comprehensive tenant wide consultation, resulting in high levels of agreement with our proposals, which included a commitment to ensuring that our rents never exceed 25% of a household's gross income based on earning the minimum wage.

Our Your Voice group assisted us throughout the year in a number of policy development issues including a revised Pets Policy, as well as producing our annual tenant's performance report, Tenant Talk. The Group offered its guidance in connection with the establishment of our new in-house grounds maintenance service, operated through our subsidiary, LHA Property Services CIC as well as taking part in a scrutiny exercise in relation to voids management.

We were pleased to receive the results of an independently run comprehensive tenants' satisfaction survey in 2016, which confirmed high levels of tenant satisfaction across a range of indicators.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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.

Going forward, our greatest challenge and opportunity relates to our new build development activity. In March 2017, with the financial support of the Scottish Government, we acquired a substantial site in the Upper Achintore area of Fort William, which is capable of delivering 300 affordable units, alongside other low cost home ownership tenures, private sector opportunities and commercial development. Our current target is to complete an average of 30 affordable homes each year – we will be starting on site this year with approximately 100 units. In the light of the considerable economic development driven by Liberty House in Fort we will be assessing our capacity and revising our growth ambitions.

Key to this will be our continuing relationship with the Highlands Small Communities Housing Trust, with whom we partner through a development agency services agreement. This has worked well for the past three years and we intend to renew this partnership when we agree a refreshed development agreement in 2017.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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 requires 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 member of 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 2017

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 2017. 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



ALEX FARQUAR

Secretary

10 July 2017

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS 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 issued 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 Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management'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 .



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
10 July 2017



Alexander Sloan
Accountants and Business Advisers



We have audited the financial statements of Lochaber Housing Association Limited for the year ended 31st March 2017 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 standards 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 Financial Reporting Council's (FRC) 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for 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 2017 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.

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 Board of Management'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
10 July 2017



Alexander Sloan
Accountants and Business Advisers

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
REVENUE	2.		4,303,591		4,040,209
Operating Costs	2.		(3,375,284)		(3,257,835)
OPERATING SURPLUS	9.		928,307		782,374
Gain On Sale Of Housing Stock	7.	252,213		107,170	
Interest Receivable and Other Income		14,316		59,585	
Interest Payable and Similar Charges	8.	(346,917)		(346,762)	
Other Finance Charges	10.	(18,332)		(18,029)	
			(98,720)		(198,036)
SURPLUS FOR YEAR			829,587		584,338

The notes on pages 13 to 28 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	11.(a)		51,933,115		48,360,639
Other Non Current Assets	11.(b)		680,590		547,081
			<u>52,613,705</u>		<u>48,907,720</u>
INVESTMENTS					
Investment in subsidiaries	25.	10,000		10,000	
			10,000		10,000
CURRENT ASSETS					
Receivables	15.	610,406		1,010,852	
Development Cost of Housing Property	25.	221,370		63,474	
Investments	25.	1,200,000			
Cash at bank and in hand		2,660,569		1,014,181	
		<u>4,692,345</u>		<u>2,088,507</u>	
CREDITORS: Amounts falling due within one year	16.	<u>(1,809,195)</u>		<u>(1,306,299)</u>	
NET CURRENT ASSETS			<u>2,883,150</u>		<u>782,208</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			55,506,855		49,699,928
CREDITORS: Amounts falling due after more than one year	17.		(14,343,537)		(11,687,819)
DEFERRED INCOME					
Social Housing Grants	19.	<u>(34,098,184)</u>		<u>(31,776,573)</u>	
			<u>(34,098,184)</u>		<u>(31,776,573)</u>
NET ASSETS			<u>7,065,134</u>		<u>6,235,536</u>
EQUITY					
Share Capital	20.		68		57
Revenue Reserves			7,065,066		6,235,479
			<u>7,065,134</u>		<u>6,235,536</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 10 July 2017.


Chairperson


Treasurer


Secretary

The notes on pages 13 to 28 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
Net Cash Inflow from Operating Activities	18.	1,265,635	960,454
Investing Activities			
Acquisition and Construction of Properties	(5,334,317)	(1,606,273)	
Purchase of Other Fixed Assets	(176,376)	(362,353)	
Social Housing Grant Received	3,939,440	630,236	
Social Housing Grant Repaid	(200,794)	-	
Changes on short term deposits with banks	(1,200,000)	-	
Proceeds on Disposal of Properties	608,260	158,481	
Proceeds on Disposal of Other Fixed Assets	(681)	-	
Net Cash Outflow from Investing Activities		(2,364,468)	(1,179,909)
Financing Activities			
Loan Advances Received	3,511,990	288,446	
Interest Received on Cash and Cash Equivalents	14,316	59,585	
Interest Paid on Loans	(346,917)	(346,762)	
Loan Principal Repayments	(434,179)	(508,532)	
Share Capital Issued	11	3	
Net Cash Inflow / (Outflow) from Financing		2,745,221	(507,260)
Increase / (decrease) in Cash		1,646,388	(726,715)
Opening Cash & Cash Equivalents		1,014,181	1,740,896
Closing Cash & Cash Equivalents		2,660,569	1,014,181
Cash and Cash equivalents as at 31 March 2017.			
Cash		2,660,569	1,014,181
		2,660,569	1,014,181

The notes on pages 13 to 28 form part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2015	57	5,651,141	5,651,198
Issue of Shares	3		3
Cancellation of Shares	(3)		(3)
Surplus for Year		584,338	584,338
Balance as at 31 March 2016	<u>57</u>	<u>6,235,479</u>	<u>6,235,536</u>
Balance as at 1st April 2016	57	6,235,479	6,235,536
Issue of Shares	11		11
Surplus for Year		829,587	829,587
Balance as at 31 March 2017	<u>68</u>	<u>7,065,066</u>	<u>7,065,134</u>

The reserves opening balance at 1st January 2015 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 2017

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

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

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

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

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

Retirement Benefits

The Association participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides 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 a 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 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.

Component	Useful Economic Life
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 2017 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)
Commercial Property	- 2%

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

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 Board of Management to exercise judgement in applying Lochaber Housing Association Limited 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:

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

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

Works to Existing Properties

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

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) The Categorisation of Housing Properties

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

b) Identification of cash generating units

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

c) Financial instrument break clauses

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

d) Pension Liability

In March 2017 the Association received details from the Pension Trust of the final 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 of Management feel this is the best available estimate of the past service liability.

Financial Instruments - Basic

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

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

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 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Notes	2017			2016		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3,954,617	2,965,649	988,968	3,923,326	3,096,129	827,197
Other Activities	348,974	409,635	(60,661)	116,883	161,706	(44,823)
Total	4,303,591	3,375,284	928,307	4,040,209	3,257,835	782,374

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared ownership £	2017 Total £	2016 Total £
Revenue from Lettings				
Rent Receivable Net of Service Charges	2,743,050	131,380	2,874,430	2,822,602
Service Charges	119,768	4,340	124,108	112,811
Gross income from rent and service charges	2,862,818	135,720	2,998,538	2,935,413
Less: Rent losses from voids	12,273	-	12,273	18,011
Net Rents Receivable	2,850,545	135,720	2,986,265	2,917,402
Grants released from deferred income	868,932	43,823	912,755	946,031
Revenue grants from Scottish Ministers	55,597	-	55,597	44,893
Other revenue grants	-	-	-	15,000
Total turnover from affordable letting activities	3,775,074	179,543	3,954,617	3,923,326
Expenditure on affordable letting activities				
Management and maintenance administration costs	833,827	20,711	854,538	862,513
Service Costs	128,276	3,946	132,222	136,040
Planned and cyclical maintenance, including major repairs	255,611	-	255,611	377,615
Reactive maintenance costs	306,746	-	306,746	298,816
Bad Debts - rents and service charges	15,203	-	15,203	20,936
Depreciation of affordable let properties	1,357,096	44,233	1,401,329	1,400,209
Operating costs of affordable letting activities	2,896,759	68,890	2,965,649	3,096,129
Operating surplus on affordable letting activities	878,315	110,653	988,968	827,197
2016	765,195	62,002		

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£
Care and Repair	-	15,863	15,863	-	87,359	(71,496)	(27,513)
Contracted out services undertaken for other RSLs	-	13,569	13,569	-	13,569	-	-
Other income	-	39,531	39,531	-	39,531	-	-
Agency or management services	-	26,337	26,337	-	26,337	-	-
Uncapitalised development administration costs	-	-	-	-	54,773	(54,773)	-
Development and construction of property activities	-	195,250	195,250	-	174,763	20,487	(36,498)
Commercial Rents	-	58,424	58,424	-	13,303	45,121	19,188
Total From Other Activities	-	348,974	348,974	-	409,635	(60,661)	(44,823)
2016	-	116,883	116,883	-	161,706	(44,823)	

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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.

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>69,390</u>	<u>68,703</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,157</u>	<u>5,192</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>69,390</u>	<u>68,703</u>
Total Emoluments paid to key management personnel	<u>176,506</u>	<u>174,758</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

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>17</u>	<u>16</u>
The average total number of Employees employed during the year was	<u>20</u>	<u>17</u>
Staff Costs were:	£	£
Wages and Salaries	464,929	450,253
Social Security Costs	51,171	48,306
Other Pension Costs	40,879	32,021
	<u>556,979</u>	<u>530,580</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	608,260	158,481
Cost of Sales	360,512	51,311
Gain On Sale Of Housing Stock	<u>247,748</u>	<u>107,170</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>346,917</u>	<u>346,762</u>

9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	1,431,874	1,437,373
Auditors' Remuneration - Audit Services	11,381	10,867
Operating Lease Rentals - Land & Buildings	37,700	35,930
Operating Lease Rentals - Other	7,303	7,536
Gain on sale of fixed assets	<u>(247,067)</u>	<u>(107,170)</u>

10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	<u>18,332</u>	<u>18,029</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. 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 2016	57,640,224	1,638,076	2,590,134	185,102	62,053,536
Additions	484,439	4,849,878	-	-	5,334,317
Disposals	(448,730)	-	(113,038)	-	(561,768)
Schemes Completed	1,733,073	(1,733,073)	-	-	-
As at 31st March 2017	59,409,006	4,754,881	2,477,096	185,102	66,826,085
DEPRECIATION					
As at 1st April 2016	12,748,540	-	842,551	101,806	13,692,897
Charge for Year	1,335,519	-	44,233	9,255	1,389,007
Disposals	(166,326)	-	(22,608)	-	(188,934)
As at 31st March 2017	13,917,733	-	864,176	111,061	14,892,970
NET BOOK VALUE					
As at 31st March 2017	45,491,273	4,754,881	1,612,920	74,041	51,933,115
As at 31st March 2016	44,891,684	1,638,076	1,747,583	83,296	48,360,639

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £484,439 (2016 - £536,356)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,046,796. The amount capitalised is £484,439, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £484,439 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £37,312,525 (2016 - £34,148,931).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Commercial Property £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2016	327,010	320,522	255,660	903,192
Additions	170,306	-	6,070	176,376
As at 31st March 2017	497,316	320,522	261,730	1,079,568
AGGREGATE DEPRECIATION				
As at 1st April 2016	-	160,195	195,916	356,111
Charge for year	7,460	22,244	13,163	42,867
As at 31st March 2017	7,460	182,439	209,079	398,978
NET BOOK VALUE				
As at 31st March 2017	489,856	138,083	52,651	680,590
As at 31st March 2016	327,010	160,327	59,744	547,081

12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	576,780	3,041,563

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

	2017 £	2016 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Land and Buildings		
Not later than one year	46,000	46,000
Later than one year and not later than five years	184,000	184,000
Later than five years	46,000	92,000
Other		
Not later than one year	10,015	6,808
Later than one year and not later than five years	21,526	12,158

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 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Arrears of Rent & Service Charges	110,141	99,168
Less: Provision for Doubtful Debts	(55,080)	(52,536)
	<u>55,061</u>	<u>46,632</u>
Social Housing Grant Receivable	22,996	486,016
Other Receivables	349,124	299,604
Amounts Due from Group Undertakings	183,225	178,600
	<u>610,406</u>	<u>1,010,852</u>

16. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Housing Loans	782,596	419,937
Trade Payables	34,506	89,442
Rent in Advance	66,451	64,381
Social Housing Grant in Advance	511,817	470,556
Other Taxation and Social Security	29,508	38,382
Other Payables	25,546	44,455
Liability for Past Service Contributions	55,869	51,928
Accruals and Deferred Income	302,902	127,218
	<u>1,809,195</u>	<u>1,306,299</u>

At the balance sheet date there were pension contributions outstanding of £10,696 (2016 £9,299).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	229,582	267,741
Housing Loans	14,113,955	11,420,078
	14,343,537	11,687,819
Housing Loans		
Amounts due within one year	782,596	419,937
Amounts due in one year or more but less than two years	516,724	430,304
Amounts due in two years or more but less than five years	1,606,418	1,357,543
Amounts due in more than five years	11,990,813	9,632,231
	14,896,551	11,840,015
Less: Amount shown in Current Liabilities	782,596	419,937
	14,113,955	11,420,078
Liability for Past Service Contributions		
Amounts due within one year	55,869	51,928
Amounts due in one year or more but less than two years	56,941	54,051
Amounts due in two years or more but less than five years	172,641	163,309
Amounts due in more than five years	-	50,381
	285,451	319,669
Less: Amount shown in Current Liabilities	55,869	51,928
	229,582	267,741

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	0.74%	2036	variable
Royal Bank of Scotland	Standard Security over 0 properties	0.75%	2038	variable
Royal Bank of Scotland	Standard Security over 0 properties	4.99%	2040	fixed
Royal Bank of Scotland	Standard Security over 0 properties	2.12%	2042	variable
Nationwide	Standard Security over 299 properties	0.72%	2026	variable
Nationwide	Standard Security over 0 properties	0.72%	2036	variable
Nationwide	Standard Security over 0 properties	0.72%	2027	variable
Nationwide	Standard Security over 0 properties	0.72%	2035	variable
Nationwide	Standard Security over 0 properties	0.72%	2035	variable
Triodus Bank	Standard Security over 0 properties	3.50%	2040	variable
Social Investment Scotland	Standard Security over 0 properties	7.00%	2026	fixed
Allia	Standard Security over 0 properties	2.50%	2027	fixed
CAF Bank	Standard Security over 31 properties	2.00%	2040	variable

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 1.06% (2015 - 2.64%)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

	2017 £	2016 £
Reconciliation of operating surplus to balance as at 31 March 2017		
Operating Surplus	928,307	782,374
Depreciation	1,444,196	1,420,056
Change in properties developed for resale	(157,896)	(63,474)
Amortisation of Capital Grants	(957,535)	(946,031)
Change in debtors	(62,574)	(78,054)
Change in creditors	89,469	(136,385)
Unwinding of Discount on Pension Liability	(18,332)	(18,029)
Share Capital Written Off	-	(3)
Balance as at 31 March 2017	<u>1,265,635</u>	<u>960,454</u>

19. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Properties £	Leasehold Properties £	Total £
Social Housing Grants					
Balance as at 1st April 2016	38,529,953	1,632,281	2,191,169	122,948	42,476,351
Additions in the year	-	3,435,159	-	-	3,435,159
Transferred	1,267,242	(1,267,242)	-	-	-
Eliminated on disposal	(193,612)	-	(98,170)	-	(291,782)
Balance as at 31st March 2017	<u>39,603,583</u>	<u>3,800,198</u>	<u>2,092,999</u>	<u>122,948</u>	<u>45,619,728</u>
Amortisation					
Balance as at 1st April 2016	9,838,005	-	794,152	67,621	10,699,778
Amortisation in year	907,565	-	43,823	6,147	957,535
Eliminated on disposal	(116,135)	-	(19,634)	-	(135,769)
Balance as at 31st March 2017	<u>10,629,435</u>	<u>-</u>	<u>818,341</u>	<u>73,768</u>	<u>11,521,544</u>
Net book value					
Balance as at 31st March 2017	<u>28,974,148</u>	<u>3,800,198</u>	<u>1,274,658</u>	<u>49,180</u>	<u>34,098,184</u>
Balance as at 31st March 2016	<u>28,691,948</u>	<u>1,632,281</u>	<u>1,397,017</u>	<u>55,327</u>	<u>31,776,573</u>

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

	2017 £	2016 £
Amounts due within one year	957,535	946,031
Amounts due after more than one year	33,140,649	30,830,542
	<u>34,098,184</u>	<u>31,776,573</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid

At 1st April 2016

Issued in year

Cancelled in year

At 31st March 2017

£

57

11

-

68

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:-

General Needs - Built by Association

Shared Ownership

2017

No.

645

56

701

2016

No.

640

57

697

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position 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 is made at arm's length and under normal commercial terms.

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

	£
Rent and factoring received from Tenants on the Committee and their close family members	7,229

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family) were £122

Members of the Committee who are tenants	1
Members of the Committee who are local councillors	2

The following transactions took place during the year between the Association and its related parties:

The chief executive of Lochaber Housing Association is a Board of Management member of the local credit union. During the year, the Association provided a grant of £nil (2016 - £15,000) to support the growth and development of the credit union.

The Association is in partnership with the Highland Small Communities Housing Trust. This partnership provides housing development services and the charge to the Association per quarter is £9,000. Total £36,000 (2016 - £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 Lochaber.

24. GOVERNING BODY MEMBER EMOLUMENTS

Board of Management members received £3,689 in the year by way of reimbursement of expenses (2015 - £5,874). No remuneration is paid to Board of Management members in respect of their duties in the Association.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INVESTMENTS

	2017 £	2016 £
Investments in Subsidiaries		
As at 31st March 2017 & 31st March 2016	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 subsidiary Lochaber Care and Repair Limited & Lochaber Housing Association Property Services CIC. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,258,934 (2016: £1,197,449). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services CIC for the year amounting to £26,412 (2016: £25,945) and defrayed expenses on behalf of Lochaber Care and Repair Limited amounting to £275,770 (2016 - £226,431) and Lochaber Housing Association Property Services CIC amounting to £729,295 (2016: £698,573), which were subsequently reimbursed. The Association paid a grant of £50,580 (2016: £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 £50,000 (2016: £128,000).

The aggregate amount of capital and reserves and the results of Lochaber Care and Repair Limited for the year ended 31st March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	76,688	86,984
Loss for the year	(10,296)	15,742

The aggregate amount of capital and reserves and the results of Lochaber Housing Association Property Services CIC for the year ended 31st March 2017 were as follows:

	2017 £	2016 £
Capital & Reserves	75,769	68,538
Profit for the year	7,227	10,559
Short term deposits	1,200,000	-

The Association participates in a shared equity arrangement at 31 March 2017. At this date the Association has expended £221,370 on shared equity properties.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

Lochaber Housing Association Limited participated 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 Association has since moved to a defined contribution scheme but has a liability for the past service deficit in the defined benefit 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 valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m equivalent to a past service funding level of 76%.

The Scheme 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 employers 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 statement of financial position date the present value of this obligation was £285,451 (2016 - £319,669). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £51,928 (2016: £50,205) to the pension scheme during the year.

