



Alexander Sloan
Accountants and Business Advisers

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

Registered Housing Association No. HAL 151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

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LOCHABER HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2018

BOARD OF MANAGEMENT

Di Alexander	
Andrew Carr	Vice-Chair
Hugh Donaldson	Chair
Alex Farquar	Secretary
Roger Gibbins	Resigned May 2017
Bren Gormley	Councillor, resigned May 2017
Jenni Hodgson	
Catriona Hunter	
Lyn Kilpatrick	
Brian Murphy	Councillor, resigned May 2017
Jean Sinclair	Tenant
Stuart Reid	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

EXTERNAL AUDITORS

Alexander Sloan
Chartered Accountants
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

FINANCE AGENTS

David Smith
Chartered Accountants
Keppoch
Croft Road
Oban
PA34 5JN

BANKERS

Clydesdale Bank
58 High Street
Fort William
PH33 6AH

SOLICITORS

MacIntyre & Company
38 High Street
Fort William
PH33 6AT

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2018.

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

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

Review of Business and Future Developments

At the beginning of the year we refreshed our development services agreement for a further 3 years with the Highland Small Communities Housing Trust (HSCHT). This has continued to deliver for the Association; during the year we completed the development of 33 new affordable homes for rent and shared equity. Most of these were in Fort William although, reflecting our efforts in rural areas the year before, we did complete 4 new units in Duror on a partnership development with the HSCHT. In the year we also went on site with a further 29 units at the former primary school site in Lochyside, Fort William. This activity also reflects well on the supportive strategic partnerships we have 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 2016 – 2021.

In the year we undertook a strategic funding review which resulted in us rationalising our borrowing with Nationwide Building society, releasing security and taking further borrowing from the Unity Bank, which is to provide funding for 75 new affordable homes. This means that we have a fully funded development programme that will deliver 124 affordable units, mainly for social rent, including those under construction, between 2018 and 2023.

At the end of last financial year the Scottish Government funded us to acquire a substantial site at Upper Achintore in Fort William. Following an options appraisal the Association's Board agreed to enter in to a partnership with the Link Group through which Link HA will develop over 300 units for affordable rent on the site and Lochaber HA would provide management and maintenance services for the tenants. As at 31st March discussions in connection with these arrangements were at an advanced stage.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

Review of Business and Future Developments (Continued)

This proposal, coupled with the Association's own new build development plans, will mean that we will grow by over 50% over the next 5 years, bringing approximately 400 new properties in to management. This is a timely expansion of service provision, given the Scottish Government's targets, but also taking in to account the economic development activity in Fort William through the Liberty expansion with the associated expected inward migration to the area.

It has been a busy year for the Board steering this development activity and reviewing a range of policies across housing management, health and safety as well as development, most notably our new Development Strategy, Development Risk Policy and Procurement Policy.

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. For a number of years the Scottish Housing Regulator (SHR) has set a low level of engagement with the Association. At the end of the financial year the SHR revised this to a medium level of engagement for the coming year, 2018/19 because of the potential risk that our rate of development and growth may present. So the Regulator is looking for assurance in connection with our business planning and risk management going forward. We are looking forward to working with the Regulator on these issues and to providing appropriate assurances. Key to this will be our continuing relationships with the Highlands Small Communities Housing Trust, the Highland Council and the Scottish Government.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

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

The 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 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 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 Association's auditors are aware of that information.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2018

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 2018. 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

25 June 2018

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 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

Accountants and Business Advisers
Statutory Auditors
GLASGOW
25 June 2018



Alexander Sloan
Accountants and Business Advisers

LOCHABER HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Lochaber Housing Association Limited (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

LOCHABER HOUSING ASSOCIATION LIMITED

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

Responsibilities of the Board of Management

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

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


Auditor's responsibilities for the audit of the financial statements

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

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

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

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


ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
25 June 2018


Alexander Sloan
Accountants and Business Advisers

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
REVENUE	2	4,699,135	4,303,591
Operating Costs	2	(3,745,050)	(3,375,284)
OPERATING SURPLUS		954,085	928,307
Gain On Sale Of Housing Stock	7	227,948	252,213
Interest Receivable and Other Income		34,922	14,316
Interest Payable and Similar Charges	8	(333,327)	(346,917)
Other Finance Income / (Charges)	11	(1,000)	(18,332)
		(71,457)	(98,720)
SURPLUS FOR THE YEAR	9	882,628	829,587

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

All activities are in respect of continued operations

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017
		£	£	£
NON-CURRENT ASSETS				
Housing Properties - Depreciated Cost	12 (a)		52,691,370	51,933,115
Other Non-current Assets	12 (c)		662,132	680,590
			<u>53,353,502</u>	<u>52,613,705</u>
INVESTMENTS				
Investment in subsidiaries	25	10,000	10,000	
			<u>10,000</u>	<u>10,000</u>
CURRENT ASSETS				
Receivables	15	625,472	610,406	
Development Cost of Housing Property	25	552	221,370	
Investments	25	1,575,000	1,200,000	
Cash at bank and in hand		2,345,186	2,660,569	
		<u>4,546,210</u>	<u>4,692,345</u>	
CREDITORS: Amounts falling due within one year	16	<u>(1,679,530)</u>	<u>(1,809,195)</u>	
NET CURRENT ASSETS			<u>2,866,680</u>	<u>2,883,150</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>56,230,182</u>	<u>55,506,855</u>
CREDITORS: Amounts falling due after more than one year	17	<u>(14,294,236)</u>	<u>(14,343,537)</u>	
DEFERRED INCOME				
Social Housing Grants	19	(33,823,565)	(34,098,184)	
Other Grants	19	(164,620)	-	
		<u>(33,988,185)</u>	<u>(34,098,184)</u>	
NET ASSETS			<u>7,947,761</u>	<u>7,065,134</u>
EQUITY				
Share Capital	20		67	68
Revenue Reserves			7,947,694	7,065,066
			<u>7,947,761</u>	<u>7,065,134</u>

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 25 June 2018.

Committee Member

Committee Member

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 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
Net cash inflow from operating activities	18		1,675,031		1,265,635
Investing Activities					
Acquisition and Construction of Properties		(2,397,771)		(5,334,317)	
Purchase of Other Fixed Assets		(31,582)		(176,376)	
Social Housing Grant Received		828,324		3,939,440	
Social Housing Grant Repaid		-		(200,794)	
Other Grants Received		167,980		-	
Changes on short term deposits with banks		(375,000)		(1,200,000)	
Proceeds on Disposal of Properties		361,542		608,260	
Proceeds on Disposal of Other Fixed Assets		-		(681)	
Net cash outflow from investing activities			(1,446,507)		(2,364,468)
Financing Activities					
Loan Advances Received		401,008		3,511,990	
Interest Received on Cash and Cash Equivalents		34,922		14,316	
Interest Paid on Loans		(333,327)		(346,917)	
Loan Principal Repayments		(646,510)		(434,179)	
Share Capital Issued		-		11	
Net cash (outflow) / inflow from financing activities			(543,907)		2,745,221
(Decrease) / increase in cash			(315,383)		1,646,388
Opening Cash & Cash Equivalents			2,660,569		1,014,181
Closing Cash & Cash Equivalents			2,345,186		2,660,569
Cash and Cash equivalents as at 31 March					
Cash			2,345,186		2,660,569

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

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2016	57	6,235,479	6,235,536
Issue of Shares	11	-	11
Surplus for the year	-	829,587	829,587
Balance as at 31 March 2017	68	7,065,066	7,065,134
Balance as at 1 April 2017	68	7,065,066	7,065,134
Cancellation of Shares	(1)	-	(1)
Surplus for the year	-	882,628	882,628
Balance as at 31 March 2018	67	7,947,694	7,947,761

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

Basis of Consolidation

The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The financial statements for Lochaber Housing Association Limited present information about it as an individual undertaking and not about the group.

Revenue

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

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

Retirement Benefits

The Association participates in the Scottish Housing 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 has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

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.

The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Structure	50 years
Roof	50 years
Render	40 years
Heating	20 years
Hot water cylinder	10 years
External doors	25 years
Windows	25 years
Bathrooms	25 years
Kitchen	15 years

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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:

Asset Category	Depreciation Rate
Leasehold Improvements	Over the period of the lease
Furniture and Equipment	20% (reducing balance basis)
Commercial Property	2% straight line

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

Social Housing Grant and Other Grants in Advance/Arrears

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

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

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

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

Sales Of Housing Properties

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

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

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

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

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 the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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.

VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of VAT.

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 2018 the Association received details from the Pension Trust of the 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 feels 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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2018			2017		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Affordable letting activities	3	4,149,284	3,223,145	926,139	3,954,617	2,965,649	988,968
Other Activities	4	549,851	521,905	27,946	348,974	409,635	(60,661)
Total		4,699,135	3,745,050	954,085	4,303,591	3,375,284	928,307

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing		Shared Ownership	2018 Total	2017 Total
	£	£			
Revenue from Lettings					
Rent receivable net of service charges	2,933,672	131,920		3,065,592	2,874,430
Service charges receivable	124,718	4,282		129,000	124,108
Gross income from rent and service charges	3,058,390	136,202		3,194,592	2,998,538
Less: Rent losses from voids	12,644	-		12,644	12,273
Net Rents Receivable	3,045,746	136,202		3,181,948	2,986,265
Grants released from deferred income	946,537	4,094		950,631	912,755
Revenue grants from Scottish Ministers	16,705	-		16,705	55,597
Total turnover from affordable letting activities	4,008,988	140,296		4,149,284	3,954,617
Expenditure on affordable letting activities					
Management and maintenance administration costs	873,676	17,935		891,611	854,538
Service Costs	122,785	3,893		126,678	132,222
Planned and cyclical maintenance, including major repairs	336,520	-		336,520	255,611
Reactive maintenance costs	346,649	-		346,649	306,746
Bad Debts - rents and service charges	15,765	-		15,765	15,203
Depreciation of affordable let properties	1,463,530	42,392		1,505,922	1,401,329
Operating costs of affordable letting activities	3,158,925	64,220		3,223,145	2,965,649
Operating surplus on affordable letting activities	850,063	76,076		926,139	988,968
2017	878,315	110,653			

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 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) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Commercial leases	-	71,950	71,950	-	19,840	52,110	45,121
Care activities	-	16,339	16,339	-	41,691	(25,352)	(71,496)
Contracted out services undertaken for other organisations	-	13,705	13,705	-	13,705	-	-
Development of property for sale to RSLs - other operating costs	-	364,090	364,090	-	311,513	52,577	20,487
Agency or management services	-	27,127	27,127	-	27,127	-	-
Development administration	-	-	-	-	51,389	(51,389)	(54,773)
Other activities	-	56,640	56,640	-	56,640	-	-
Total From Other Activities	-	549,851	549,851	-	521,905	27,946	(60,661)
2017	-	348,974	348,974	-	409,635	(60,661)	

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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 Board of Management, managers and employees of the Association.

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

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

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

£60,001 to £70,000

	2018	2017
	£	£
	70,764	69,390
	6,935	6,157
	70,764	69,390
	179,771	176,506
	Number	Number
	1	1

6. EMPLOYEE INFORMATION

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

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

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

	2018	2017
	No.	No.
	17	17
	20	20
	£	£
	481,551	464,929
	56,666	51,171
	46,809	40,879
	585,026	556,979

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	361,542	608,260
Cost of Sales	133,594	356,047
Gain On Sale Of Housing Stock	<u>227,948</u>	<u>252,213</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
On Bank Loans & Overdrafts	<u>333,327</u>	<u>346,917</u>

9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	1,495,132	1,431,874
Auditors' Remuneration - Audit Services	8,719	11,381
Operating Lease Rentals - Land & Buildings	36,375	37,700
Operating Lease Rentals - Other	6,943	7,303
Gain on sale of fixed assets	<u>(227,948)</u>	<u>(252,213)</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

11. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	<u>1,000</u>	<u>18,332</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Leased Property £	Total £
COST					
As at 1 April 2017	59,409,006	4,754,881	2,477,096	185,102	66,826,085
Additions	589,052	1,808,719	-	-	2,397,771
Disposals	(320,499)	-	(103,552)	-	(424,051)
Schemes Completed	3,852,462	(3,852,462)	-	-	-
As at 31 March 2018	63,530,021	2,711,138	2,373,544	185,102	68,799,805
DEPRECIATION					
As at 1 April 2017	13,917,733	-	864,176	111,061	14,892,970
Charge for Year	1,393,445	-	42,392	9,255	1,445,092
Disposals	(188,206)	-	(41,421)	-	(229,627)
As at 31 March 2018	15,122,972	-	865,147	120,316	16,108,435
NET BOOK VALUE					
As at 31 March 2018	48,407,049	2,711,138	1,508,397	64,786	52,691,370
As at 31 March 2017	45,491,273	4,754,881	1,612,920	74,041	51,933,115

Additions to housing properties include capitalised development administration costs of £0 (2017 - £0) and capitalised major repair costs to existing properties of 596,815 (2017 - £484,439).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £3,080,940 (2017 - £1,046,796). The amount capitalised is £2,397,771 (2017 - £484,439) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £596,815 (2017 - £484,439) and improvement of £nil (2017 - £nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £32,479,643 (2017 - £37,312,525).

The depreciation charge on housing properties as shown above differs from that per Note 3 due to accelerated depreciation on component replacements.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. NON CURRENT ASSETS (Continued)

(c) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Commercial Property £	Total £
COST				
As at 1 April 2017	320,522	261,730	497,316	1,079,568
Additions	-	23,109	8,473	31,582
As at 31 March 2018	<u>320,522</u>	<u>284,839</u>	<u>505,789</u>	<u>1,111,150</u>
AGGREGATE DEPRECIATION				
As at 1 April 2017	182,439	209,079	7,460	398,978
Charge for year	<u>22,243</u>	<u>15,152</u>	<u>12,645</u>	<u>50,040</u>
As at 31 March 2018	<u>204,682</u>	<u>224,231</u>	<u>20,105</u>	<u>449,018</u>
NET BOOK VALUE				
As at 31 March 2018	<u>115,840</u>	<u>60,608</u>	<u>485,684</u>	<u>662,132</u>
As at 31 March 2017	<u>138,083</u>	<u>52,651</u>	<u>489,856</u>	<u>680,590</u>

13. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>2,763,949</u>	<u>576,780</u>

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

	2018 £	2017 £
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
Other		
Not later than one year	6,942	10,015
Later than one year and not later than five years	<u>13,208</u>	<u>21,526</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of Rent & Service Charges	125,123	110,141
Less: Provision for Doubtful Debts	(62,299)	(55,080)
	<u>62,824</u>	<u>55,061</u>
Social Housing Grant Receivable	18,246	22,996
Other Receivables	276,092	349,124
Amounts Due from Group Undertakings	268,310	183,225
	<u>625,472</u>	<u>610,406</u>

16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing Loans	529,698	782,596
Trade Payables	7,554	34,506
Rent Received in Advance	65,617	66,451
Social Housing Grant in Advance	662,738	511,817
Other Taxation and Social Security	34,078	29,508
Other Payables	21,225	25,546
Liability for Past Service Contributions	57,427	55,869
Accruals and Deferred Income	301,193	302,902
	<u>1,679,530</u>	<u>1,809,195</u>

At the balance sheet date there were pension contributions outstanding of £0 (2017 - £10,696).

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

	2018 £	2017 £
Liability for Past Service Contributions	172,885	229,582
Housing Loans	14,121,351	14,113,955
	<u>14,294,236</u>	<u>14,343,537</u>
Housing Loans		
Amounts due within one year	529,698	782,596
Amounts due in one year or more but less than two years	539,826	516,724
Amounts due in two years or more but less than five years	1,683,606	1,606,418
Amounts due in more than five years	11,897,919	11,990,813
	<u>14,651,049</u>	<u>14,896,551</u>
Less: Amount shown in Current Liabilities	529,698	782,596
	<u>14,121,351</u>	<u>14,113,955</u>
Liability for Past Service Contributions		
Amounts due within one year	57,427	55,869
Amounts due in one year or more but less than two years	58,576	56,941
Amounts due in two years or more but less than five years	114,309	172,641
	<u>230,312</u>	<u>285,451</u>
Less: Amount shown in Current Liabilities	57,427	55,869
	<u>172,885</u>	<u>229,582</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Royal Bank of Scotland	Standard security over 235 properties	0.90%	2036	Variable
Royal Bank of Scotland	No security over properties	0.98%	2038	Variable
Royal Bank of Scotland	No security over properties	4.99%	2040	Fixed
Royal Bank of Scotland	No security over properties	2.27%	2042	Variable
Nationwide	Standard security over 299 properties	0.87%	2033	Variable
Triodus Bank	No security over properties	2.00%	2041	Variable
Social Investment Scotland	No security over properties	7.00%	2026	Fixed
Allia	No security over properties	2.00%	2026	Variable
CAF Bank	Standard security over 31 properties	2.00%	2040	Variable

All of the Association's bank borrowings are repayable on 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 1.51% (2017 - 1.06%).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to net cash inflow from operating activities

	2018 £	2017 £
Operating Surplus	954,065	928,307
Depreciation	1,555,962	1,444,196
Change in properties developed for resale	220,818	(157,896)
Amortisation of Capital Grants	(950,632)	(957,535)
Change in debtors	(19,816)	(62,574)
Change in creditors	(84,385)	89,469
Unwinding of Discount on Pension Liability	(1,000)	(18,332)
Share Capital Written Off	(1)	-
Net cash inflow from operating activities	1,675,031	1,265,635

19. DEFERRED INCOME

	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Leased Property £	Total £
Social Housing Grants					
As at 1 April 2017	39,603,583	3,800,198	2,092,999	122,948	45,619,728
Additions in the year	-	823,574	-	-	823,574
Eliminated on disposal of components and property	(209,100)	-	(85,247)	-	(294,347)
Transferred	2,271,056	(2,271,056)	-	-	-
As at 31 March 2018	41,665,539	2,352,716	2,007,752	122,948	46,148,955
Amortisation					
As at 1 April 2017	10,629,435	-	818,341	73,768	11,521,544
Amortisation in year	941,399	-	40,155	6,147	981,554
Eliminated on disposal	(147,794)	-	(36,061)	-	(177,708)
As at 31 March 2018	11,423,040	-	822,435	79,915	12,325,390
Net book value					
As at 31 March 2018	30,242,499	2,352,716	1,185,317	43,033	33,823,565
As at 31 March 2017	28,974,148	3,800,198	1,274,658	49,180	34,098,184
Other Grants					
As at 1 April 2017	-	-	-	-	-
Additions in the year	167,980	-	-	-	167,980
Eliminated on disposal of components and property	-	-	-	-	-
Transferred	-	-	-	-	-
As at 31 March 2018	167,980	-	-	-	167,980
Amortisation					
As at 1 April 2017	-	-	-	-	-
Amortisation in year	3,360	-	-	-	3,360
Eliminated on disposal	-	-	-	-	-
As at 31 March 2018	3,360	-	-	-	3,360
Net book value					
As at 31 March 2018	164,620	-	-	-	164,620
As at 31 March 2017	-	-	-	-	-
Total grants net book value as at 31 March 2018	30,407,119	2,352,716	1,185,317	43,033	33,988,185
Total grants net book value as at 31 March 2017	28,974,148	3,800,198	1,274,658	49,180	34,098,184

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

	2018 £	2017 £
Amounts due within one year	981,554	957,535
Amounts due in one year or more	33,006,631	33,140,649
	33,988,185	34,098,184

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018	2017
	£	£
As at 1 April 2017	68	57
Issued in year	-	11
Cancelled in year	(1)	-
At 31 March 2018	<u>67</u>	<u>68</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018	2017
	No.	No.
General Needs - Built by Association	672	645
Shared Ownership	54	56
	<u>726</u>	<u>701</u>

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 positions to their advantage.

Board of Management cannot use their position to their advantage. Any transactions between the Association and any entity with which a Board of Management member has a connection with is made at arm's length and is under normal commercial terms.

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

	2018	2017
	£	£
Rent received from tenants on the Board of Management and their close	<u>4,660</u>	<u>4,384</u>

At the year end total rent arrears owed by the tenant members on the Board of Management (and their close family) were £nil (2017 - £2).

Members of the Board of Management who are tenants	1	1
Members of the Board of Management who are local councillors	2	2

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

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 £12,000, in addition a further charge of £57,130. Total £69,130 (2017: 36,000).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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. BOARD OF MANAGEMENT MEMBER EMOLUMENTS

Board of Management members received £3,448 (2017 - £3,689) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Management members in respect of their duties to the Association.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. INVESTMENTS

Short term deposits

	2018 £	2017 £
Short term deposits	1,575,000	1,200,000

Investment properties

The Association participates in a shared equity arrangement at 31 March 2018. At this date the Association has expended £552 on shared equity properties.

Investments in Subsidiaries

	2018 £	2017 £
Cost		
As at 1 April and 31 March	10,000	10,000
NBV		
As at 31 March 2018	10,000	10,000
As at 31 March 2017	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 a 100% owned subsidiary named Lochaber Care and Repair Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year, Lochaber Housing Association Limited purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,434,560 (2017: £1,258,934). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services CIC for the year amounting to £27,127 (2017: £26,412) and defrayed expenses on behalf of Lochaber Care & Repair Limited amounting to £287,822 (2017: £275,770) and Lochaber Housing Association Property Services CIC amounting to £813,991 (2017: £729,295) which were subsequently reimbursed.

The Association paid a grant of £25,000 (2017: £50,580) to Lochaber Care & Repair as a contribution to administration costs. Lochaber Housing Association Property Services CIC made a donation to Lochaber Housing Association of £20,000 (2017: £50,000). The Association received rental income from Lochaber Housing Association property services of £28,000, and £24,000 from Lochaber Care & Repair Limited

The aggregate amount of capital and reserves and the results of Lochaber Care and Repair Limited for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	69,689	76,688
Deficit for the year	(6,999)	(10,296)

The Association has a 100% owned subsidiary named Lochaber Housing Association Property Services CIC. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The aggregate amount of capital and reserves and the results of Lochaber Housing Association Property Services CIC for the year ended 31 March 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	78,435	75,769
Surplus for the year	2,666	7,227

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 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 benefits 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 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 statement of financial position date the present value of this obligation was £230,312 (2017 - £285,451). 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 1.51% (2017 - 1.06%).

The Association also participated in the growth fund within the scheme. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102 and is included within the present value of the obligation noted in the paragraph above. For clarity, at the statement of financial position date, the present value of this obligation can be separately identified as £230,312 (2017 - £285,451). 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. The discount rate used was 1.51% (2017 - 1.06%).

The Association made payments totalling £55,869 (2017- £51,928) to the pension scheme during the year.