



Alexander Sloan
Accountants and Business Advisers

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Social Landlord No. HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SCO30951

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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LOCHABER HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

Board of Management

Di Alexander	
Andrew Carr	Vice-chair
Hugh Donaldson	Chair
Alex Farquar	Secretary
Jenni Hodgson	Treasurer
Catrina Hunter	
Linda Johnson	appointed November 2019
Lyn Kilpatrick	
Stuart Reid	
Denis Rixson	Councillor
May Tosh	appointed June 2019
Jacqui Wight	

EXECUTIVE OFFICERS

Blair Allan	Chief Executive
Margaret Moynihan	Deputy Chief Executive
Sean Doherty	Head of Asset Management

REGISTERED OFFICE

101 High Street
Fort William
Invernessshire
PH33 6DG

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
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

BANKERS

Clydesdale Bank
58 High Street
Fort William
PH33 6AH

SOLICITOR

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 2020

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No.2289R(S)), the Scottish Housing Regulator as a registered social landlord (No.HAL151) and as a registered Scottish Charity with the charity number SCO30951.

Principal Activities

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

Review of Business and Future Developments

Our partnership with Highland Small Communities Housing Trust (HSCHT), who provide our development services, has resulted in the completion of a further 29 new affordable homes for rent and shared equity this year at the former primary school site at Lochyside, Fort William. We are also currently on site with a development at Spean Bridge with a further 20 units and it is anticipated we will be on site at Mallaig, Strontian, Arisaig, Caol and Fort William later this year with up to 45 units. This activity continues to support the strategic partnerships we have with the Scottish Government and The Highland Council, as together with these partners we hope that our current and future development programme can assist in achieving the government's ambitious targets for new build properties for 2016-2021.

This year, for the first time the Scottish Housing Regulator (SHR) had asked that all housing associations and local authorities prepare an annual statement which gives assurance that we meet the Regulatory Standards. The Board of Management have worked on this throughout the year and the statement was prepared and submitted by our Board of Management at the end of October.

In March 2020, the Association were informed that the statement submitted covered all the areas required by the statutory guidance. This Annual Assurance Statement is part of the SHR annual risk assessments and outcomes from this were to be published in engagement plans in March, and for RSLs this would include regulatory status.

Later in March, however, the SHR announced that they were postponing the publication of updated Engagement Plans for all landlords other than for the most critical cases. This would allow landlords and SHR to focus on the most serious existing risks or those that emerge from the current pandemic.

We continue our "Digital Transformation" journey with the adoption of our new housing management system which went 'live' in April. This new system will allow tenants improved communication and online services.

The future

We will continue to work on implementing the strategic principles, which underpin our business plan with a focus on the challenges to the Association's operations as a result of the current pandemic. Our main activity is focused on supporting our tenants through the difficult circumstances this pandemic has presented. Our aim is to ensure that the Association retains the financial strength and resources to allow a continued high level of services to our tenants.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 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; and
- 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 2010 and the Determination of Accounting Requirements 2019. It is 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.

Going Concern

Based on its budgetary and forecasting processes the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

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 misstatement 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 receives 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 2020. 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.

Disclosure of Information to the Auditor

The members of the Board of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

Auditors

A resolution to appoint auditors, will be proposed at the Annual General Meeting.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2020

By order of the Board of Management

Secretary
22 June 2020

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 Financial Reporting Council. 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
22 June 2020



Alexander Sloan
Accountants and Business Advisers

LOCHABER HOUSING ASSOCIATION LIMITED

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

Matters on which we are required to report by exception

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
- 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.

Responsibilities of the Board of Management

As explained more fully in the Statement of Board of Management's Responsibilities as set out on page 3, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of 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 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.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
22 June 2020



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 2020 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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 Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable.

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.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Revenue	2		5,527,367		4,677,668
Operating costs	2		4,778,241		3,638,414
OPERATING SURPLUS			749,126		1,039,254
Gain on sale of housing stock	7	115,151		181,433	
Interest receivable and other income		22,336		66,750	
Interest payable and similar charges	8	(357,428)		(363,651)	
Other Finance income/(charges)	11	(7,000)		(52,000)	
			(226,941)		(167,468)
SURPLUS FOR THE YEAR			522,185		871,786
Other comprehensive income					
Adjustment relating to opening pension liability	22		-		(60,688)
Actuarial gains/(losses) on defined benefit pension plan	22		193,000		(78,000)
TOTAL COMPREHENSIVE INCOME			715,185		733,098

The results relate wholly to continuing activities.

The notes on pages 13 to 31 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12		53,561,824		52,679,395
Other tangible assets	12		659,332		628,104
Investments	14		10,000		10,000
			<u>54,231,156</u>		<u>53,317,499</u>
CURRENT ASSETS					
Receivables	15	921,875		1,014,100	
Stock and work in progress	16	-		508,726	
Investments	17	1,575,000		1,575,000	
Cash and cash equivalents	18	2,508,281		1,996,459	
			<u>5,005,156</u>	<u>5,094,285</u>	
CREDITORS: Amounts falling due within one year	19	(2,536,201)		(2,130,076)	
			<u>2,468,955</u>	<u>2,964,209</u>	
NET CURRENT ASSETS					
TOTAL ASSETS LESS CURRENT LIABILITIES					
			56,700,111		56,281,708
CREDITORS: Amounts falling due after more than one year	20		(13,032,659)		(13,591,717)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	22	(70,000)		(320,000)	
			(70,000)		(320,000)
DEFERRED INCOME					
Social housing grants	23	(33,839,109)		(33,402,313)	
Other grants	23	(362,301)		(286,818)	
			<u>(34,201,410)</u>	<u>(33,689,131)</u>	
NET ASSETS					
EQUITY					
Share capital	24		65		68
Revenue reserves			9,465,977		9,000,792
Pension reserves			(70,000)		(320,000)
			<u>9,396,042</u>		<u>8,680,860</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 22 June 2020.

Committee Member

Committee Member

Secretary

The notes on pages 13 to 31 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019
		£	£	£
Surplus for the Year			522,185	871,786
<i>Adjustments for non-cash items:</i>				
Depreciation of tangible fixed assets	12	1,732,739	1,606,377	
Amortisation of capital grants	23	(1,069,072)	(947,916)	
Gain on disposal of tangible fixed assets		(115,151)	(181,433)	
Non-cash adjustments to pension provisions		(57,000)	49,000	
Share capital written off	24	(6)	-	
			<u>491,510</u>	<u>17,854</u>
Interest receivable			(22,336)	(66,750)
Interest payable	8		<u>357,428</u>	<u>363,651</u>
Operating cash flows before movements in working capital			<u>1,348,787</u>	<u>1,186,541</u>
Change in properties developed for resale		508,726	-	
Change in debtors		100,052	(380,397)	
Change in creditors		<u>279,293</u>	<u>422,670</u>	
			<u>888,071</u>	<u>42,273</u>
Net cash inflow from operating activities			<u>2,236,858</u>	<u>1,228,814</u>
Investing Activities				
Acquisition and construction of properties		(2,687,903)	(2,857,449)	
Purchase of other fixed assets		(95,678)	(16,226)	
Social housing grant received		1,706,111	1,847,496	
Social housing grant repaid		(110,635)	(91,016)	
Other grants received		89,948	132,166	
Proceeds on disposal of housing properties		<u>252,336</u>	<u>291,735</u>	
Net cash outflow from investing activities			<u>(845,821)</u>	<u>(693,294)</u>
Financing Activities				
Interest received on cash and cash equivalents		22,336	66,750	
Interest paid on loans		(357,428)	(415,651)	
Loan principal repayments		(544,126)	(535,347)	
Share capital issued	24	<u>3</u>	<u>1</u>	
Net cash outflow from financing activities			<u>(879,215)</u>	<u>(884,247)</u>
Increase/(decrease) in cash	25		<u>511,822</u>	<u>(348,727)</u>
Opening cash & cash equivalents			<u>1,996,459</u>	<u>2,345,186</u>
Closing cash & cash equivalents			<u>2,508,281</u>	<u>1,996,459</u>
Cash and cash equivalents as at 31 March				
Cash	25		<u>2,508,281</u>	<u>1,996,459</u>
			<u>2,508,281</u>	<u>1,996,459</u>

The notes on pages 13 to 31 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	67	-	7,947,694	7,947,761
Issue of Shares	1	-	-	1
Other comprehensive income	-	(138,688)	-	(138,688)
Other movements	-	(181,312)	181,312	-
Surplus for the year	-	-	871,786	871,786
Balance as at 31 March 2019	68	(320,000)	9,000,792	8,680,860
Balance as at 1 April 2019	68	(320,000)	9,000,792	8,680,860
Issue of Shares	3	-	-	3
Cancellation of Shares	(6)	-	-	(6)
Other comprehensive income	-	193,000	-	193,000
Other movements	-	57,000	(57,000)	-
Surplus for the year	-	-	522,185	522,185
Balance as at 31 March 2020	65	(70,000)	9,465,977	9,396,042

The notes on pages 13 to 31 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

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 2018. 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 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sales of properties built for sale, other services provided, revenue grants receivable and government grants released to income in the period.

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 they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

The Association previously participated in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association moved to the SHAPS defined contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as employee benefit expense when they are due.

Going Concern

On the basis that the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	Over 50 years
Roof	Over 50 years
Render	Over 40 years
Heating	Over 20 years
Hot Water Cylinder	Over 10 years
External Doors	Over 25 years
Windows	Over 25 years
Bathrooms	Over 25 years
Kitchen	Over 15 years

Depreciation and Impairment of Other Tangible Assets

Non-current assets are stated at cost less accumulated depreciation. Depreciation is charged over the expected economic useful lives of the assets at the following annual rates:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Leasehold Improvements	Over the period of the lease
Furniture & Equipment	20% reducing balance
Commerical Property	2% straight line

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

Social Housing Grants and Other Capital Grants

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 they relate.

Social housing grant attributed to individual components is written off to the statement of comprehensive income when these components are replaced.

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 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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Leases

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 or the term of the lease whichever is shorter.

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, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. All other borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

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

VAT

The Association is VAT registered but the substantial 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.

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.

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 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the the Association to exercise judgement in applying the 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.

Key Judgements

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

d) Pension Liability

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

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

e) Defined pension liability

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

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

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Notes	Turnover 2020 £	Operating costs 2020 £	Operating surplus / (deficit) 2020 £	Turnover 2019 £	Operating costs 2019 £	Operating surplus / (deficit) 2019 £
Affordable letting activities	3	4,599,167	4,017,770	581,397	4,506,168	3,446,233	1,059,935
Other Activities	4	928,200	760,471	167,729	171,500	192,181	(20,681)
Total		5,527,367	4,778,241	749,126	4,677,668	3,638,414	1,039,254

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2020 Total £	2019 Total £
Revenue from Lettings					
Rent receivable net of service charges	3,236,585	-	128,860	3,365,445	3,212,147
Service charges receivable	114,436	-	3,086	117,522	107,066
Gross income from rent and service charges	3,351,021	-	131,946	3,482,967	3,319,213
Less: Rent losses from voids	6,470	-	-	6,470	6,283
Income from rents and service charges	3,344,551	-	131,946	3,476,497	3,312,930
Grants released from deferred income	1,070,695	-	(2,888)	1,067,807	978,331
Revenue grants from Scottish Ministers	54,863	-	-	54,863	28,821
Other revenue grants	-	-	-	-	186,086
Total turnover from affordable letting activities	4,470,109	-	129,058	4,599,167	4,506,168
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,056,345	-	20,516	1,076,861	979,387
Service costs	137,377	-	3,784	141,161	142,261
Planned and cyclical maintenance, including major repairs	646,589	-	-	646,589	401,625
Reactive maintenance costs	417,596	-	-	417,596	362,388
Bad Debts - rents and service charges	18,434	-	135	18,569	10,820
Depreciation of affordable let properties	1,678,332	-	38,662	1,716,994	1,549,752
Operating costs of affordable letting activities	3,954,673	-	63,097	4,017,770	3,446,233
Operating surplus on affordable letting activities	515,436	-	65,961	581,397	1,059,935
2019	975,316	-	84,619		

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£
Care and repair	-	-	16,000	16,000	33,378	(17,378)	(31,209)
Contracted out services undertaken for registered social landlords	-	-	14,982	14,982	14,982	-	-
Development of property for sale	-	-	738,140	738,140	600,734	137,406	-
Other income	-	-	-	-	-	-	560
Uncapitalised development administration costs	-	-	-	-	5,352	(5,352)	-
Agency or management services	-	-	29,114	29,114	29,114	-	-
Commercial Leases	-	-	73,474	73,474	20,259	53,215	52,828
Development administration	-	-	56,490	56,490	56,652	(162)	(42,860)
Total From Other Activities	-	-	928,200	928,200	760,471	167,729	(20,581)
2019	-	-	171,500	171,500	192,181	(20,681)	

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020 £	2019 £
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)	<u>67,448</u>	<u>61,766</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,561</u>	<u>6,782</u>
Emoluments payable to Chief Executive (excluding pension contributions)	67,448	61,766
Pension contributions paid on behalf of the Chief Executive	<u>6,561</u>	<u>6,782</u>
Total emoluments payable to the Chief Executive	<u>74,009</u>	<u>68,548</u>
Total emoluments paid to key management personnel	<u>158,396</u>	<u>180,824</u>

The number of Officers, including the highest paid Officer, who received emoluments, including 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

	2020 No.	2019 No.
Average monthly number of full time equivalent persons employed during the year	<u>21</u>	<u>18</u>
Average total number of employees employed during the year	<u>21</u>	<u>20</u>
Staff costs were:	£	£
Wages and salaries	623,773	559,722
National insurance costs	60,335	61,490
Pension costs	<u>46,516</u>	<u>49,053</u>
	<u>730,624</u>	<u>670,265</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	206,250	291,735
Cost of sales	<u>91,099</u>	<u>110,302</u>
Gain on sale of housing stock	<u>115,151</u>	<u>181,433</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	<u>357,428</u>	<u>363,651</u>

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,732,739	1,585,427
(Loss) on component disposals	48,705	20,950
Auditors' remuneration - audit services	12,479	8,981
Operating lease rentals - land & buildings	40,082	40,460
Operating lease rentals - other	7,617	7,272
Gain on sale of other non-current assets	<u>(114,341)</u>	<u>(181,433)</u>

10. CORPORATION TAX

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)

	2020	2019
	£	£
Net interest on pension obligations	<u>(7,000)</u>	<u>(52,000)</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
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 £	Shared Ownership in Course of Construction £	Total £
COST					
At 1 April 2019	64,104,135	3,565,028	2,306,319	112,791	70,088,273
Additions	543,188	2,144,715	-	-	2,687,903
Disposals	(123,539)	-	(129,914)	-	(253,453)
Transfers	3,212,741	(3,212,741)	-	-	-
At 31 March 2020	67,736,525	2,497,002	2,176,405	112,791	72,522,723
DEPRECIATION					
At 1 April 2019	16,436,253	-	884,579	88,046	17,408,878
Charge for Year	1,623,987	-	38,662	5,640	1,668,289
Transfers	-	-	-	-	-
Disposals	(74,834)	-	(41,434)	-	(116,268)
At 31 March 2020	17,985,406	-	881,807	93,686	18,960,899
NET BOOK VALUE					
At 31 March 2020	49,751,119	2,497,002	1,294,598	19,105	53,561,824
At 31 March 2019	47,667,882	3,565,028	1,421,740	24,745	52,679,395

Expenditure on Existing Properties	2020		2019	
	Component replacement £	Improvement £	Component replacement £	Improvement £
Amounts capitalised	533,838	-	800,559	-
Amounts charged to the statement of comprehensive income	334,647	-	207,386	-

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £55,303 (2019-£Nil)

The Association's lenders have standard securities over housing property with a carry value of £27,660,591 (2019 - £28,354,557)

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 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

13. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Commercial Property £	Total £
COST				
At 1 April 2019	320,522	301,065	505,789	1,127,376
Additions	-	85,005	10,673	95,678
At 31 March 2020	<u>320,522</u>	<u>386,070</u>	<u>516,462</u>	<u>1,223,054</u>
DEPRECIATION				
At 1 April 2019	226,925	239,598	32,749	499,272
Charge for year	22,243	29,295	12,912	64,450
At 31 March 2020	<u>249,168</u>	<u>268,893</u>	<u>45,661</u>	<u>563,722</u>
NET BOOK VALUE				
At 31 March 2020	<u>71,354</u>	<u>117,177</u>	<u>470,801</u>	<u>659,332</u>
At 31 March 2019	<u>93,597</u>	<u>61,467</u>	<u>473,040</u>	<u>628,104</u>

14. FIXED ASSET INVESTMENTS

	2020 £	2019 £
Subsidiary undertakings	<u>10,000</u>	<u>10,000</u>

Subsidiary Undertakings

Lochaber Housing Association Limited has the following wholly owned subsidiary undertakings. The registered office of the subsidiaries is 101 High Street, Fort William, Invernessshire.

	2020		2019	
	Reserves £	Profit / (Loss) £	Reserves £	Surplus / (Deficit) £
Lochaber Housing Association Property Services	160,001	73,253	86,748	5,801
Lochaber Care and Repair	<u>67,654</u>	<u>1,026</u>	<u>66,628</u>	<u>(3,061)</u>

During the year, Lochaber Housing Association purchased repairs services from Lochaber Property Services CIC (LHAPS) amounting to £1,700,708 (2019: £1,764,860). Additionally Lochaber Housing Association defrayed and recharged costs of £720,897 (2019: £840,062) to LHAPS and received rent from LHAPS amounting to £28,000 (2019: £28,000). LHAPS also paid an administration fee of £29,114 (2019: £22,893). The amount due from LHAPS at the year end was £209,043 (2019: £123,145).

During the year the Association paid a grant towards running costs of Lochaber Care & Repair (LCR) of £25,000 (2019: £25,000). In addition, a significant amount of LCR's expenditure is incurred by the Association and subsequently reimbursed. Expenditure recharged to LCR during the year amounted to £251,347 (2019: £299,262). LCR leases workshop premises from the Association on a commercial basis and the rent charged for the year was £24,000 (2019: £24,000). As at 31 March 2020 LCR owed £92,837 (2019: £95,565) to the Association.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent & service charges	137,040	133,827
Less: Provision for doubtful debts	(48,063)	(55,376)
<i>Net arrears of rent and service charges</i>	88,977	78,451
Social housing grant receivable	32,308	24,481
Other receivables	498,710	692,458
Amounts due from group undertakings	301,880	218,710
	<u>921,875</u>	<u>1,014,100</u>

16. STOCK AND WORK IN PROGRESS

	2020	2019
	£	£
Properties for sale	-	508,726
	<u>-</u>	<u>508,726</u>

17. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Short term deposits	1,575,000	1,575,000
	<u>1,575,000</u>	<u>1,575,000</u>

18. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	2,508,281	1,996,459
	<u>2,508,281</u>	<u>1,996,459</u>

19. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans	538,917	523,985
Trade payables	130,740	55,846
Rent received in advance	69,759	68,079
Social housing grant in advance	865,654	753,754
Other taxation and social security	31,393	39,029
Other payables	27,250	24,104
Accruals and deferred income	872,488	665,279
	<u>2,536,201</u>	<u>2,130,076</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2020	2019
	£	£
Bank loans	13,032,659	13,591,717

21. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Bank Loans		
Amounts due within one year	538,917	523,985
Amounts due in one year or more but less than two years	550,837	535,952
Amounts due in two years or more but less than five years	1,728,057	1,683,665
Amounts due in more than five years	10,753,765	11,372,100
	<u>13,571,576</u>	<u>14,115,702</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity Variable or (Year) Fixed
Royal Bank of Scotland	230	1.2%	2036 Variable
Royal Bank of Scotland	-	1.2%	2038 Variable
Royal Bank of Scotland	-	5.0%	2040 Fixed
Royal Bank of Scotland	-	2.5%	2042 Variable
Nationwide	105	1.1%	2033 Variable
Triodos Bank	1	3.5%	2041 Variable
Social Investment Scotland	-	7.0%	2026 Fixed
Allia	-	2.5%	2026 Fixed
CAF Bank	31	2.5%	2040 Variable

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

A further 80 properties have been given as security against the Unity bank loan although there has been no drawdown at the year end.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

Lochaber Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Association moved to a defined contribution scheme in 1 June 2016 but has a net liability for the past service deficit in the defined benefit scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

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 reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of (£60,688).

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
	£	£
Fair value of plan assets	1,882,000	1,862,000
Present value of defined benefit obligation	1,952,000	2,182,000
Surplus / (deficit) in plan	(70,000)	(320,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(70,000)	(320,000)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	2,182,000	2,037,000
Expenses	2,000	2,000
Interest expense	50,000	52,000
Actuarial losses (gains) due to scheme experience	(49,000)	(17,000)
Actuarial losses (gains) due to changes in demographic assumptions	(12,000)	6,000
Actuarial losses (gains) due to changes in financial assumptions	(205,000)	116,000
Benefits paid and expenses	(16,000)	(14,000)
Defined benefit obligation at the end of period	<u>1,952,000</u>	<u>2,182,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020	2019
	£	£
Fair value of plan assets at start of period	1,862,000	1,746,000
Interest income	43,000	45,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(73,000)	27,000
Contributions by the employer	66,000	58,000
Benefits paid and expenses	(16,000)	(14,000)
Fair value of plan assets at the end of period	<u>1,882,000</u>	<u>1,862,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £30,000

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Expenses	2,000	2,000
Net interest expense	7,000	7,000
	<u>9,000</u>	<u>9,000</u>
Defined benefit costs recognised in statement of comprehensive income	9,000	9,000

Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain/(loss)	(73,000)	27,000
Experience gains and losses arising on plan liabilities - gain/(loss)	49,000	17,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain/(loss)	12,000	(6,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain/(loss)	205,000	(116,000)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain/(loss)	193,000	(78,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain/(loss)	-	-
Total amount recognised in other comprehensive income - gain (loss)	<u>193,000</u>	<u>(78,000)</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2020	2019	2018
	£	£	£
Absolute Return	116,000	158,000	207,000
Alternative Risk Premia	151,000	104,000	66,000
Corporate Bond Fund	138,000	131,000	122,000
Credit Relative Value	45,000	32,000	-
Distressed Opportunities	34,000	32,000	8,000
Emerging Markets Debt	67,000	60,000	60,000
Fund of Hedge Funds	-	5,000	50,000
Global Equity	259,000	299,000	314,000
Infrastructure	111,000	78,000	32,000
Insurance-Linked Securities	50,000	48,000	48,000
Liability Driven Investment	496,000	662,000	615,000
Long Lease Property	46,000	23,000	-
Net Current Assets	14,000	2,000	3,000
Over 15 Year Gilts	24,000	48,000	56,000
Private Debt	37,000	24,000	16,000
Property	35,000	37,000	69,000
Risk Sharing	60,000	54,000	16,000
Secured Income	104,000	65,000	64,000
Liquid credit	49,000	-	-
Opportunistic Illiquid Credit	46,000	-	-
Total assets	<u>1,882,000</u>	<u>1,862,000</u>	<u>1,746,000</u>

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.7%	3.3%	3.2%
Inflation (CPI)	1.7%	2.3%	2.2%
Salary Growth	2.7%	3.3%	3.2%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	<u>24.5</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

23. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
Capital grants received			
At 1 April 2019	46,499,493	300,146	46,799,639
Additions in the year	1,602,038	89,948	1,691,986
Eliminated on disposal	(233,983)	-	(233,983)
At 31 March 2020	<u>47,867,548</u>	<u>390,094</u>	<u>48,257,642</u>
Amortisation			
At 1 April 2019	13,097,180	13,328	13,110,508
Amortisation in year	1,054,607	14,465	1,069,072
Eliminated on disposal	(123,348)	-	(123,348)
At 31 March 2020	<u>14,028,439</u>	<u>27,793</u>	<u>14,056,232</u>
Net book value			
At 31 March 2020	<u>33,839,109</u>	<u>362,301</u>	<u>34,201,410</u>
At 31 March 2019	<u>33,402,313</u>	<u>286,818</u>	<u>33,689,131</u>

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

	2020 £	2019 £
Amounts due within one year	1,069,486	989,874
Amounts due in more than one year	33,131,924	32,699,257
	<u>34,201,410</u>	<u>33,689,131</u>

24. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	68	67
Issued in year	3	1
Cancelled in year	(6)	-
At 31 March	<u>65</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.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

25. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	2020		2019
	£	£	£
Increase / (decrease) in cash	511,822	(348,727)	
Cashflow from change in net debt	544,126	535,347	
Movement in net debt during the year		1,055,948	186,620
Net debt at 1 April		(10,544,243)	(10,730,863)
Net debt at 31 March		<u>(9,488,295)</u>	<u>(10,544,243)</u>

	At		Other		At
	01 April 2019	Cashflows	Changes		31 March 2020
	£	£	£		£
Cash and cash equivalents	1,996,459	511,822	-		2,508,281
	1,996,459	511,822	-		2,508,281
Liquid resources	1,575,000	-	-		1,575,000
Debt: Due within one year	(523,985)	544,126	(559,058)		(538,917)
Due after more than one year	(13,591,717)	-	559,058		(13,032,659)
Net debt	<u>(10,544,243)</u>	<u>1,055,948</u>	<u>-</u>		<u>(9,488,295)</u>

26. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	<u>3,877,877</u>	<u>274,757</u>

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

27. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Land and Buildings		
Expiring in the next year	46,000	46,000
Expiring later than one year and not later than five years	<u>92,000</u>	<u>138,000</u>
Other		
Expiring in the next year	7,808	7,809
Expiring later than one year and not later than five years	<u>17,922</u>	<u>26,250</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

28. 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, Invernessshire, PH33 6DG.

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

29. BOARD OF MANAGEMENT MEMBER EMOLUMENTS

Board of Management members received £3,862 (2019 - £4,092) 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.

30. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs	694	671
Shared ownership	49	52
	<u>743</u>	<u>723</u>

31. RELATED PARTY TRANSACTIONS

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

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:

	2020 £	2019 £
Rent received from tenants on the Board of Management and their close family members	Nil	3,506
Members of the Board of Management who are tenants	<u>Nil</u>	<u>1</u>
Members of the Board of Management who are local councillors	1	1

Several members of the housing association's Management Committee are also members a local enterprise called the Highland Small Communities Housing Trust. This partnership provides housing development services and the charge to the Association is £82,753 (2019 - £48,000).

32. NON ADJUSTING POST BALANCE SHEET EVENT

At the time of approving the financial statements, the United Kingdom is impacted by the Coronavirus pandemic. The Association is monitoring the position and updating its plans accordingly. Like most RSL's, however, the virus is likely to impact the Association's activities.

