

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

Registered Housing Association No. HAL151

FSA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012

BOARD OF MANAGEMENT

Dion Alexander
John Macleod
Drew MacFarlane Slack
Hugh Donaldson
Alex Farquar
Alison Gainsford
Catriona Hunter
Ann Martin
Jean Sinclair
Allan Henderson
Brian Murphy
Roger Gibbens

Chair
Vice-Chair
Secretary
Treasurer
Retired November 2011
Appointed November 2011
Retired September 2011
Tenant
Retired November 2011
Councillor Co-optee
Appointed November 2011

EXECUTIVE OFFICERS

Blair Allan
Chief Executive

REGISTERED OFFICE
101 High Street
Fort William
PH33 6DG

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Clydesdale Bank
58 High Street
Fort William
PH33 6AH

SOLICITORS

MacIntyre & Company
38 High Street
Fort William
PH33 6AT

ACCOUNTANT

David Smith
Chartered Accountant
Keppoch
Croft Road
Oban

**REPORT OF THE BOARD OF MANAGEMENT
FOR THE YEAR ENDED 31ST MARCH 2012**

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

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

Principal Activities

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

Review of Business and Future Developments

Development

Historically, one of the Association's major objectives has been the development of new affordable properties. During the year we completed 31 new properties in Fort William and Acharacle with a further 23 new homes about to be completed in Lochyside, Fort William. Our total capital spend on development activity was £3,372,756.

However, in February 2012 the Board took the decision not to engage further in the direct provision of new build affordable housing at this time. This decision was taken following a period of three years during which the Association had been finding it increasingly difficult to find ways to continue to supply new build opportunities and at the same time maintain business viability. The constraints to viable development have been well documented by the Association and others in recent years, culminating in lower than ever government subsidy in 2011 which, combined with disadvantageous conditional lending from the financial sector led the Board to the overall conclusion was that it would not be prudent to engage in any further borrowing as this would significantly undermine our Business Plan and viability.

While this decision has meant that, as long as the current public funding regime and lending environment remain as they are today, the Association will not be engaging in the direct provision of affordable housing itself, the Association will be doing its absolute best to champion the cause of the inadequately housed people of Lochaber, and in working in partnership with the Highland Council and other housing associations and stakeholders to find progressive and innovative ways to meet the needs of the communities of Lochaber.

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

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

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

Statement of Board of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board of Management must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board of Management have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

Statement on Internal Financial Control

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Board of Management's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or Loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;

- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;

- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;

- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;

- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;

- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £1,534 (2011 £1,030).

Auditors

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

By order of the Board of Management

DREW MACFARRLANE SLACK



Secretary

03 September 2012

REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT OF
LOCHABER HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW

03 September 2012

We have audited the financial statements of Lochaber Housing Association Limited for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit

Respective Responsibilities of Board of Management and Auditors

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements in our opinion the exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Committee's Report is inconsistent with the financial statements;
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
03 September 2012

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012	2011
		£	£
TURNOVER	2.	2,686,565	2,475,559
Operating Costs	2.	(1,871,394)	(1,735,221)
OPERATING SURPLUS	9.	815,171	740,338
Gain On Sale Of Housing Stock	7.	7,307	12,884
Interest Receivable and Other Income		126,140	129,287
Interest Payable and Similar Charges	8.	(516,853)	(431,420)
SURPLUS FOR YEAR		(383,406)	(289,249)
		431,765	451,089

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012	2011
	£	£
Surplus for the financial year	431,765	451,089
Prior year adjustment (as explained in Note 25)	657,625	-
Total gains recognised since last annual report	1,089,390	451,089

LOCHABER HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	2012	Restated 2011
TANGIBLE FIXED ASSETS		£	£
Housing Properties - Depreciated Cost	11.(a)	57,079,071	53,767,833
Less: Social Housing Grant	11.(a)	(42,043,680)	(40,168,443)
Other fixed assets	11.(b)	15,035,391	13,599,390
		584,929	596,170
FIXED ASSET INVESTMENTS		15,620,320	14,195,560
Investment in subsidiaries	23.	10,000	10,000
Shared Equity Cost	23.	543,003	475,864
Shared Equity Grant	23.	(543,003)	(475,864)
CURRENT ASSETS		460,891	307,811
Stock	14.	786,160	145,479
Debtors	15.	700,881	701,546
Cash at bank and in hand	14.	1,097,605	1,233,770
CREDITORS: Amounts falling due within one year		(2,123,755)	(1,772,984)
NET CURRENT ASSETS		460,891	307,811
TOTAL ASSETS LESS CURRENT LIABILITIES		16,091,211	14,513,371
CREDITORS: Amounts falling due after more than one year	17.	(12,560,961)	(11,414,851)
NET ASSETS		3,530,250	3,098,520
CAPITAL AND RESERVES			
Share Capital	19.	53	88
Designated Reserves	20.(a)	2,646,255	1,851,513
Revenue Reserves	20.(b)	750,000	1,112,977
Revaluation Reserves	20.(c)	133,942	133,942
		3,530,250	3,098,520

The Financial Statements were approved by the Board of Management and signed on their behalf on 03 September 2012.

Chairperson



Vice-Chairperson



Secretary



LOCHABER HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2012

	Notes	£	£	£
		2012	2011	Restated 2011
Net Cash (Outflow) / Inflow from Operating Activities	18.	(162,276)	1,255,807	
Returns on Investment and Servicing of Finance		6,140	9,287	
Interest Received		120,000	120,000	
Income from share in group undertaking		(529,545)	(431,420)	
Interest Paid				
Net Cash Outflow from Investment and Servicing of Finance		(403,405)	(302,133)	
Capital Expenditure and Financial Investment		(3,780,451)	(4,658,019)	
Acquisition and Construction of Properties		(23,828)	(28,273)	
Purchase of Other Fixed Assets		2,575,974	2,549,467	
Social Housing Grant Received		(72,740)	-	
Social Housing Grant Repaid		89,354	31,161	
Proceeds on Disposal of Properties		-	2,368	
Proceeds on Disposal of Other Fixed Assets				
Net Cash Outflow from Capital Expenditure and Financial Investment		(1,211,691)	(2,103,296)	
Net Cash Outflow before use of Liquid Resources and Financing		(1,777,372)	(1,149,622)	
Financing		1,985,059	1,744,610	
Loan Advances Received		(343,854)	(609,614)	
Loan Principal Repayments		2	(2)	
Share Capital Issued				
Net Cash Inflow from Financing		1,641,207	1,134,994	
Decrease in Cash	18.	(136,165)	(14,628)	

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Association has obtained exemption from the Financial Services 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 its Group.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component Useful Economic Life

Structure	50 years
Roof	50 years
Render	40 years
Heating	20 years
Hot water cylinder	10 years
External doors	25 years
Windows	25 years
Bathroom	25 years
Kitchen	15 years

Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Leasehold Improvements	-over the period of the lease
Furniture & Equipment	-between 20% and 33% (reducing balance basis)

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

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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

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

Sales Of Housing Properties

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

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. **Assets** held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

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

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

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

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

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

VAT

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2012 £	Operating Surplus /(Deficit) 2011 £
Care and Repair of Property	-	14,420	-	14,420	14,420	-	46,551	(32,131)	(39,094)
Commercial rents	-	22,121	-	22,121	22,121	-	5,589	16,532	561
Other Income	-	43,838	-	43,838	43,838	-	43,838	-	-
Homestake sales	-	225,155	-	225,155	225,155	-	225,155	-	-
Total From Other Activities	-	305,534	-	305,534	305,534	-	321,133	(15,599)	(38,533)
2011	-	270,078	-	270,078	270,078	-	308,611	(38,533)	(38,533)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	£	£
Pension contributions made on behalf of Officers with emoluments greater than £60,000	2,676	8,683
Emoluments payable to Chief Executive (excluding pension contributions)	62,101	61,551

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	Number	Number
--------------------	--------	--------

6. EMPLOYEE INFORMATION

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

2012	No.	2011
15		15

The average total number of Employees employed during the year was

15		15
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Staff Costs were:

Wages and Salaries	404,271	417,400
Social Security Costs	51,785	39,934
Other Pension Costs	64,733	65,424
	£	£
	520,789	522,758

7. GAIN ON SALE OF HOUSING STOCK

	2012	2011
Sales Proceeds	£ 89,354	£ 12,884
Cost of Sales	82,047	-
Gain On Sale Of Housing Stock	<u>7,307</u>	<u>12,884</u>

8. INTEREST PAYABLE

	2012	2011
On Bank Loans & Overdrafts	£ 529,545	£ 454,293
Less: Interest Capitalised	12,692	22,873
	<u>516,853</u>	<u>431,420</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2011 £nil).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS FOR YEAR

	2012	2011
Surplus on Ordinary Activities before Taxation is stated after charging:-	£ 362,224	£ 283,261
Depreciation - Tangible Owned Fixed Assets	7,934	8,566
Auditors' Remuneration - Audit Services	28,714	-
Operating Lease Rentals - Land & Buildings		

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. TANGIBLE FIXED ASSETS

	Housing Properties Held for Letting	Housing Properties in course of Construction	Completed Shared Ownership Properties	Leased Property	Total
COST					
As at 1st April 2011 - restated	48,919,490	3,673,436	2,810,775	185,102	55,588,803
Additions	744,056	3,049,087	-	-	3,793,143
Disposals	(68,927)	-	(92,859)	-	(161,786)
Schemes Completed	3,459,216	(3,459,216)	-	-	-
As at 31st March 2012	53,053,835	3,263,307	2,717,916	185,102	59,220,160
DEPRECIATION					
As at 1st April 2011 - restated	1,770,744	-	27,692	22,534	1,820,970
Charge for Year	321,296	-	2,751	3,108	327,155
Disposals	(7,036)	-	-	-	(7,036)
As at 31st March 2012	2,085,004	-	30,443	25,642	2,141,089
SOCIAL HOUSING GRANT					
As at 1st April 2011 - restated	35,066,548	2,590,430	2,388,517	122,948	40,168,443
Additions	41,253	1,966,735	-	-	2,007,988
Disposals	(49,199)	-	(83,552)	-	(132,751)
Schemes Completed	2,733,545	(2,733,545)	-	-	-
As at 31st March 2012	37,792,147	1,823,620	2,304,965	122,948	42,043,680
NET BOOK VALUE					
As at 31st March 2012	13,176,684	1,439,687	382,508	36,512	15,035,391
As at 31st March 2011	12,082,198	1,083,006	394,566	39,620	13,559,390

Additions to housing properties includes capitalised development administration costs of £65,165 (2011 - £137,076) and capitalised major repair costs to existing properties of £624,432 (2011 £408,589) With the exception of Leased Property, all land and housing properties are freehold.

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets		Office Equipment	Office Improvements	Office Premises	Total
COST		£	£	£	£
As at 1st April 2011 - restated	192,706	294,379	295,000	782,085	
Additions	13,437	10,391	-	23,828	
Eliminated on Disposals	-	-	-	-	
As at 31st March 2012	206,143	304,770	295,000	805,913	
AGGREGATE DEPRECIATION					
As at 1st April 2011 - restated	133,677	52,238	-	185,915	
Charge for year	14,493	20,576	-	35,069	
Eliminated on disposal	-	-	-	-	
As at 31st March 2012	148,170	72,814	-	220,984	
NET BOOK VALUE					
As at 31st March 2012	57,973	231,956	295,000	584,929	
As at 31st March 2011	59,029	242,141	295,000	596,170	

The office premises were revalued at £295,000 on an open market value basis by Samuel and Partners, Chartered Surveyors in June 2008. It is the Board of Management's opinion that the current value of the land and buildings is consistent with the valuation shown in the financial statements.

The historical cost of the office premises is as follows:

Cost and net book value as at 31st March 2012 & 2011

2012	2011
£ 389,297	£ 4,542,253
£ 161,058	£ 389,297

12. CAPITAL COMMITMENTS

Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements

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

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-

2012	2011
£ 39,000	£ 39,000
Land and Buildings	Land and Buildings
Expiring in over five years	Expiring in over five years
Other	Other
Expiring within one year	Expiring within one year
Expiring between two and five years	Expiring between two and five years
993	993
5,091	3,473

14. STOCK

	2012	2011
Stock	£ 406,031	£ 107,262
Work in progress	380,129	38,217
	<u>786,160</u>	<u>145,479</u>
Stock is analysed as follows:		
Materials intended for future major repairs	-	22,284
Development cost on completed properties held for sale	700,317	212,380
Housing Association Grant on completed properties held for sale	(294,286)	(127,402)
	<u>406,031</u>	<u>107,262</u>
Work in progress is made up as follows:		
Development Costs	641,306	567,436
Housing Association Grant received	(261,177)	(529,219)
	<u>380,129</u>	<u>38,217</u>

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

15. DEBTORS

	2012	2011
Arrears of Rent & Service Charges	72,660	61,595
Less: Provision for Doubtful Debts	(40,566)	(25,955)
	32,094	35,640
Social Housing Grant Receivable	187,704	155,997
Other Debtors	281,277	269,895
Amounts Due from Group Undertakings	199,806	240,014
	700,881	701,546

16. CREDITORS: Amounts falling due within one year

	2012	2011
Housing Loans	938,380	443,285
Trade Creditors	34,705	319,294
Rent in Advance	56,768	213,359
Social Housing Grant in Advance	599,693	-
Other Taxation and Social Security	27,498	-
Other Creditors	-	465,325
Accruals and Deferred Income	466,711	331,721
	2,123,755	1,772,984

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

	2012	2011
Housing Loans	£ 12,560,961	£ 11,414,851
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	938,380	443,285
Between one and two years	318,357	279,148
Between two and five years	1,031,174	902,608
In five years or more	11,211,430	10,233,095
	13,499,341	11,858,136
Less: Amount shown in Current Liabilities	938,380	443,285
	12,560,961	11,414,851

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid
 At 1st April 2011 88
 Issued in year 2
 Cancelled in year (37)
 At 31st March 2012 53

£
 88
 2
 (37)
 53

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.

20. RESERVES

(a) Designated Reserves

At 1st April 2011
 Transfer to / (from) Revenue Reserves

Major Repairs
 £ 1,851,513
 794,742
 2,646,255

£
 1,851,513
 794,742
 2,646,255

(b) Revenue Reserves

At 1st April 2011 (as restated)
 Surplus for the year
 Transfer (to) / from Designated Reserves

£
 1,112,977
 431,765
 (794,742)
 750,000

£
 1,112,977
 431,765
 (794,742)
 750,000

(c) Revaluation Reserves

At 1st April 2011
 Increase in year
 At 31st March 2012

£
 133,942
 -
 133,942

£
 133,942
 -
 133,942

21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-
 General Needs - New Build 605
 Shared Ownership 60

2012
 No. 629
 59
 688

2011
 No. 605
 60
 665

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 8. The related party relationships of the members of the Board of Management is summarised as follows:

1 member is a tenant of the Association
1 member is a relevant local councillor

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

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

23. FIXED ASSET INVESTMENT

	2012	2011
Shared Equity Properties	£ 543,003	£ 475,864
Development Cost of Shared Equity Property	£ 543,003	£ 475,864
Less: Grants Receivable	-	-
Investments in Subsidiaries	10,000	10,000

As at 31st March 2012 & 31st March 2011

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

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

During the year Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £902,719 (2011 - £854,657). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services (2011 - £20,000) and delayed expenses on behalf of Lochaber Housing Association Property Services which were subsequently reimbursed. The Association paid a grant of £25,000 (2011 - £25,000) to Lochaber Care and Repair Limited as a contribution to administration costs. The aggregate amount of capital and reserves and the results of Lochaber Care and Repair Limited and Lochaber Housing Association Property Services CIC for the year ended 31st March 2012 were as follows:

	2012	2011
Lochaber Care and Repair Limited	£ 73,613	£ 62,715
Lochaber Housing Association Property Services CIC	£ 36,106	£ 31,122
Capital & Reserves	73,613	62,715
Profit for the year	10,898	(7,526)
	4,984	7,347

24. RETIREMENT BENEFIT OBLIGATIONS

Defined Benefit Scheme

Lochaber Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Lochaber Housing Association Limited has elected to operate the CARE option with a 1/120th accrual rate benefit structure for active members as at 31st March 2011.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Lochaber Housing Association Limited paid a contribution to the past service deficit of £35,000 and on-going contributions at the rate of 9.4% of pensionable salaries.

As at the balance sheet date there were 11 active members of the Scheme employed by Lochaber Housing Association Limited. The annual pensionable payroll in respect of these members was £413,935. Lochaber Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

Long-term joint contribution rate (% of pensionable	
Benefit Structure	
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Defined Contribution Schemes

The Association contributes to a Defined Contribution Scheme. The assets of this scheme are held separately from the Association in independently administered funds. There were no pension contributions outstanding at 31 March 2012.

25. PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
Increase in Net Book Value of Housing Properties	857,413
(Increase) in Creditors falling due within one year	<u>(199,788)</u>
	<u>657,625</u>

The effect of adopting component accounting has been to increase reserves as at 1 April 2010 by £353,956.

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts	Restated 2011 figures
	£	£
Housing Property	12,741,977	13,599,390
Creditors due within one year	(1,573,194)	(1,772,982)
Revenue Reserves	455,352	1,112,977
Housing Depreciation Charge	148,880	253,800
Major Repairs Charge	545,823	137,234

The reported surplus in 2011 had been restated by £303,669 and now stands at £451,089