

**Lochaber Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2013**

**Registered Housing Association No. HAL151**

**FCA Reference No. 2289R(S)**

**Scottish Charity No. SC030951**

**COPY**

# LOCHABER HOUSING ASSOCIATION LIMITED

## CONTENTS

	<b>Page</b>
MEMBERS OF THE BOARD OF MANAGEMENT EXECUTIVES AND ADVISERS	1
REPORT OF THE BOARD OF MANAGEMENT	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	6
REPORT OF THE AUDITORS	7
INCOME AND EXPENDITURE ACCOUNT	9
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	10
BALANCE SHEET	11
CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13

**LOCHABER HOUSING ASSOCIATION LIMITED**

---

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2013**

**BOARD OF MANAGEMENT**

Dion Alexander	Chairperson
Hugh Donaldson	Vice-chairperson
Drew MacFarlane Slack	Secretary
Alex Farquar	Treasurer
Margaret Boyd	Appointed 25 March 2013
Andrew Carr	Appointed 25 March 2013
Roger Gibbens	
Bren Gormley	Councillor - Appointed 12 November 2012
Catriona Hunter	
Ken Johnston	Appointed 12 September 2012
Janis McDonald	Appointed 12 June 2012
Brian Murphy	Councillor Co-optee
John MacLeod	Resigned 07 September 2012
Jean Sinclair	Tenant

**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

**ACCOUNTANTS**

David Smith  
Chartered Accountant  
Kepoch  
Croft Road  
Oban

## LOCHABER HOUSING ASSOCIATION LIMITED

---

### REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2013

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2013.

#### **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. However, as reported last year, the Board took a decision in 2012 not to engage further in the direct provision of new build affordable housing until such time as the constraints to viable development have been removed through a significant increase in government subsidy and a reversal of the disadvantageous conditional lending from the financial sector. As a consequence of this decision, our last development for the foreseeable future - 23 homes at Lochyside in Fort William - was completed in April 2012. However, while the Association will not be engaging in the direct provision of affordable housing itself as long as the current public funding regime and lending environment remain as they are today, during the year the Association has been working to deliver partnerships with the Highland Council, the Highland Housing Alliance, the Scottish Government and the Highlands Small Communities Housing Trust that we hope will produce progressive and innovative ways to help meet the housing needs of the communities of Lochaber.

##### Property Maintenance

The Association has in place cyclical and planned maintenance programmes that will ensure that we achieve the completion of our Scottish Housing Quality Standard delivery plan for 2015. Our planned maintenance programme again mainly included fitting new kitchens, bathrooms and replacement heating systems. Our overall planned maintenance spend for 2012/13 was £718,915 and is projected to be maintained at a similar level for the next three years.

A successful application was made through Scottish Power to access CESP funding which enabled us to carry out external insulation works on 128 properties. The total value of the contract was £1,068,270 of which £996,770 was carried out during the year to 31 March 2013.

Our reactive maintenance performance continues to be very satisfactory, exceeding all response time targets as well as producing high levels of tenant satisfaction.

The Association's subsidiary maintenance company, LHA Property Services CIC continues to serve us well through achieving its targets, providing customer responsive and efficient service standards through which we are improving performance in relation to our key indicators and by generating surpluses for re-investment in tenants' homes.

---

REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

Housing Management

Our housing management services have managed to continue to deliver improvement. The non-technical rent arrears (disregarding the impact of housing benefit payment cycles) have reduced over the year. While our performance in relation to the management of void properties had worsened, this has largely been due to a small number of properties that took a long time to let on the Isle of Eigg. We will continue to closely monitor this performance indicator.

Much of the year was spent preparing for the impact of the UK government's proposals in relation to welfare reform, in particular for what has become known as the bedroom tax. This has involved extensive staff training, raising awareness levels among tenants and identifying vulnerable tenants. The assumptions in relation to rent arrears and bad debts in our Business Plan cashflow projections have also been amended.

Review of the year

The year was devoted in large part to renewing our Business Plan and reassessing our risk management. In addition, as stated above, significant effort has been devoted to preparing for the impact of welfare reform. The concerns around this are also part of our future plans and protecting vulnerable tenants and our income will be a significant work stream going forward.

The Association entered in to a management and maintenance agreement with Link Housing Association through which we have been responsible for these services in relation to Link's properties in Fort William with effect from 1st April 2012.

We have also done much to embed our Lochaber 365 service, through which we provide building maintenance services to other businesses and households throughout Lochaber. Similarly, we have been working on establishing, also through LHA Property Services, our Lochaber LETS initiative, a private rented sector lettings and management service.

While we have taken the decision not to invest in directly provided new build development at this time, we have established a number of targets in relation to delivering housing supply through partnerships. Accordingly, we have been working with the Council, other housing associations and the Highlands Small Communities Housing Trust to pull together potential housing projects. We are hopeful that, through these efforts, we will achieve the delivery of additional, affordable housing opportunities.

Resources have been dedicated to preparing for the reporting requirements that we will have for the Annual Return of the Charter, for which we have had to begin collecting information in 2013/14. This will be on-going during the current financial year. We have also put in place comprehensive and revised complaints handling procedures that comply with the requirements of the Scottish Public Services Ombudsman.

The Scottish Housing Regulator produced a revised Regulatory Framework and other related guidance in connection with good governance during the year. We have been reviewing our governance in the light of these publications and are continuing to do so in the current year.

Our commitment to developing our major asset - our people - was recognised this year through our accreditation as Gold Standard Investors in People.

---

REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2013

Review of Business and Future Developments (Contd.)

Future Plans

To reflect our changed approach in relation to new housing supply we have amended our Mission Statement to read *"we will facilitate the provision of good quality, truly affordable housing opportunities and services for local people in their preferred communities, thereby identifying and meeting local needs and helping to maintain and develop thriving communities throughout Lochaber"*.

Accordingly, our revised Business Plan, 2012 - 2015 has set out a number of ways through which we hope to facilitate new housing supply by partnership working. This facilitation will be a constant aspect of our activity during the 3 year business planning cycle to 2015.

Through the business planning process the Board has revised its Risk Management Strategy and Risk Register. The most significant threat to the Association has been identified as the UK government's welfare reform. Accordingly, we will be carefully monitoring the effects of welfare reform and designing appropriate strategies to combat its impact.

We have also agreed a range of strategic principles that underpin our business planning. These are: housing supply through partnership; improved financial strength; growth and diversification through our subsidiaries; continual improvement in our performance; excellence in governance; engagement with tenants; and making a social impact. So, while our last Business Plan had 5 strategic objectives, which remain substantially unaltered, the revised Plan has an additional sixth objective - to support and guide our subsidiary companies as social enterprises to grow and diversify their services in order to deliver social impact.

Flowing from these strategic principles, we have agreed a range of strategic priorities, including updating our Asset Management Strategy; introducing a Voluntary Sales Policy; revisiting our Wider Role Strategy; reviewing our Tenant Participation Strategy; initiating a comprehensive customer survey; achieving accreditation with TPAS (Scotland); and reviewing and improving our Business Continuity Plan.

---

**REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2013**

**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 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 enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. 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.

---

**REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2013**

**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 £308 (2012 £1,534).

**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**

  
Secretary  
08 July 2013

---

**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 6 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 6 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  
08 July 2013

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

---

We have audited the financial statements of Lochaber Housing Association Limited for the year ended 31st March 2013 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 work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Board of Management and Auditors**

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

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

### **Scope of the audit on the Financial Statements**

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

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2013 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 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

### **Matters on which we are required to report by exception**

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.

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

---

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

- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- 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  
08 July 2013

LOCHABER HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	Restated 2012 £
TURNOVER	2.	4,550,072	2,686,565
Operating Costs	2.	(3,027,863)	(1,871,394)
<b>OPERATING SURPLUS</b>	9.	1,522,209	815,171
Gain On Sale Of Housing Stock	7.	38,394	7,307
Interest Receivable and Other Income		105,187	126,140
Interest Payable and Similar Charges	8.	(504,438)	(516,853)
		(360,857)	(383,406)
<b>SURPLUS FOR THE YEAR</b>		<u>1,161,352</u>	<u>431,765</u>

All amounts relate to continuing activities. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2013 £	Restated 2012 £
Surplus for the financial year		1,161,352	431,765
Unrealised loss on revaluation of office premises	11.(b)	(20,000)	-
Prior year adjustment	25.	(661,386)	657,625
<b>Total gains recognised since last annual report</b>		<u>479,966</u>	<u>1,089,390</u>

**LOCHABER HOUSING ASSOCIATION LIMITED**

**BALANCE SHEET AS AT 31st MARCH 2013**

	Notes	2013	2012
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	57,171,775	56,164,809
Less: Social Housing Grant	11.(a)	(41,760,068)	(41,790,804)
		<u>15,411,707</u>	<u>14,374,005</u>
Other fixed assets	11.(b)	537,347	584,929
		<u>15,949,054</u>	<u>14,958,934</u>
<b>FIXED ASSET INVESTMENTS</b>			
Investment in subsidiaries	23.	10,000	10,000
Shared Equity Cost	23.	936,698	543,003
Shared Equity Grant	23.	(936,698)	(543,003)
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Stock	14.	79,460	786,160
Debtors	15.	577,906	700,881
Investments	24.	480,000	-
Cash at bank and in hand		1,096,521	1,097,605
		<u>2,233,887</u>	<u>2,584,646</u>
<b>CREDITORS: Amounts falling due within one year</b>	16.	(1,695,404)	(2,123,755)
<b>NET CURRENT ASSETS</b>		<u>538,483</u>	<u>460,891</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>16,497,537</u>	<u>15,429,825</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	17.	(12,487,317)	(12,560,961)
<b>NET ASSETS</b>		<u>4,010,220</u>	<u>2,868,864</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	19.	57	53
Designated Reserves	20.(a)	2,646,255	2,646,255
Revenue Reserves	20.(b)	1,249,966	88,614
Revaluation Reserves	20.(c)	113,942	133,942
		<u>4,010,220</u>	<u>2,868,864</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 08 July 2013.

*Chairperson*

*Vice-Chairperson*

*Secretary*

LOCHABER HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2013

	Notes	2013 £	2012 £
<b>Net Cash Inflow / (Outflow) from Operating Activities</b>	18.	1,907,342	(162,276)
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received	105,187	6,140	
Income from share in group undertaking	-	120,000	
Interest Paid	(504,438)	(529,545)	
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(399,251)	(403,405)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties	(774,279)	(3,780,451)	
Purchase of Other Fixed Assets	(5,642)	(23,828)	
Social Housing Grant Received	297,038	2,575,974	
Social Housing Grant Repaid	-	(72,740)	
Proceeds on Disposal of Properties	76,104	89,354	
<b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>		(406,779)	(1,211,691)
<b>Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing</b>		1,101,312	(1,777,372)
<b>Management of Liquid Resources</b>			
Change in short term deposits with banks		(480,000)	-
<b>Financing</b>			
Loan Advances Received	433,510	1,985,059	
Loan Principal Repayments	(1,055,910)	(343,854)	
Share Capital Issued	4	2	
<b>Net Cash (Outflow) / Inflow from Financing</b>		(622,396)	1,641,207
<b>Decrease in Cash</b>	18.	(1,084)	(136,165)

# LOCHABER HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **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 Determination of Accounting Requirements 2012. 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 receivable.

##### **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.

<i>Component</i>	<i>Useful Economic Life</i>
Structure	50 years
Roof	50 years
Render	40 years
Heating	20 years
Hot water cylinder	10 years
External doors	25 years
Windows	25 years
Bathroom	25 years
Kitchen	15 years

# LOCHABER HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of 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% (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 the grant received.

# LOCHABER HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **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 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2013			2012 - Restated		
		Turnover	Operating Costs	Operating Surplus / (Deficit)	Turnover	Operating Costs	Operating Surplus / (Deficit)
		£	£	£	£	£	£
Social Lettings	3.	2,623,620	1,814,130	809,490	2,381,031	1,550,261	830,770
Other Activities	4.	1,926,452	1,213,733	712,719	305,534	321,133	(15,599)
<b>Total</b>		<b>4,550,072</b>	<b>3,027,863</b>	<b>1,522,209</b>	<b>2,686,565</b>	<b>1,871,394</b>	<b>815,171</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing	Shared ownership	Restated	
			2013 Total	2012 Total
	£	£	£	£
<b>Income from Lettings</b>				
Rent Receivable Net of Identifiable Service Charges	2,441,573	121,418	2,562,991	2,309,264
Service Charges Receivable	68,880	3,988	72,868	82,255
<b>Gross Rents Receivable</b>	<b>2,510,453</b>	<b>125,406</b>	<b>2,635,859</b>	<b>2,391,519</b>
Less: Rent losses from voids	12,239	-	12,239	10,488
<b>Net Rents Receivable</b>	<b>2,498,214</b>	<b>125,406</b>	<b>2,623,620</b>	<b>2,381,031</b>
Revenue Grants from Scottish Ministers	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-
<b>Total Income From Social Letting</b>	<b>2,498,214</b>	<b>125,406</b>	<b>2,623,620</b>	<b>2,381,031</b>
<b>Expenditure on Social Letting Activities</b>				
Service Costs	71,752	3,988	75,740	77,102
Management and maintenance administration costs	770,208	21,432	791,640	697,144
Reactive Maintenance	258,598	-	258,598	294,801
Bad Debts - Rents and Service Charges	22,918	1,658	24,576	29,127
Planned and Cyclical Maintenance, including Major Repairs	274,231	-	274,231	112,240
Depreciation of Social Housing	386,594	2,751	389,345	339,847
Impairment of Housing	-	-	-	-
<b>Operating Costs of Social Letting</b>	<b>1,784,301</b>	<b>29,829</b>	<b>1,814,130</b>	<b>1,550,261</b>
<b>Operating Surplus on Social Letting Activities</b>	<b>713,913</b>	<b>95,577</b>	<b>809,490</b>	<b>830,770</b>
<b>2012 - Restated</b>	<b>742,775</b>	<b>87,995</b>		

**LOCHABER HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**

**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) 2013	Operating Surplus / (Deficit) 2012
	£	£	£	£	£	£	£	£	£
Care and Repair of Property	-	-	-	14,420	14,420	-	50,495	(36,075)	(32,131)
Other Agency or Management Services	-	-	-	12,825	12,825	-	12,825	-	-
Commercial rents	-	-	-	32,626	32,626	-	5,895	26,731	16,532
Other Income	-	-	-	56,682	56,682	-	49,321	7,361	-
CESP Funding	-	-	-	996,770	996,770	-	282,068	714,702	-
Homestake sales	-	-	-	813,129	813,129	-	813,129	-	-
<b>Total From Other Activities</b>	-	-	-	<b>1,926,452</b>	<b>1,926,452</b>	-	<b>1,213,733</b>	<b>712,719</b>	<b>(15,599)</b>
<b>2012</b>	-	-	-	<b>305,534</b>	<b>305,534</b>	-	<b>321,133</b>	<b>(15,599)</b>	

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### 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.

	2013	2012
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>63,553</u>	<u>62,101</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>3,813</u>	<u>2,676</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>63,553</u>	<u>62,101</u>

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

	Number	Number
£60,001 to £70,000	1	1

#### 6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>15</u>
The average total number of Employees employed during the year was	<u>18</u>	<u>15</u>
Staff Costs were:	£	£
Wages and Salaries	433,837	404,271
Social Security Costs	47,273	51,785
Other Pension Costs	65,055	64,733
	<u>546,165</u>	<u>520,789</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	76,104	89,354
Cost of Sales	<u>37,710</u>	<u>82,047</u>
Gain On Sale Of Housing Stock	<u>38,394</u>	<u>7,307</u>

#### 8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	504,438	529,545
On Other Loans	-	-
	<u>504,438</u>	<u>529,545</u>
Less: Interest Capitalised	<u>-</u>	<u>12,692</u>
	<u>504,438</u>	<u>516,853</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2012 £nil).

Interest capitalised was incurred at varying rates of interest.

#### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	412,027	362,224
Auditors' Remuneration - Audit Services	12,264	7,934
Operating Lease Rentals - Land & Buildings	28,912	28,714
Operating Lease Rentals - Other	<u>6,186</u>	<u>-</u>

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

**LOCHABER HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**11. TANGIBLE FIXED ASSETS**

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Leased Property £	Total £
<b>COST</b>					
As at 1st April 2012-restated	52,546,409	2,850,189	2,717,916	185,102	58,299,616
Additions	1,274,838	214,143	-	-	1,488,981
Disposals	(117,867)	-	-	-	(117,867)
Schemes Completed	2,618,640	(2,618,640)	-	-	-
As at 31st March 2013	<u>56,322,020</u>	<u>445,692</u>	<u>2,717,916</u>	<u>185,102</u>	<u>59,670,730</u>
<b>DEPRECIATION</b>					
As at 1st April 2012-restated	2,078,722	-	30,443	25,642	2,134,807
Charge for Year	372,944	-	2,751	3,108	378,803
Disposals	(14,655)	-	-	-	(14,655)
As at 31st March 2013	<u>2,437,011</u>	<u>-</u>	<u>33,194</u>	<u>28,750</u>	<u>2,498,955</u>
<b>SOCIAL HOUSING GRANT</b>					
As at 1st April 2012-restated	37,185,645	2,177,246	2,304,965	122,948	41,790,804
Additions	38,785	-	-	-	38,785
Disposals	(54,960)	(14,561)	-	-	(69,521)
Schemes Completed	1,752,091	(1,752,091)	-	-	-
As at 31st March 2013	<u>38,921,561</u>	<u>410,594</u>	<u>2,304,965</u>	<u>122,948</u>	<u>41,760,068</u>
<b>NET BOOK VALUE</b>					
As at 31st March 2013	<u>14,963,448</u>	<u>35,098</u>	<u>379,757</u>	<u>33,404</u>	<u>15,411,707</u>
As at 31st March 2012	<u>13,282,042</u>	<u>672,943</u>	<u>382,508</u>	<u>36,512</u>	<u>14,374,005</u>

Additions to housing properties includes capitalised development administration costs of £nil (2012 - £65,165) and capitalised major repair costs to existing properties of £1,159,386 (2012 £624,432)

All land and housing properties are freehold.

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets	Office Premises £	Office Improvements £	Office & Equipment £	Total £
<b>COST</b>				
As at 1st April 2012	295,000	304,770	206,143	805,913
Additions	-	752	4,890	5,642
Eliminated on Disposals	-	-	-	-
Revaluation	(20,000)			(20,000)
As at 31st March 2013	<u>275,000</u>	<u>305,522</u>	<u>211,033</u>	<u>791,555</u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2012	-	72,814	148,170	220,984
Charge for year	-	20,652	12,572	33,224
Eliminated on disposal	-	-	-	-
As at 31st March 2013	<u>-</u>	<u>93,466</u>	<u>160,742</u>	<u>254,208</u>
<b>NET BOOK VALUE</b>				
As at 31st March 2013	<u>275,000</u>	<u>212,056</u>	<u>50,291</u>	<u>537,347</u>
As at 31st March 2012	<u>295,000</u>	<u>231,956</u>	<u>57,973</u>	<u>584,929</u>

The office premises were revalued at £275,000 on an open market value basis by DM Hall LLP. 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 2013 & 2012 161,058

#### 12. CAPITAL COMMITMENTS

	2013 £	2012 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>-</u>	<u>389,297</u>

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

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013 £	2012 £
<b>Land and Buildings</b>		
Expiring in over five years	39,000	39,000
<b>Other</b>		
Expiring within one year	388	960
Expiring between two and five years	5,457	5,091

#### 14. STOCK

	2013 £	2012 £
Stock	79,460	406,031
Work in progress	-	380,129
	<u>79,460</u>	<u>786,160</u>
<u>Stock is analysed as follows:</u>		
Development cost on completed properties held for sale	146,662	700,317
Housing Association Grant on completed properties held for sale	(67,202)	(294,286)
	<u>79,460</u>	<u>406,031</u>
<u>Work in progress is made up as follows:</u>		
Development Costs	-	641,306
Housing Association Grant received	-	(261,177)
	<u>-</u>	<u>380,129</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.

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 15. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	78,529	72,660
Less: Provision for Doubtful Debts	<u>(37,838)</u>	<u>(40,566)</u>
	40,691	32,094
Social Housing Grant Receivable	112,242	187,704
Other Debtors	244,238	281,277
Amounts Due from Group Undertakings	<u>180,735</u>	<u>199,806</u>
	<u>577,906</u>	<u>700,881</u>

#### 16. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	389,624	938,380
Trade Creditors	3,672	34,705
Rent in Advance	205,030	56,768
Social Housing Grant in Advance	797,045	599,693
Other Taxation and Social Security	8,058	27,498
Other Creditors	17,145	-
Accruals and Deferred Income	<u>274,830</u>	<u>466,711</u>
	<u>1,695,404</u>	<u>2,123,755</u>

At the balance sheet date there were pension contributions outstanding of £19,100 (2012 £nil)

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

	2013	2012
	£	£
Housing Loans	<u>12,487,317</u>	<u>12,560,961</u>
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	389,624	938,380
Between one and two years	397,993	318,357
Between two and five years	1,247,462	1,031,174
In five years or more	<u>10,841,862</u>	<u>11,211,430</u>
	12,876,941	13,499,341
Less: Amount shown in Current Liabilities	<u>389,624</u>	<u>938,380</u>
	<u>12,487,317</u>	<u>12,560,961</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow / (outflow) from operating activities</i>	2013 £	2012 £
Operating Surplus	1,522,209	815,171
Depreciation and loss of disposals	422,569	374,916
Change in Stock	706,700	(640,681)
Change in Debtors	47,513	32,372
Change in Creditors	(76,947)	(744,017)
CESP Funding	(714,702)	-
Share Capital Written Off	-	(37)
<b>Net Cash Inflow / (Outflow) from Operating Activities</b>	<b>1,907,342</b>	<b>(162,276)</b>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	£	2012 £	£
Decrease in Cash	(1,084)		(136,165)	
Cash flow from management of liquid resources	480,000		-	
Cash flow from change in debt	622,400		(1,641,205)	
<b>Movement in net debt during year</b>		<b>1,101,316</b>		<b>(1,777,370)</b>
Net debt at 1st April 2012		(12,401,736)		(10,624,366)
<b>Net debt at 31st March 2013</b>		<b>(11,300,420)</b>		<b>(12,401,736)</b>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	1,097,605	(1,084)		1,096,521
Liquid Resources	-	480,000		480,000
Debt: Due within one year	(938,380)	622,400	(73,644)	(389,624)
Due after more than one year	(12,560,961)	-	73,644	(12,487,317)
<b>Net Debt</b>	<b>(12,401,736)</b>	<b>1,101,316</b>	<b>-</b>	<b>(11,300,420)</b>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	53
Issued in year	4
Cancelled in year	-
At 31st March 2013	<u>57</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.

#### 20. RESERVES

(a) Designated Reserves	Major	Total
	Repairs	
	£	£
At 1st April 2012	2,646,255	2,646,255
Transfer to / (from) Revenue Reserves	-	-
At 31st March 2013	<u>2,646,255</u>	<u>2,646,255</u>

  

(b) Revenue Reserves	Total
	£
At 1st April (as restated)	88,614
Surplus for the year	1,161,352
Transfer (to) / from Designated Reserves	-
At 31st March 2013	<u>1,249,966</u>

  

(c) Revaluation Reserves	Total
	£
At 1st April 2012	133,942
Increase in year	(20,000)
At 31st March 2013	<u>113,942</u>

#### 21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013	2012
	No.	No.
General Needs - New Build	645	629
- Rehabilitation	-	-
Shared Ownership	59	59
Supported Housing	-	-
	<u>704</u>	<u>688</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### 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
- 2 members are relevant local councillors

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

	2013 £	2012 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	936,698	543,003
Less: Grants Receivable	936,698	543,003
	<u>-</u>	<u>-</u>
<b>Investments in Subsidiaries</b>		
As at 31st March 2013 & 31st March 2012	<u>10,000</u>	<u>10,000</u>

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.

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

During the year Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,088,516 (2012 - £902,719). Additionally, the Association received an administration fee from Lochaber Housing Property Services of £24,000 (2012- £24,000) and defrayed expenses on behalf of Lochaber Housing Association Property Services which were subsequently reimbursed. The Association paid a grant of £25,000 (2012- £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 for the year ended 31st March 2013 were as follows:

	Lochaber Care and Repair Limited		Lochaber Housing Association Property Services CIC	
	2013 £	2012 £	2013 £	2012 £
Capital & Reserves	<u>73,416</u>	<u>73,613</u>	<u>40,869</u>	<u>36,107</u>
Profit for the year	<u>(197)</u>	<u>10,898</u>	<u>4,762</u>	<u>4,985</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 24. CURRENT ASSET INVESTMENTS

	2013	2012
	£	£
Short Term Deposits	<u>480,000</u>	<u>-</u>

#### 25. PRIOR YEAR ADJUSTMENT

During the year, it was identified that an error was made in the implementation of component accounting in the 2011/12 Financial Statements. As a result, a prior year adjustment was required under Financial Reporting Standard 3 - Reporting Financial Performance.

	Reported in 2012 Accounts	Restated 2012 figures	Change
	£	£	£
Net Book Value of Housing Property	15,035,391	14,374,005	(661,386)
Revenue Reserves	<u>750,000</u>	<u>88,614</u>	(661,386)
Housing Depreciation Charge	<u>327,155</u>	<u>316,618</u>	(10,537)

The reported surplus in 2012 had been restated by £10,537 and now stands at £431,765.

# LOCHABER HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

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

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 career average revalued earnings with a 1/120th accrual rate benefit structure for active members and new entrants as from 1 April 2012.

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 contributions at the rate of 4.7% of pensionable salaries. Member contributions were 4.7%.

As at the balance sheet date there were 10 active members of the Scheme employed by Lochaber Housing Association Limited. The annual pensionable payroll in respect of these members was £377,942. 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.

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	
RPI	2.6
CPI	2.0

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.

## LOCHABER HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. 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:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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.

The trustees have recently supplied the Association with an updated contribution figure to the past service deficit. From 1 April 2014 the Association will be required to pay £49,533 per annum as a contribution to the past service deficit. This will represent an increase of 11.3% in the Association's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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.