

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No.HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

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LOCHABER HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2015

BOARD OF MANAGEMENT

Dion Alexander	Chairperson
Hugh Donaldson	Vice-chairperson
Drew MacFarlane Slack	Resigned 03/11/2014
Alex Farquar	Treasurer
Margaret Boyd	
Andrew Carr	Secretary
Roger Gibbins	
Bren Gormley	Councillor
Catriona Hunter	
Brian Murphy	Councillor Co-optee
Jean Sinclair	Tenant
Alison Gainsford	Resigned 15/12/2014
Lyn Kilpatrick	Appointed 12/05/2014

EXECUTIVE OFFICERS

Blair Allan	Chief Executive
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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 2015

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2289R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC030951.

Principal Activities

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

Review of Business and Future Developments

Development

As reported last year, the Association's Board has taken the decision to return to new build development activity due to the Scottish Government's decision to reinstate subsidy levels to something much nearer their historic levels and much improved lending conditions in the financial markets. As a consequence, we have developed a development partnership with the Highlands Small Communities Housing Trust through which we will be going on site this year with 31 socially rented units and 6 shared equity units. We are also jointly developing another 7 units of affordable accommodation with the Trust on land owned by the Association, utilising funding available through the Greener Homes and Rent to Buy initiatives.

During the year we completed a strategic lending review. Among other matters, this confirmed that, within the context of current subsidy levels and lending conditions, we will be able to provide sufficient security to develop approximately one hundred more homes. We are hopeful, however, that subsidy and lending terms may improve further in the interim, or that the Scottish Federation of Housing Association's HARIS funding model may enable us to deliver even more affordable housing opportunities going forward. We are presently in discussions with the Highland Council and the Scottish Government about the potential to seek approval during 2015/16 to proceed with another 30 to 40 units of accommodation.

Property Maintenance

Our planned maintenance programme again mainly included fitting new kitchens, bathrooms, replacement heating systems and building new walls and paths. As our accounts show, this expenditure is central in underpinning our strategic objectives associated with service quality, tenant satisfaction, asset management and financial viability.

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 2015

Review of Business and Future Developments (Contd)

Housing Management

It has been a challenging year for our housing management service. A key risk has been that presented by welfare reform, restricted in the main to the impact of the bedroom tax on the lives of some tenants and the potential consequences for our rent arrears and levels of bad debt. However, this risk has been carefully and successfully managed through raising the awareness of affected tenants, staff training and working with our tenants to maximise access to discretionary housing benefit payments. We have also been one of the principal partners in a pan-Highland funding initiative through which we have secured additional funding (Scottish Legal Aid Board Making Advice Work project) for our Citizen's Advice Bureau colleagues to provide support and advice for our tenants affected by the bedroom tax and other associated financial difficulties. As a consequence of these strands of work, our rent arrears levels have suffered only a marginal increase.

2014/15 saw the adoption of a revised Tenant Participation Strategy, an initiative that was jointly developed through our partnership with Your Voice, our tenant consultative and participation group. This partnership also produced our first Tenants Report on the Annual Return on the Charter (ARC), aptly named "Tenant Talk". This publication presented our tenants with performance information that they themselves had identified as being relevant and interesting for the majority of tenants.

Review of the year

Our successful return to new build development activity could rightly be described as our principal achievement over the past year, during which we have moved from a standstill, following two years of development inactivity, to being on the verge of starting on site with 37 units of accommodation.

We completed 2 major strategic reviews during the year. Firstly, our organisational review has given rise to a number of recommendations for the improvement of our efficiency and effectiveness in the delivery of our strategic objectives. The Board will oversee the implementation of these recommendations during 2015/16. Secondly, our strategic lending review has assisted us in deciding where best to develop strategic lending partnerships and has assisted us in understanding our capacity to deliver a development programme going forward.

During 2014/15 we established a Governance Sub-Committee to help us to bring improvement to our governance arrangements and to underpin one of our strategic principles - excellence in governance. This Sub-Committee has reviewed a range of governance issues in its short life-span to date, including introducing a revised Code of Conduct, and will continue to oversee a range of reviews in the coming year, including revising our Model Rules.

Future plans

We will continue to work on implementing our strategic principles, which underpin our business plan. These are: housing supply through partnership; improved financial strength; growth and diversification through our subsidiaries; continual improvement in our performance; excellence in governance; engagement with tenants; and making a social impact. During the coming year we will revisit our Business Plan again and produce a renewed strategy for the Lochaber Housing Association Group for 2015-18. The Association's strategic priorities are likely to continue to be centred on these strategic priorities.

During the current year, significant attention has again continued to be devoted to the risk presented to the Association and many of our tenants through welfare reform measures and cuts. This will be a feature of our work for a number of years since the UK Government has strongly signaled its intent to drive down the cost of welfare provision even more. Our partnerships with the Scottish Legal Aid Board, the Big Lottery Fund, Lochaber Credit Union, and Lochaber Citizens Advice Bureau will be central to this work and in diminishing the risk presented to the resources of the Association and its tenants.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2015

Board of Management and Executive Officers

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

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

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

Statement of Board of Management's Responsibilities

The Co-operative & Community Benefit Societies Act 2014 requires the Board of Management to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Board of Management is required to:-

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 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.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2015

Statement on Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Board of Management to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Management;
- the Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Board of Management

ANDREW CARR
Secretary
29 June 2015



LOCHABER HOUSING ASSOCIATION LIMITED

**REPORT BY THE AUDITORS TO THE MEMBERS
LOCHABER HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the 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 relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
29 June 2015

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 2015 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 Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Board of Management and Auditors

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2015 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 Co-operative and Community Benefit Societies Act 2014, 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.

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

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
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the 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
29 June 2015

LOCHABER HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TURNOVER	2.		2,924,013		2,905,147
Operating Costs	2.		<u>(2,300,718)</u>		<u>(2,087,702)</u>
OPERATING SURPLUS	9.		623,295		817,445
Gain On Sale Of Housing Stock	7.	53,281		152,219	
Interest Receivable and Other Income		143,224		162,867	
Interest Payable and Similar Charges	8.	<u>(354,875)</u>		<u>(355,516)</u>	
			<u>(158,370)</u>		<u>(40,430)</u>
SURPLUS FOR THE YEAR			<u>464,925</u>		<u>777,015</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

The notes of pages 12 to 28 form part of these financial statements

LOCHABER HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

	Notes	2015	2014
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	57,478,975	57,463,397
Less: Social Housing Grant	11.(a)	(41,607,841)	(41,698,075)
		<u>15,871,134</u>	<u>15,765,322</u>
Other fixed assets	11.(b)	221,892	521,505
		<u>16,093,026</u>	<u>16,286,827</u>
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	22.	10,000	10,000
Shared Equity Cost	22.	936,698	936,698
Shared Equity Grant	22.	(936,698)	(936,698)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Debtors	14.	520,997	398,057
Cash at bank and in hand		1,740,896	1,510,753
		<u>2,261,893</u>	<u>1,908,810</u>
CREDITORS: Amounts falling due within one year	15.	(1,455,278)	(1,331,733)
NET CURRENT ASSETS		<u>806,615</u>	<u>577,077</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,909,641</u>	<u>16,873,904</u>
CREDITORS: Amounts falling due after more than one year	16.	(11,657,481)	(12,086,670)
NET ASSETS		<u>5,252,160</u>	<u>4,787,234</u>
CAPITAL AND RESERVES			
Share Capital	18.	57	56
Designated Reserves	19.(a)	2,646,255	2,646,255
Revenue Reserves	19.(b)	2,605,848	2,026,981
Revaluation Reserve	19.(c)	-	113,942
		<u>5,252,160</u>	<u>4,787,234</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 29 June 2015.

Chairperson



Vice-Chairperson



Secretary



The notes of pages 12 to 28 form part of these financial statements

LOCHABER HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015**

	Notes	2015 £	2014 £
Net Cash Inflow from Operating Activities	17.	1,190,840	1,240,665
Returns on Investment and Servicing of Finance			
Interest Received		143,229	162,867
Interest Paid		(354,875)	(355,516)
Net Cash Outflow from Investment and Servicing of Finance		(211,646)	(192,649)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(760,104)	(923,385)
Purchase of Other Fixed Assets		(7,460)	(16,824)
Social Housing Grant Received		65,554	17,427
Social Housing Grant Repaid		(121,167)	(127,497)
Proceeds on Disposal of Properties		224,422	330,910
Proceeds on Disposal of Other Fixed Assets		272,125	
Net Cash Outflow from Capital Expenditure and Financial Investment		(326,630)	(719,369)
Net Cash Inflow before use of Liquid Resources and Financing		652,564	328,647
Management of Liquid Resources			
Change in short term deposits with banks		-	480,000
Financing			
Loan Principal Repayments		(422,425)	(394,415)
Share Capital Issued		4	-
Net Cash Outflow from Financing		(422,421)	(394,415)
Increase in Cash	17.	230,143	414,232

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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.

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 Benefit 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 2015

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 and Equipment	- 20% (reducing balance basis)

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 2015

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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	2,823,305	2,165,973	657,332	2,731,888	1,972,295	759,593
Other Activities	4.	100,708	134,745	(34,037)	173,259	115,407	57,852
Total		2,924,013	2,300,718	623,295	2,905,147	2,087,702	817,445

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	2,619,904	126,851	2,746,755	2,671,121
Service Charges Receivable	78,926	3,988	82,914	78,017
Gross Rents Receivable	2,698,830	130,839	2,829,669	2,749,138
Less: Rent losses from voids	6,364	-	6,364	17,250
Net Rents Receivable	2,692,466	130,839	2,823,305	2,731,888
Total Income From Social Letting	2,692,466	130,839	2,823,305	2,731,888
Expenditure on Social Letting Activities				
Service Costs	75,546	3,946	79,492	99,097
Management and maintenance administration costs	837,160	17,827	854,987	827,220
Reactive Maintenance	328,722	-	328,722	273,448
Bad Debts - Rents and Service Charges	8,145	2,062	10,207	31,789
Planned and Cyclical Maintenance, including Major Repairs	400,830	-	400,830	374,940
Depreciation of Social Housing	489,160	2,575	491,735	365,801
Operating Costs of Social Letting	2,139,563	26,410	2,165,973	1,972,295
Operating Surplus on Social Letting Activities	552,903	104,429	657,332	759,593
2014	659,793	99,800		

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	-	-	-	-	-	-	15,000	(15,000)	-
Care and Repair of Property	-	-	-	15,382	15,382	-	49,703	(34,321)	(37,785)
Other Agency or Management Services	-	-	-	12,834	12,834	-	12,834	-	-
Commercial Rents	-	-	-	27,343	27,343	-	9,185	18,158	24,137
Other Income	-	-	-	45,149	45,149	-	45,149	-	-
Loss on disposal of fixed asset	-	-	-	-	-	-	2,874	(2,874)	-
CESP Funding	-	-	-	-	-	-	-	-	71,500
Total From Other Activities	-	-	-	100,708	100,708	-	134,745	(34,037)	57,852
2014	-	-	-	173,259	173,259	-	115,407	57,852	57,852

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

	2015	2014
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>67,687</u>	<u>65,340</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,115</u>	<u>4,117</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>67,687</u>	<u>65,340</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

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>15</u>	<u>16</u>
The average total number of Employees employed during the year was	<u>16</u>	<u>17</u>
Staff Costs were:	£	£
Wages and Salaries	400,680	400,360
Social Security Costs	48,300	48,079
Other Pension Costs	79,260	69,497
	<u>528,240</u>	<u>517,936</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	224,422	330,911
Cost of Sales	171,141	178,692
Gain On Sale Of Housing Stock	<u>53,281</u>	<u>152,219</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	354,875	355,516
	<u>354,875</u>	<u>355,516</u>
Less: Interest Capitalised	-	-
	<u>354,875</u>	<u>355,516</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2014 £nil).

Interest capitalised was incurred at varying rates of interest.

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	523,808	398,468
Auditors' Remuneration - Audit Services	9,280	8,212
Operating Lease Rentals - Land & Buildings	35,930	30,666
Operating Lease Rentals - Other	7,412	7,963
Loss on sale of fixed assets	<u>2,875</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 2015

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 £	Shared Ownership In course of Construction £	Total £
COST					
As at 1st April 2014	56,972,554	453,192	2,682,993	185,102	60,293,841
Additions	645,137	114,967	-	-	760,104
Disposals	(204,131)	-	(92,859)	-	(296,990)
As at 31st March 2015	<u>57,413,560</u>	<u>568,159</u>	<u>2,590,134</u>	<u>185,102</u>	<u>60,756,955</u>
DEPRECIATION					
As at 1st April 2014	2,762,689	-	35,897	31,858	2,830,444
Charge for Year	465,571	-	2,575	3,108	471,254
Disposals	(23,344)	-	(374)	-	(23,718)
As at 31st March 2015	<u>3,204,916</u>	<u>-</u>	<u>38,098</u>	<u>34,966</u>	<u>3,277,980</u>
SOCIAL HOUSING GRANT					
As at 1st April 2014	38,889,812	410,594	2,274,721	122,948	41,698,075
Additions	39,019	73,564	-	-	112,583
Disposals	(119,265)	-	(83,552)	-	(202,817)
As at 31st March 2015	<u>38,809,566</u>	<u>484,158</u>	<u>2,191,169</u>	<u>122,948</u>	<u>41,607,841</u>
NET BOOK VALUE					
As at 31st March 2015	<u>15,399,078</u>	<u>84,001</u>	<u>360,867</u>	<u>27,188</u>	<u>15,871,134</u>
As at 31st March 2014	<u>15,320,053</u>	<u>42,598</u>	<u>372,375</u>	<u>30,296</u>	<u>15,765,322</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £609,247 (2014 £708,265)

All land and housing properties are freehold.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Improvements £	Office Premises £	Office Furniture & Equipment £	Total £
COST				
As at 1st April 2014	320,522	275,000	212,857	808,379
Additions	-	-	7,460	7,460
Eliminated on Disposals	-	(275,000)	-	(275,000)
As at 31st March 2015	<u>320,522</u>	<u>-</u>	<u>220,317</u>	<u>540,839</u>
AGGREGATE DEPRECIATION				
As at 1st April 2014	115,709	-	171,165	286,874
Charge for year	22,243	-	9,830	32,073
Eliminated on disposal	-	-	-	-
As at 31st March 2015	<u>137,952</u>	<u>-</u>	<u>180,995</u>	<u>318,947</u>
NET BOOK VALUE				
As at 31st March 2015	<u>182,570</u>	<u>-</u>	<u>39,322</u>	<u>221,892</u>
As at 31st March 2014	<u>204,813</u>	<u>275,000</u>	<u>41,692</u>	<u>521,505</u>

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	<u>5,392</u>

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:-	2015 £	2014 £
Land and Buildings		
Expiring in over five years	46,000	46,000
Other		
Expiring within one year	-	388
Expiring between two and five years	<u>7,536</u>	<u>8,990</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	93,610	102,096
Less: Provision for Doubtful Debts	(48,664)	(59,003)
	<u>44,946</u>	<u>43,093</u>
Social Housing Grant Receivable	74,215	16,269
Other Debtors	300,603	188,416
Amounts Due from Group Undertakings	101,233	150,279
	<u>520,997</u>	<u>398,057</u>

15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Housing Loans	402,620	395,856
Trade Creditors	6,331	27,206
Rent in Advance	212,093	213,723
Social Housing Grant in Advance	576,642	565,725
Other Taxation and Social Security	18,209	30,787
Other Creditors	25,956	3,045
Accruals and Deferred Income	213,427	95,391
	<u>1,455,278</u>	<u>1,331,733</u>

At the balance sheet date there were pension contributions outstanding of £nil (2014 £nil)

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

	2015	2014
	£	£
Housing Loans	11,657,481	12,086,670
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	402,620	395,856
Between one and two years	411,773	404,582
Between two and five years	1,293,893	1,269,559
In five years or more	9,951,815	10,412,529
	<u>12,060,101</u>	<u>12,482,526</u>
Less: Amount shown in Current Liabilities	402,620	395,856
	<u>11,657,481</u>	<u>12,086,670</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	623,295	817,445
Depreciation	523,808	398,468
Change in Stock	-	79,460
Change in Debtors	(64,999)	83,876
Change in Creditors	105,864	(138,583)
Loss on sale of fixed assets	2,875	-
Share Capital Written Off	(3)	(1)
Net Cash Inflow from Operating Activities	<u>1,190,840</u>	<u>1,240,665</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	230,143		414,232	
Cash flow from management of liquid resources	-		(480,000)	
Cash flow from change in debt	<u>422,425</u>		<u>(406,879)</u>	
Movement in net debt during year		652,568		(472,647)
Net debt at 1st April 2014		<u>(10,971,773)</u>		<u>(11,300,420)</u>
Net debt at 31st March 2015		<u>(10,319,205)</u>		<u>(11,773,067)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	<u>1,510,753</u>	<u>230,143</u>		<u>1,740,896</u>
Debt: Due within one year	1,510,753	230,143		1,740,896
Due after more than one year	(395,856)	422,425	(429,189)	(402,620)
	<u>(12,086,670)</u>	<u>-</u>	<u>429,189</u>	<u>(11,657,481)</u>
Net Debt	<u>(10,971,773)</u>	<u>652,568</u>	<u>-</u>	<u>(10,319,205)</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	56
Issued in year	4
Cancelled in year	(3)
At 31st March 2015	<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.

19. RESERVES

(a) Designated Reserves	Major Repairs £	Total £
At 1st April 2014	2,646,255	2,646,255
Transfer to / (from) Revenue Reserves	-	-
At 31st March 2015	<u>2,646,255</u>	<u>2,646,255</u>
 (b) Revenue Reserves		Total £
At 1st April 2014		2,026,981
Surplus for the year		464,925
Transfer from Revaluation Reserve		113,942
At 31st March 2015		<u>2,605,848</u>
 (c) Revaluation Reserves		Total £
At 1st April 2014		113,942
Transfer to revenue reserve		(113,942)
At 31st March 2015		<u>-</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	641	643
Shared Ownership	57	58
	<u>698</u>	<u>701</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. 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 detailed in note 22.

The chief executive of Lochaber Housing Association is a committee member of Lochaber Credit Union. During the year, the Association provided a grant of £15,000 to support the growth and development of the credit union. The Association has agreed to provide this contribution for a 2 year period as part of their wider action budget.

Lochaber Housing Association has the right to nominate a Trustee to the Board of The Highlands Small Communities Housing Trust. It has taken right, and the Vice chairperson of Lochaber sits on the Board. The Association entered into a 3 year agreement with the Trust whereby the Trust provides housing development services. During 2014-15, the total charged to Lochaber Housing Association was £36,000.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. FIXED ASSET INVESTMENT

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	936,698	936,698
Less: Grants Receivable	936,698	936,698
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
 Investments in Subsidiaries		
As at 31st March 2015 & 31st March 2014	10,000	10,000
	<u> </u>	<u> </u>

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

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

During the year Lochaber Housing Association purchased repair services from Lochaber Housing Association Property Services CIC amounting to £1,353,740 (2014: £1,354,508). Additionally, the Association received an administration fee from Lochaber Housing Association Property Services for the year amounting to £25,288 (2014: £24,724) and defrayed expenses on behalf of Lochaber Housing Association Property Services, which were subsequently reimbursed. The Association paid a grant of £25,000 (2014: £25,000) to Lochaber Care and Repair as a contribution to administration costs. Lochaber Property Services CIC made a donation to Lochaber Housing Association of £128,000 (2014: £155,102).

The aggregate amount of capital and reserves and the results of Lochaber Housing Association Property Services CIC for the year ended 31st March 2015 were as follows:

	Lochaber Care and Repair Limited		Lochaber Housing Association Property Services CIC	
	2015 £	2014 £	2015 £	2014 £
Capital & Reserves	72,264	64,997	57,270	57,198
Profit for the year	<u>7,267</u>	<u>(8,419)</u>	<u>73</u>	<u>16,329</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 six 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
- Defined contribution

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 elected to operate the career average revalued earnings with a 1/120th accrual rate, contracted in from 01 April 2012 and the for new entrants from 01 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 5.7% of pensionable salaries. Member contributions were 5.7%.

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 £386,067. 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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
- 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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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 Lochaber Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 Lochaber Housing Association Limited will be required to pay £50,968 per annum as a contribution to the past service deficit. This will represent an increase/decrease of 3% in Lochaber Housing Association Limited'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.