



Alexander Sloan
Accountants and Business Advisers

Lochaber Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2022

Registered Social Landlord No. HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Contents

	Page
Members of the Board of Management, Executive and Advisers	1
Report of the Board of Management	2 – 6
Report by the Auditors on corporate governance matters	7
Report of the Auditors	8 -11
Statement of comprehensive income	12
Statement of financial position	13
Statement of cash flows	14
Statement of changes in equity	15
Notes to the financial statements	16 - 35

LOCHABER HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2022

BOARD OF MANAGEMENT

Di Alexander		
Andrew Carr		Chair
Hugh Donaldson	(resigned May 2021)	
Jenni Hodgson		Treasurer
Jacqui Wight		Secretary
Denis Rixson		Councillor
May Tosh		Vice Chair
Linda Johnson		
Rosemary Bridge		
Cameron Bauer	(resigned April 2022)	
Tom Wynne	(resigned September 2021)	
Iain Brown	(resigned July 2021)	
Moira MacVicar	(appointed May 2021)	

EXECUTIVE OFFICERS

Margaret Moynihan	Chief Executive
Sean Doherty	Asset Manager
Jenny MacKay	Customer Services Manager

REGISTERED OFFICE

101 High Street
Fort William
Invernesshire
PH33 6DG

EXTERNAL AUDITORS

Alexander Sloan
Accountants and Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Azets
25 Bothwell Street
Glasgow
G2 6NL

FINANCE AGENTS

David Smith
Chartered Accountants
Keppoch
Croft Road
Oban
PA34 5JN

BANKERS

Clydesdale Bank
58 High Street
Fort William
PH33 6AH

SOLICITORS

MacIntyre & Company
38 High Street
Fort William
PH33 6AT

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022

The Board of Management presents its report and the financial statements for the year ended 31 March 2022.

Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No. 2289R(S)), the Scottish Housing Regulator as a registered social landlord (No. HAL151) under the Housing (Scotland) Act 2010 and as 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

2021/22 saw the conversion of offices at Fulton House, Fort William to 12 affordable homes along with 3 new homes in Strontian. Through our continued partnership with the Communities Housing Trust (CHT), we have developments at Spean Bridge, Fort William, Strontian and Caol which will result in 28 new affordable homes, 22 social rented and 6 shared equity, completing in the coming months. There have been unfortunately, prolonged delays in each of these sites due to consents and this along with the delays in accessing materials and escalating prices have resulted in this being a very challenging year for our development programme. More positively however, it is anticipated we will be starting on site later this year with developments in Mallaig, Fort William and Caol, and we are delighted that the Link Group are now on site with the initial phase of 82 units to commence in late summer. This development is one which we are providing Clerk of Work services for and will manage at completion. This activity continues to support the strategic partnerships we have with the Scottish Government and The Highland Council, as together with these partners we hope that our current and future development programme can assist in achieving the governments ambitious targets for the next term of parliament.

The pandemic has meant that operationally this has been another difficult year for everyone, and the focus of our work is ensuring we continue to provide a high level of service to our tenants. The repairs service was badly affected with the re-introduction of lockdown and the ability to undertake only emergency repairs along with both staff absences and being unable to gain access to tenant properties due to covid. This led to a build-up of non-emergency repairs resulting in some of the planned maintenance programme being delayed to address these outstanding repairs. All staff must be commended for their efforts and motivation in the difficult circumstances in which they have continued to work throughout this period.

During the year the whole staff group participated in our tri-annual satisfaction survey with our tenants and resulting from this we are currently in the process of setting up focus groups ensuring we follow up on the points raised and seek to improve or amend our services where possible.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022

Review of Business and Future Developments (Contd.)

In 2020 we put in place the necessary frameworks and resources to enable our Board to continue to function digitally and remotely whilst ensuring all documents are accessed digitally in a secure way.

The Board have agreed this has been very successful, however, it has been agreed that going forward there will be 2 in-person meetings held each year with the remaining continuing to be held remotely.

The continuing increase in the cost of living and in particular the cost of heating and subsequent risk of higher levels of fuel poverty led to the Association working in partnership with ALIenergy through the Lochaber Affordable Warmth Scheme. This provides not just support to all tenants but financial assistance to those in need.

We continue to self-assess our compliance with the Regulatory Standards of Governance and Financial Management enabling the Board to provide an Annual Assurance Statement to the Scottish Housing Regulator. The Regulator notified the Association that the compliant status currently held remains, thus demonstrating to our tenants, lenders, and other partners that the SHR are reassured that the Association is meeting all standards.

As reported in 2021, due to the retirement of our Chief Executive, the Board had commissioned an external consultant to undertake a strategic appraisal to consider the succession options. In addition, the Board had also agreed an organisational review would be conducted simultaneously, and which would be undertaken with the same external expert advice. Both these exercises were completed in the summer of 2021 resulting in the appointment of Chief Executive and a revised structure being agreed ensuring the organisation has the staff in place with the necessary skills allowing us to continue to deliver relevant and improving services whilst looking at effective succession planning.

The future

Highlighted above were the challenges faced in the delivery of our development and maintenance programme and in this coming year we are very positive that many of these will be overcome resulting in more affordable homes being available within our communities and that our planned maintenance programme will be back on track.

Our focus going forward will be on supporting our tenants through the difficult economic circumstances in which we currently living. The Association remains in a strong position ensuring we have the financial strength and position to allow a continued high level of services to our tenants. Our agreed business plan for the period to 2023/24 sets out how we will continue to work on implementing our strategic principles, which underpin our business plan.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022

Board of Management and Executive Officers

The members of the Board of Management and the Executive officers are listed on page 1.

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

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

Statement of Board of Management's Responsibilities

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

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

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to: ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is 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.

Going Concern

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

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022

Statement on Internal Financial Control

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

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

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of the Association's systems include ensuring that:

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

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year end 31 March 2022. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations of £580 (2021 - £nil).

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2022

Disclosure of Information to the Auditor

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

Auditor

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Board of Management

Jacqui Wight
Secretary
30 June 2022

LOCHABER HOUSING ASSOCIATION LIMITED

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

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

Basis of Opinion

We carried out our review having regard to the requirements 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 reason given for non-compliance.

Opinion

In our opinion the Statement of 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 Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
30 June 2022



LOCHABER HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2022

Opinion

We have audited the financial statements of Lochaber Housing Association Limited (the 'Association') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis of Opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board of Management with respect to going concern are described in the relevant sections of this report.

Other Information

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

LOCHABER HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2022 (continued)

Other Information (Contd.)

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

LOCHABER HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2022 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Association's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator.

LOCHABER HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2022 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud (Contd.)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
30 June 2022



LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022		2021
		£	£	£
Revenue	2		4,935,590	4,907,917
Operating costs	2		3,882,205	3,805,979
OPERATING SURPLUS			1,053,385	1,101,938
Gain on sale of housing stock	7	295,194	243,807	
Dividend from subsidiary		30,000	30,000	
Interest receivable and other income		2,746	14,089	
Interest payable and similar charges	8	(340,855)	(306,828)	
Other Finance income/(charges)	11	(4,000)	(1,000)	
			(16,915)	(19,932)
SURPLUS FOR THE YEAR			1,036,470	1,082,006
Other comprehensive income				
Actuarial gains/(losses) on defined benefit pension plan	22		139,000	(202,000)
TOTAL COMPREHENSIVE INCOME			1,175,470	880,006

The results relate wholly to continuing activities.

The notes on pages 16 to 35 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Notes	2022		2021	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12		54,600,291		55,108,496
Other tangible assets	12		919,183		566,279
Investments	14		10,000		10,000
			<u>55,529,474</u>		<u>55,684,775</u>
CURRENT ASSETS					
Receivables	15	474,075		966,154	
Stock and work in progress	16	34,131		29,099	
Investments	17	3,400,000		3,475,000	
Cash and cash equivalents	18	3,274,954		3,290,037	
		<u>7,183,160</u>		<u>7,760,290</u>	
CREDITORS: Amounts falling due within one year	19	(2,619,120)		(2,420,899)	
NET CURRENT ASSETS			<u>4,564,040</u>		<u>5,339,391</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			60,093,514		61,024,166
CREDITORS: Amounts falling due after more than one year	20		(14,667,998)		(15,344,312)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	22	(18,000)		(219,000)	
			<u>(18,000)</u>		<u>(219,000)</u>
DEFERRED INCOME					
Social housing grants	23	(33,630,562)		(34,845,352)	
Other grants	23	(325,462)		(339,488)	
		<u>(33,956,024)</u>		<u>(35,184,840)</u>	
NET ASSETS			<u>11,451,492</u>		<u>10,276,014</u>
EQUITY					
Share capital	24		39		31
Revenue reserves			11,469,453		10,494,983
Pension reserves			(18,000)		(219,000)
			<u>11,451,492</u>		<u>10,276,014</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 30 June 2022.

Committee Member

Committee Member

Secretary

The notes on pages 16 to 35 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	£	2022 £	£	2021 £
Surplus for the Year			1,036,470		1,082,006
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	12	1,741,888		1,802,621	
Amortisation of capital grants	23	(1,063,571)		(1,060,693)	
Gain on disposal of tangible fixed assets		(295,194)		(270,025)	
Non-cash adjustments to pension provisions		(62,000)		(53,000)	
Share capital written off	24	(2)		(39)	
			321,121		418,864
Interest receivable			(2,746)		(14,089)
Interest payable	8		340,855		306,828
Operating cash flows before movements in working capital			1,695,700		1,793,609
Change in properties developed for resale		(5,032)		(29,099)	
Change in debtors		459,308		(41,088)	
Change in creditors		(51,352)		(251,350)	
			402,924		(321,537)
Net cash inflow from operating activities			2,098,624		1,472,072
Investing Activities					
Acquisition and construction of properties		(1,439,228)		(3,287,040)	
Purchase of other fixed assets		(396,219)		(18,311)	
Social housing grant received		270,398		2,140,969	
Social housing grant repaid		(165,245)		(61,229)	
Other grants repaid		-		(8,787)	
Changes on short term deposits with banks		75,000		(1,900,000)	
Proceeds on disposal of housing properties		544,054		319,136	
Net cash outflow from investing activities			(1,111,240)		(2,815,262)
Financing Activities					
Loan Advances Received		-		3,000,000	
Interest received on cash and cash equivalents		2,746		14,089	
Interest paid on loans		(340,855)		(306,828)	
Loan principal repayments		(664,368)		(582,320)	
Share capital issued	24	10		5	
Net cash (outflow) / inflow from financing activities			(1,002,467)		2,124,946
(decrease)/increase in cash	25		(15,083)		781,756
Opening cash & cash equivalents			3,290,037		2,508,281
Closing cash & cash equivalents			3,274,954		3,290,037
Cash and cash equivalents as at 31 March					
Cash	25		3,274,954		3,290,037
			3,274,954		3,290,037

The notes on pages 16 to 35 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2022

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2020	65	(70,000)	9,465,977	9,396,042
Issue of Shares	5	-	-	5
Cancellation of Shares	(39)	-	-	(39)
Other comprehensive income	-	(202,000)	-	(202,000)
Revaluation in year	-	-	-	-
Other movements	-	53,000	(53,000)	-
Surplus for the year	-	-	1,082,006	1,082,006
Balance as at 31 March 2021	31	(219,000)	10,494,983	10,276,014
Balance as at 1 April 2021	31	(219,000)	10,494,983	10,276,014
Issue of Shares	10	-	-	10
Cancellation of Shares	(2)	-	-	(2)
Other comprehensive income	-	139,000	-	139,000
Revaluation in year	-	-	-	-
Other movements	-	62,000	(62,000)	-
Surplus for the year	-	-	1,036,470	1,036,470
Balance as at 31 March 2022	39	(18,000)	11,469,453	11,451,492

The notes on pages 16 to 35 form an integral part of these financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Statement of Recommended Practice for social housing providers 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

Revenue

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

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

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been met.

Retirement Benefits

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

Going Concern

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

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

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

Depreciation and Impairment of Other Tangible Assets

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

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	2% straight line
Furniture & Equipment	20% reducing balance
Commerical Property	2% straight line

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

Social Housing Grants and Other Capital Grants

Social housing grants and other capital grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which they relate.

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

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

Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the statement of recommended practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the statement of comprehensive income.

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Taxation

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

Leases

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives or the term of the lease whichever is shorter.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

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

Borrowing Costs

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

Property Development Cost

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

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

VAT

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

Basis of Consolidation

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

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the the Association to exercise judgement in applying the accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below.

Key Judgements

a) Categorisation of Housing Properties

In the judgement of the Board of Management the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Board of Management considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

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

d) Pension Liability

The Association participated in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method. Judgements relating to the benefits issue are included in Note 32.

Estimation Uncertainty

a) Rent Arrears - Bad Debt Provision

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

b) Life Cycle of Components

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

c) Useful life of properties, plant and equipment

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

d) Costs of shared ownership

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

e) Defined pension liability

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

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

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Notes	Turnover 2022 £	Operating costs 2022 £	Operating surplus / (deficit) 2022 £	Turnover 2021 £	Operating costs 2021 £	Operating surplus / (deficit) 2021 £
Affordable letting activities	3	4,771,628	3,722,541	1,049,087	4,687,740	3,561,402	1,126,338
Other Activities	4	163,962	159,664	4,298	220,177	244,577	(24,400)
Total		4,935,590	3,882,205	1,053,385	4,907,917	3,805,979	1,101,938

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2022 Total £	2021 Total £
Revenue from Lettings					
Rent receivable net of service charges	3,486,452	-	124,419	3,610,871	3,530,241
Service charges receivable	130,683	-	3,365	134,048	109,818
Gross income from rent and service charges	3,617,135	-	127,784	3,744,919	3,640,059
Less: Rent losses from voids	14,173	-	-	14,173	6,917
Income from rents and service charges	3,602,962	-	127,784	3,730,746	3,633,142
Grants released from deferred income	1,034,022	-	(42,833)	991,189	1,012,934
Revenue grants from Scottish Ministers	49,693	-	-	49,693	41,664
Other revenue grants	-	-	-	-	-
Total turnover from affordable letting activities	4,686,677	-	84,951	4,771,628	4,687,740
Expenditure on affordable letting activities					
Management and maintenance administration costs	1,039,207	-	17,825	1,057,032	1,036,589
Service costs	167,883	-	3,365	171,248	150,243
Planned and cyclical maintenance, including major repairs	223,581	-	-	223,581	389,064
Reactive maintenance costs	495,922	-	-	495,922	273,312
Bad Debts - rents and service charges	13,708	-	-	13,708	47,156
Depreciation of affordable let properties	1,727,655	-	33,395	1,761,050	1,665,038
Impairment of affordable letting activities	-	-	-	-	-
Operating costs of affordable letting activities	3,667,956	-	54,585	3,722,541	3,561,402
Operating surplus on affordable letting activities	1,018,721	-	30,366	1,049,087	1,126,338
2021	1,059,348	-	66,990		

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2022	Operating surplus / (deficit) 2021
	£	£	£	£	£
Care and repair	8,000	8,000	35,208	(27,208)	(14,477)
Contracted out services undertaken for registered social landlords	15,436	15,436	15,436	-	-
Other income	35,904	35,904	35,904	-	-
Uncapitalised development administration costs	-	-	22,508	(22,508)	(63,696)
Agency or management services	30,260	30,260	30,260	-	-
Commercial Leases	74,362	74,362	20,348	54,014	53,773
Total From Other Activities	163,962	163,962	159,664	4,298	(24,400)
2021	220,177	220,177	244,577	(24,400)	

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2022	2021
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	76,006	70,362
Pension contributions made on behalf on Officers with emoluments greater than £60,000	7,459	6,896
Emoluments payable to Chief Executive (excluding pension contributions)	76,006	70,362
Pension contributions paid on behalf of the Chief Executive	7,459	6,896
Total emoluments payable to the Chief Executive	83,465	77,258
Total emoluments paid to key management personnel	201,669	250,865

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

	Number	Number
£70,001 to £80,000	1	1

6. EMPLOYEE INFORMATION

	2022	2021
	No.	No.
Average monthly number of full time equivalent persons employed during the year	19	19
Average total number of employees employed during the year	20	21
Staff costs were:	£	£
Wages and salaries	597,987	589,452
National insurance costs	63,809	65,105
Pension costs	44,836	51,220
	706,632	705,777

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2022	2021
	£	£
Sales proceeds	547,674	319,136
Cost of sales	<u>252,480</u>	<u>75,329</u>
Gain on sale of housing stock	<u>295,194</u>	<u>243,807</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2022	2021
	£	£
On bank loans and overdrafts	<u>340,855</u>	<u>306,828</u>

9. SURPLUS FOR THE YEAR

	2022	2021
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,741,888	1,705,814
(Loss) on component disposals	62,477	21,477
Auditors' remuneration - audit services	13,346	10,276
Operating lease rentals - land & buildings	-	36,063
Operating lease rentals - other	7,808	7,694
Gain on sale of other non-current assets	<u>(295,195)</u>	<u>(194,696)</u>

10. CORPORATION TAX

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

11. OTHER FINANCE INCOME / (CHARGES)

	2022	2021
	£	£
Net interest on pension obligations	<u>(4,000)</u>	<u>(1,000)</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

12. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Leased Property £	Total £
COST					
At 1 April 2021	67,793,835	5,609,993	2,088,460	112,791	75,605,079
Additions	855,714	583,514	-	-	1,439,228
Disposals	(357,916)	-	(200,188)	-	(558,104)
Transfers	2,134,776	(2,134,776)	-	-	-
At 31 March 2022	<u>70,426,409</u>	<u>4,058,731</u>	<u>1,888,272</u>	<u>112,791</u>	<u>76,486,203</u>
DEPRECIATION					
At 1 April 2021	19,518,494	-	878,763	99,326	20,496,583
Charge for Year	1,660,678	-	33,395	4,500	1,698,573
Transfers	-	-	-	-	-
Disposals	(233,403)	-	(75,841)	-	(309,244)
At 31 March 2022	<u>20,945,769</u>	<u>-</u>	<u>836,317</u>	<u>103,826</u>	<u>21,885,912</u>
NET BOOK VALUE					
At 31 March 2022	<u>49,480,640</u>	<u>4,058,731</u>	<u>1,051,955</u>	<u>8,965</u>	<u>54,600,291</u>
At 31 March 2021	<u>48,275,341</u>	<u>5,609,993</u>	<u>1,209,697</u>	<u>13,465</u>	<u>55,108,496</u>

	2022		2021	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Expenditure on Existing Properties				
Amounts capitalised	855,714	-	174,049	-
Amounts charged to the statement of comprehensive income	-	129,968	-	222,517
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All land and housing properties are heritable.

Additions to housing properties include capitalised development administration costs of £Nil (2021-£Nil)

The Association's lenders have standard securities over housing property with a carry value of £26,370,275 (2021 - £26,851,657)

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Commercial Property £	Total £
COST				
At 1 April 2021	-	404,381	516,462	920,843
Additions	388,681	7,538	-	396,219
Eliminated on disposals	-	-	-	-
At 31 March 2022	<u>388,681</u>	<u>411,919</u>	<u>516,462</u>	<u>1,317,062</u>
DEPRECIATION				
At 1 April 2021	-	295,991	58,573	354,564
Charge for year	7,217	23,186	12,912	43,315
Eliminated on disposals	-	-	-	-
At 31 March 2022	<u>7,217</u>	<u>319,177</u>	<u>71,485</u>	<u>397,879</u>
NET BOOK VALUE				
At 31 March 2022	<u>381,464</u>	<u>92,742</u>	<u>444,977</u>	<u>919,183</u>
At 31 March 2021	<u>-</u>	<u>108,390</u>	<u>457,889</u>	<u>566,279</u>

14. FIXED ASSET INVESTMENTS

	2022 £	2021 £
Subsidiary undertakings	<u>10,000</u>	<u>10,000</u>

Subsidiary Undertakings

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

	2022		2021	
	Reserves £	Profit / (Loss) £	Reserves £	Surplus / (Deficit) £
Lochaber Housing Association Property Services	159,812	25,040	164,772	34,771
Lochaber Care and Repair	<u>58,626</u>	<u>(9,535)</u>	<u>68,160</u>	<u>506</u>

During the year, Lochaber Housing Association purchased repairs services from Lochaber Property Services CIC (LHAPS) amounting to £1,436,177 (2021: £969,082). Additionally, Lochaber Housing Association defrayed and recharged costs of £543,832 (2021: £586,124) to LHAPS and received rent from LHAPS amounting to £28,000 (2021: £28,000). LHAPS also paid an administration fee of £30,260 (2021: £29,928). The amount due from LHAPS at the year end was £114,828 (2021: £135,990).

During the year the Association was recharged salaries recharges from Lochaber Care & Repair (LCR) amounting to £27,814.50 (2021: £nil). The Association paid a grant towards running costs of (LCR) of £25,000 (2021: £25,000). In addition, a significant amount of LCR's expenditure is incurred by the Association and subsequently reimbursed. Expenditure recharged to LCR during the year amounted to £232,736 (2021: £232,480). LCR leases workshop premises from the Association on a commercial basis and the rent charged for the year was £24,000 (2021: £24,000). As at 31 March 2022 LCR owed £79,189 (2021: £105,493) to the Association.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

15. RECEIVABLES

	2022	2021
	£	£
Gross arrears of rent & service charges	138,239	129,478
Less: Provision for doubtful debts	<u>(75,640)</u>	<u>(74,092)</u>
<i>Net arrears of rent and service charges</i>	62,599	55,386
Social housing grant receivable	2,728	35,499
Other receivables	214,731	633,786
Amounts due from group undertakings	194,017	241,483
	<u>474,075</u>	<u>966,154</u>

16. STOCK AND WORK IN PROGRESS

	2022	2021
	£	£
Properties for sale	<u>34,131</u>	<u>29,099</u>

17. CURRENT ASSET INVESTMENTS

	2022	2021
	£	£
Short term deposits	<u>3,400,000</u>	<u>3,475,000</u>

18. CASH AND CASH EQUIVALENTS

	2022	2021
	£	£
Cash at bank and in hand	<u>3,274,954</u>	<u>3,290,037</u>

19. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£	£
Bank loans	656,890	644,944
Rent received in advance	111,846	88,246
Social housing grant in advance	1,133,302	895,675
Other taxation and social security	19,635	18,957
Other payables	32,234	27,195
Accruals and deferred income	665,213	745,882
	<u>2,619,120</u>	<u>2,420,899</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2022	2021
	£	£
Bank loans	14,667,998	15,344,312

21. DEBT ANALYSIS - BORROWINGS

	2022	2021
	£	£
Bank Loans		
Amounts due within one year	656,890	644,944
Amounts due in one year or more but less than two years	670,805	659,041
Amounts due in two years or more but less than five years	4,100,647	2,066,240
Amounts due in more than five years	9,896,546	12,619,032
	<u>15,324,888</u>	<u>15,989,257</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or Fixed
Royal Bank of Scotland	229	1.2%	2036	Variable
Royal Bank of Scotland	-	1.2%	2038	Variable
Royal Bank of Scotland	-	5.0%	2040	Fixed
Royal Bank of Scotland	-	2.7%	2042	Variable
Nationwide	105	0.7%	2033	Variable
Triodos Bank	1	3.5%	2041	Variable
Social Investment Scotland	-	7.0%	2026	Fixed
Allia	-	2.5%	2026	Fixed
CAF Bank	31	2.3%	2040	Variable
Unity Bank	80	2.4%	2045	Variable

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

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

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

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

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

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employers. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

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

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

	2022	2021
	£	£
Fair value of plan assets	2,246,000	2,061,000
Present value of defined benefit obligation	2,264,000	2,280,000
Surplus / (deficit) in plan	(18,000)	(219,000)
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	(18,000)	(219,000)

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2022	2021
	£	£
Defined benefit obligation at the start of period	2,280,000	1,952,000
Expenses	2,000	2,000
Interest expense	48,000	46,000
Actuarial losses (gains) due to scheme experience	142,000	(37,000)
Actuarial losses (gains) due to changes in demographic assumptions	7,000	343,000
Actuarial losses (gains) due to changes in financial assumptions	(186,000)	(26,000)
Benefits paid and expenses	(29,000)	-
Defined benefit obligation at the end of period	<u>2,264,000</u>	<u>2,280,000</u>

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

	2022	2021
	£	£
Fair value of plan assets at start of period	2,061,000	1,882,000
Interest income	44,000	45,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	102,000	104,000
Contributions by the employer	68,000	56,000
Benefits paid and expenses	(29,000)	(26,000)
Fair value of plan assets at the end of period	<u>2,246,000</u>	<u>2,061,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £146,000.

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022
 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2022	2021
	£	£
Expenses	2,000	2,000
Net interest expense	4,000	1,000
	<u>6,000</u>	<u>3,000</u>

Defined benefit costs recognised in the other comprehensive income

	2022	2021
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	102,000	104,000
Experience gains and losses arising on plan liabilities - gain /(loss)	(142,000)	37,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	(7,000)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	186,000	(343,000)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	<u>139,000</u>	<u>(202,000)</u>
Total amount recognised in other comprehensive income - gain (loss)	<u>139,000</u>	<u>(202,000)</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

	2022	2021	2020
	£	£	£
Absolute Return	103,000	102,000	116,000
Alternative Risk Premia	93,000	83,000	151,000
Cash	6,000	1,000	-
Corporate Bond Fund	142,000	155,000	138,000
Credit Relative Value	72,000	59,000	45,000
Currency Hedging	(8,000)	-	-
Distressed Opportunities	81,000	70,000	34,000
Emerging Markets Debt	84,000	83,000	67,000
Global Equity	444,000	319,000	259,000
High Yield	22,000	54,000	-
Infrastructure	140,000	115,000	111,000
Insurance-Linked Securities	47,000	43,000	50,000
Liability Driven Investment	543,000	495,000	496,000
Liquid Credit	14,000	36,000	49,000
Long Lease Property	65,000	48,000	46,000
Net Current Assets	7,000	15,000	14,000
Opportunistic Credit	8,000	56,000	-
Opportunistic Illiquid Credit	74,000	53,000	46,000
Over 15 Year Gilts	1,000	1,000	24,000
Private Debt	57,000	49,000	37,000
Property	58,000	37,000	35,000
Risk Sharing	73,000	74,000	60,000
Secured Income	120,000	113,000	104,000
Total assets	<u>2,246,000</u>	<u>2,061,000</u>	<u>1,882,000</u>

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

Key Assumptions

	2022	2021	2020
Discount Rate	2.8%	2.1%	2.4%
Inflation (RPI)	3.6%	3.3%	2.7%
Inflation (CPI)	3.2%	2.9%	1.7%
Salary Growth	4.2%	3.9%	2.7%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2022	21.6
Female retiring in 2022	23.9
Male retiring in 2042	22.9
Female retiring in 2042	<u>25.4</u>

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

23. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
Capital grants received			
At 1 April 2021	49,830,294	381,307	50,211,601
Additions in the year	-	-	-
Eliminated on disposal	(415,252)	-	(415,252)
At 31 March 2022	<u>49,415,042</u>	<u>381,307</u>	<u>49,796,349</u>
Amortisation			
At 1 April 2021	14,984,942	41,819	15,026,761
Amortisation in year	1,049,545	14,026	1,063,571
Eliminated on disposal	(250,007)	-	(250,007)
At 31 March 2022	<u>15,784,480</u>	<u>55,845</u>	<u>15,840,325</u>
Net book value			
At 31 March 2022	<u>33,630,562</u>	<u>325,462</u>	<u>33,956,024</u>
At 31 March 2021	<u>34,845,352</u>	<u>339,488</u>	<u>35,184,840</u>

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

	2022 £	2021 £
Amounts due within one year	1,063,571	1,060,693
Amounts due in more than one year	32,892,453	34,124,147
	<u>33,956,024</u>	<u>35,184,840</u>

24. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2022 £	2021 £
At 1 April	31	65
Issued in year	10	5
Cancelled in year	(2)	(39)
At 31 March	<u>39</u>	<u>31</u>

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

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

25. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	2022	2021
£	£	£
(Decrease) / increase in cash	(15,083)	781,756
Change in liquid resources	(75,000)	1,900,000
Cashflow from change in net debt	664,368	(2,417,680)
Movement in net debt during the year	574,285	264,076
Net debt at 1 April	(9,224,219)	(9,488,295)
Net debt at 31 March	(8,649,934)	(9,224,219)

	At 01 April 2021	Cashflows	Other Changes	At 31 March 2022
£	£	£	£	£
Cash and cash equivalents	3,290,037	(15,083)	-	3,274,954
Bank overdrafts	-	-	-	-
Liquid resources	3,290,037	(15,083)	-	3,274,954
Debt: Due within one year	3,475,000	(75,000)	-	3,400,000
Due after more than one year	(644,944)	664,368	(676,314)	(656,890)
Net debt	(15,344,312)	-	676,314	(14,667,998)
	(9,224,219)	574,285	-	(8,649,934)

26. CAPITAL COMMITMENTS

	2022	2021
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	1,902,101	4,288,617

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

27. COMMITMENTS UNDER OPERATING LEASES

	2022	2021
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
Other		
Expiring in the next year	8,604	7,746
Expiring later than one year and not later than five years	17,220	21,604
Expiring later than five years	-	360

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

28. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 101 High Street, Fort William, Invernessshire, PH33 6DG.

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

29. BOARD OF MANAGEMENT MEMBER EMOLUMENTS

Board of Management members received £418 (2021 - £150) in the year by way of reimbursement of expenses. No remuneration is paid to Board of Management members in respect of their duties to the Association.

30. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2022 No.	2021 No.
General needs	707	693
Shared ownership	44	47
	<u>751</u>	<u>740</u>

31. RELATED PARTY TRANSACTIONS

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

Any transactions between the Association and any entity with which a Board of Management member has a connection with is made at arm's length and is under normal commercial terms.

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

	2022 £	2021 £
Rent received from tenants on the Board of Management and their close family members	<u>Nil</u>	<u>Nil</u>
Members of the Board of Management who are tenants	Nil	Nil
Members of the Board of Management who are local councillors	1	1

Several members of the housing association's Management Committee are also members a local enterprise called the Highland Small Communities Housing Trust. This partnership provides housing development services and the charge to the Association is £23,807 (2021 - £73,973).

LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 NOTES TO THE FINANCIAL STATEMENTS (continued)

32. CONTINGENT LIABILITY

The Pension Trust has completed a review of the changes made to the benefit structures of the Defined Benefit Schemes within the Trust. The result of this review is that, in some cases, it is unclear whether changes were made to scheme benefits in accordance with the Trust's governing documentation.

The Trustee has been advised to seek direction from the Court on the effect of these changes. This process is ongoing and is unlikely to be resolved until late 2024 at the earliest. However, one potential outcome is that scheme members, of which the Association is one, may see their share of scheme liabilities increase.

The Pension Trust have not made their legal advice available and the likelihood of success is currently unknown. For multi-employer schemes, the Trustee is unable to provide the estimated potential additional liability at an individual employer level as this is as yet unknown. Furthermore due to the complexities in relation to back payments, transfers, deaths and orphan liabilities, etc., it may not be possible to ascertain an accurate split by individual employers until after the court ruling, when the scope of any rectification work, should this be required, becomes known. As a result, no provision has therefore been included in the financial statements.