



**Alexander Sloan**  
Accountants and Business Advisers

# **Lochaber Housing Association Limited**

Report and Financial Statements

For the year ended 31 March 2023

Registered Social Landlord No. HAL151

FCA Reference No. 2289R(S)

Scottish Charity No. SC030951

# LOCHABER HOUSING ASSOCIATION LIMITED

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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# LOCHABER HOUSING ASSOCIATION LIMITED

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## BOARD OF MANAGEMENT, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2023

### BOARD OF MANAGEMENT

Di Alexander		
Cameron Bauer	(resigned April 2022)	
Rosemary Bridge		
Morag Cameron	(appointed August 2022)	
Andrew Carr		Chair
John Cooney	(appointed June 2022)	
Sarah Fanet	(appointed December 2022)	
Jacob Green	(appointed May 2022)	
Jenni Hodgson		Treasurer
Linda Johnson	(resigned August 2022)	
Cathy Osborn	(appointed June 2022)	
Denis Rixson	(resigned May 2022)	
May Tosh		Vice Chair
Jaqui Wight	(resigned May 2023)	Secretary
Moirra MacVicar		
Margaret Moynihan	(appointed May 2023)	Secretary

### EXECUTIVE OFFICERS

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

### REGISTERED OFFICE

101 High Street  
Fort William  
Invernessshire  
PH33 6DG

### EXTERNAL AUDITORS

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

### INTERNAL AUDITORS

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

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2023

The Board of Management presents its report and the financial statements for the year ended 31 March 2023.

### 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

Lochaber Housing Association remains committed to maintaining its track record of developing high quality affordable homes for those most in need. We continue to be very successful in securing grant funding for new projects and, with the benefit of improved benchmark funding levels, social rented housing remains the mainstay of the programme. Building on our success of previous years, we remain determined in our efforts to continue developing affordable homes to help meet the increasing levels of need.

Through our continued partnership with the Communities Housing Trust (CHT), we have in total now developed 103 rented units and 16 New Supply Shared Equity Units. This includes in 2022/23, 20 rented properties at Spean Bridge, 6 New Supply Shared Equity Units at Lochyside, Fort William and 2 rented properties at Strontian. Construction commenced at Kingsway, Mallaig which will deliver 8 units in phase 1 with a further 6 to follow in phase 2. A tender is also imminent for our site at Glenshiel, Ballachulish and for Glenkingie Terrace, Caol as well as a contract agreed for the next phase at Rankin Crescent, Lochyside. This activity continues to support the strategic partnerships we have with the Scottish Government and The Highland Council in achieving the governments ambitious targets for affordable housing.

Link Group are now on site with the initial phase of 82 units well underway and due for completion in Spring 2024. This development is one in which we are providing Clerk of Work services and when completed will provide management and maintenance services for the 55 rented properties.

The performance of the Association's repair service remains very strong with all emergency repairs being completed in an average of 2.39 hours and the non-emergency repairs averaging 4.1 days for completion.

Our programme of cyclical maintenance is robust ensuring that we have the health and safety of our tenants and their homes prioritised.

We are continuing with a programme of major investment in our housing stock, this includes carrying out major planned maintenance programs to ensure that our properties are maintained to a high

# LOCHABER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2023

### Review of Business and Future Developments (Contd.)

standard and can meet the current standards.

While we have in place the necessary frameworks and resources to enable our Board to continue to function digitally and remotely, the Board have agreed that going forward, while most of the meetings between November and April will remain digital all other meetings and the AGM will be in person.

The Association maintains a register of the risks that have been identified as having the potential to prevent it from achieving its strategic objectives. The register is reviewed regularly and is carefully monitored.

While the Association is in a strong financial position and is well placed to meet its lender covenants and withstand periods of adverse economic conditions, we must continue to ensure long-term economic strength through careful financial management and robust scenario planning.

The ongoing economic uncertainty and the impact this is having on our tenants in terms of both the cost of living and the cost of heating meant we were delighted that our application to the Social Housing Fuel Support fund for the sum of £192,000 was successful. Working in partnership with ALLenergy through the Lochaber Affordable Warmth Scheme we were able to provide fuel vouchers and direct financial assistance, along with providing energy efficient products to tenants in need. In addition, we also had a successful application to the Winter Hardship Fund, receiving £10,000 to help tenants facing food insecurity.

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 Association continues to have compliant status, thus demonstrating to our tenants, lenders, and other partners that the SHR are reassured that the Association is meeting all standards.

### The future

To develop our business, we will continue to focus on:

- ▣ Providing quality services to our tenants and service users
- ▣ Keeping our rents affordable
- ▣ Continuing a sustainable development programme
- ▣ Supporting and developing our staff

# LOCHABER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2023

### **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

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2023

### 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 2023. 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 £425 (2022 - £580).

# LOCHABER HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31 MARCH 2023

### **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**



**Margaret Moynihan**

Secretary  
29 June 2023



# LOCHABER HOUSING ASSOCIATION LIMITED

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## 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*

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
29 June 2023



# LOCHABER HOUSING ASSOCIATION LIMITED

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023

### Opinion

We have audited the financial statements of Lochaber Housing Association Limited (the 'Association') for the year ended 31 March 2023 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 2023 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

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (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

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (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

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## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCHABER HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2023 (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*

**ALEXANDER SLOAN**  
Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
29 June 2023



# LOCHABER HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Revenue	2		5,583,754		4,935,590
Operating costs	2		4,601,667		3,882,205
<b>OPERATING SURPLUS</b>			<b>982,087</b>		<b>1,053,385</b>
Gain on sale of housing stock	7	215,711		295,194	
Dividend from subsidiary		20,000		30,000	
Interest receivable and other income		63,478		2,746	
Interest payable and similar charges	8	(556,085)		(340,855)	
Other Finance income/(charges)	11	-		(4,000)	
			(256,896)		(16,915)
<b>SURPLUS FOR THE YEAR</b>			<b>725,191</b>		<b>1,036,470</b>
<b>Other comprehensive income</b>					
Actuarial gains/(losses) on defined benefit pension plan	22		(106,000)		139,000
<b>TOTAL COMPREHENSIVE INCOME</b>			<b>619,191</b>		<b>1,175,470</b>

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 2023

	Notes	2023		2022	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing properties - depreciated cost	12		54,483,061		54,600,291
Other tangible assets	12		891,454		919,183
Investments	14		10,000		10,000
			<u>55,384,515</u>		<u>55,529,474</u>
<b>CURRENT ASSETS</b>					
Receivables	15	775,152		474,075	
Stock and work in progress	16	643,585		34,131	
Investments	17	3,400,000		3,400,000	
Cash and cash equivalents	18	1,802,825		3,274,954	
		<u>6,621,562</u>		<u>7,183,160</u>	
<b>CREDITORS:</b> Amounts falling due within one year	19	(2,401,719)		(2,619,120)	
<b>NET CURRENT ASSETS</b>			<u>4,219,843</u>		<u>4,564,040</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>					
			<u>59,604,358</u>		<u>60,093,514</u>
<b>CREDITORS:</b> Amounts falling due after more than one year	20		(14,024,566)		(14,667,998)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>					
Scottish housing association pension scheme	22	(93,000)		(18,000)	
			<u>(93,000)</u>		<u>(18,000)</u>
<b>DEFERRED INCOME</b>					
Social housing grants	23	(32,687,430)		(33,630,562)	
Other grants	23	(728,676)		(325,462)	
		<u>(33,416,106)</u>		<u>(33,956,024)</u>	
<b>NET ASSETS</b>			<u>12,070,686</u>		<u>11,451,492</u>
<b>EQUITY</b>					
Share capital	24		42		39
Revenue reserves			12,163,644		11,469,453
Pension reserves			(93,000)		(18,000)
			<u>12,070,686</u>		<u>11,451,492</u>

The financial statements were approved by the Board of Management and authorised for issue and signed on their behalf on 29 June 2023.

  
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 2023

	Notes	2023		2022	
		£	£	£	£
<b>Surplus for the Year</b>			725,191		1,036,470
Adjustments for non-cash items:					
Depreciation of tangible fixed assets	12	1,864,934		1,741,888	
Amortisation of capital grants	23	(1,132,146)		(1,063,571)	
Gain on disposal of tangible fixed assets		(215,711)		(295,194)	
Non-cash adjustments to pension provisions		(31,000)		(62,000)	
Share capital written off	24	(2)		(2)	
			486,075		321,121
Interest receivable			(63,478)		(2,746)
Interest payable	8		556,085		340,855
<b>Operating cash flows before movements in working capital</b>			1,703,873		1,695,700
Change in properties developed for resale		(582,172)		(5,032)	
Change in debtors & Stock		(225,857)		459,308	
Change in creditors		40,412		(51,352)	
			(767,617)		402,924
<b>Net cash inflow from operating activities</b>			936,256		2,098,624
<b>Investing Activities</b>					
Acquisition and construction of properties		(1,854,834)		(1,439,228)	
Purchase of other fixed assets		(26,293)		(396,219)	
Social housing grant received		(99,071)		270,398	
Social housing grant repaid		(21,161)		(165,245)	
Other grants received		439,200		-	
Changes on short term deposits with banks		-		75,000	
Proceeds on disposal of housing properties		313,750		544,054	
Proceeds on disposal of other tangible assets		12,112		-	
			(1,236,297)		(1,111,240)
<b>Net cash outflow from investing activities</b>			(1,236,297)		(1,111,240)
<b>Financing Activities</b>					
Interest received on cash and cash equivalents		63,478		2,746	
Interest paid on loans		(556,085)		(340,855)	
Loan principal repayments		(679,486)		(664,368)	
Share capital issued	24	5		10	
			(1,172,088)		(1,002,467)
<b>Net cash outflow from financing activities</b>			(1,172,088)		(1,002,467)
<b>Decrease in cash</b>	25		(1,472,129)		(15,083)
<b>Opening cash &amp; cash equivalents</b>			3,274,954		3,290,037
<b>Closing cash &amp; cash equivalents</b>			<b>1,802,825</b>		<b>3,274,954</b>
<b>Cash and cash equivalents as at 31 March</b>					
Cash	25		1,802,825		3,274,954
			<b>1,802,825</b>		<b>3,274,954</b>

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 2023

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
<b>Balance as at 1 April 2021</b>	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
Other movements	-	62,000	(62,000)	-
Surplus for the year	-	-	1,036,470	1,036,470
<b>Balance as at 31 March 2022</b>	<b>39</b>	<b>(18,000)</b>	<b>11,469,453</b>	<b>11,451,492</b>
<b>Balance as at 1 April 2022</b>	39	(18,000)	11,469,453	11,451,492
Issue of Shares	5	-	-	5
Cancellation of Shares	(2)	-	-	(2)
Other comprehensive income	-	(106,000)	-	(106,000)
Other movements	-	31,000	(31,000)	-
Surplus for the year	-	-	725,191	725,191
<b>Balance as at 31 March 2023</b>	<b>42</b>	<b>(93,000)</b>	<b>12,163,644</b>	<b>12,070,686</b>

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 2023 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 2023 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.

Component	Useful Economic Life
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
Solar Panels	Over 20 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:

Asset Category	Depreciation Rate
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 2023 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 2023

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 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Notes	Turnover 2023 £	Operating costs 2023 £	Operating surplus / (deficit) 2023 £	Turnover 2022 £	Operating costs 2022 £	Operating surplus / (deficit) 2022 £
Affordable letting activities	3	5,425,411	4,448,798	976,613	4,771,628	3,722,541	1,049,087
Other Activities	4	158,343	152,869	5,474	163,962	159,664	4,298
<b>Total</b>		<b>5,583,754</b>	<b>4,601,667</b>	<b>982,087</b>	<b>4,935,590</b>	<b>3,882,205</b>	<b>1,053,385</b>

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

	General Needs Housing £	Supported Housing £	Shared Ownership £	2023 Total £	2022 Total £
<b>Revenue from Lettings</b>					
Rent receivable net of service charges	3,665,014	-	121,636	3,786,650	3,610,871
Service charges receiveable	139,329	-	3,282	142,611	134,048
<b>Gross income from rent and service charges</b>	<b>3,804,343</b>	<b>-</b>	<b>124,918</b>	<b>3,929,261</b>	<b>3,744,919</b>
Less: Rent losses from voids	6,197	-	-	6,197	14,173
<b>Income from rents and service charges</b>	<b>3,798,146</b>	<b>-</b>	<b>124,918</b>	<b>3,923,064</b>	<b>3,730,746</b>
Grants released from deferred income	1,087,607	-	15,882	1,103,489	991,189
Revenue grants from Scottish Ministers	76,280	-	-	76,280	49,693
Grants released	322,578	-	-	322,578	-
<b>Total turnover from affordable letting activities</b>	<b>5,284,611</b>	<b>-</b>	<b>140,800</b>	<b>5,425,411</b>	<b>4,771,628</b>
<b>Expenditure on affordable letting activities</b>					
Management and maintenance administration costs	1,232,132	-	22,022	1,254,154	1,057,032
Service costs	129,424	-	3,105	132,529	171,248
Planned and cyclical maintenance, including major repairs	548,288	-	-	548,288	223,581
Reactive maintenance costs	620,209	-	-	620,209	495,922
Bad Debts - rents and service charges	12,357	-	-	12,357	13,708
Depreciation of affordable let properties	1,865,849	-	15,412	1,881,261	1,761,050
<b>Operating costs of affordable letting activities</b>	<b>4,408,259</b>	<b>-</b>	<b>40,539</b>	<b>4,448,798</b>	<b>3,722,541</b>
<b>Operating surplus on affordable letting activities</b>	<b>876,352</b>	<b>-</b>	<b>100,261</b>	<b>976,613</b>	<b>1,049,087</b>
<b>2022</b>	<b>1,018,721</b>	<b>-</b>	<b>30,366</b>		

# LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023  
 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) 2023	Operating surplus / (deficit) 2022
	£	£	£	£	£
Care and repair	18,000	18,000	45,556	(27,556)	(27,208)
Contracted out services undertaken for registered social landlords	15,916	15,916	15,916	-	-
Other income	17,403	17,403	17,403	-	-
Uncapitalised development administration costs	-	-	24,393	(24,393)	(22,508)
Agency or management services	31,744	31,744	31,744	-	-
Commercial Leases	75,280	75,280	17,857	57,423	54,014
<b>Total From Other Activities</b>	<b>158,343</b>	<b>158,343</b>	<b>152,869</b>	<b>5,474</b>	<b>4,298</b>
<b>2022</b>	1 63,962	163,962	159,664	4,298	

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. OFFICERS' EMOLUMENTS

	2023 £	2022 £
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>72,729</u>	<u>76,006</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>15,553</u>	<u>7,459</u>
Emoluments payable to Chief Executive (excluding pension contributions)	72,729	76,006
Pension contributions paid on behalf of the Chief Executive	<u>15,553</u>	<u>7,459</u>
Total emoluments payable to the Chief Executive	<u>88,282</u>	<u>83,465</u>
Total emoluments paid to key management personnel	<u>258,356</u>	<u>201,669</u>

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

	Number	Number
£60,001 to £70,000	2	-
£70,001 to £80,000	-	1
£80,001 to £90,000	1	-
	<u>      </u>	<u>      </u>

### 6. EMPLOYEE INFORMATION

	2023 No.	2022 No.
Average monthly number of full time equivalent persons employed during the year	<u>22</u>	<u>19</u>
Average total number of employees employed during the year	<u>22</u>	<u>20</u>
Staff costs were:	£	£
Wages and salaries	772,141	597,987
National insurance costs	80,903	63,809
Pension costs	71,293	44,836
	<u>924,337</u>	<u>706,632</u>



# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 7. GAIN ON SALE OF HOUSING STOCK

	2023	2022
	£	£
Sales proceeds	313,750	547,674
Cost of sales	98,039	252,480
Gain on sale of housing stock	<u>215,711</u>	<u>295,194</u>

### 8. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£	£
On bank loans and overdrafts	<u>556,085</u>	<u>340,855</u>

### 9. SURPLUS FOR THE YEAR

	2023	2022
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,864,934	1,741,888
(Loss) on component disposals	35,092	62,477
Auditors' remuneration - audit services	13,545	13,346
Operating lease rentals - other	-	7,808
Gain on sale of other non-current assets	<u>(215,711)</u>	<u>(295,195)</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)

	2023	2022
	£	£
Net interest on pension obligations	<u>-</u>	<u>(4,000)</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 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 £
<b>COST</b>					
At 1 April 2022	70,426,409	4,058,731	1,888,272	112,791	76,486,203
Additions	1,192,251	662,583	-	-	1,854,834
Disposals	(385,295)	-	(12,190)	-	(397,485)
Transfers	3,293,715	(3,293,715)	-	-	-
At 31 March 2023	<u>74,527,080</u>	<u>1,427,599</u>	1,876,082	<u>112,791</u>	77,943,552
<b>DEPRECIATION</b>					
At 1 April 2022	20,945,769	-	836,317	103,826	21,885,912
Charge for Year	1,786,440	-	33,333	3,251	1,823,024
Transfers	-	-	-	-	-
Disposals	(242,601)	-	(5,844)	-	(248,445)
At 31 March 2023	<u>22,489,608</u>	<u>-</u>	863,806	<u>107,077</u>	23,460,491
<b>NET BOOK VALUE</b>					
At 31 March 2023	<u>52,037,472</u>	<u>1,427,599</u>	1,012,276	<u>5,714</u>	54,483,061
At 31 March 2022	<u>49,480,640</u>	<u>4,058,731</u>	1,051,955	<u>8,965</u>	54,600,291

	2023		2022	
	Component replacement £	Improvement £	Component replacement £	Improvement £
<b>Expenditure on Existing Properties</b>				
Amounts capitalised	1,192,251	-	855,714	-
Amounts charged to the statement of comprehensive income	-	236,281	-	129,968
	<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 (2022-£Nil).

The Association's lenders have standard securities over housing property with a carry value of £23,338,773 (2022 - £26,370,275).

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 2023

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 13. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Commercial Property £	Total £
<b>COST</b>				
At 1 April 2022	388,681	411,919	516,462	1,317,062
Additions	-	26,293	-	26,293
Eliminated on disposals	-	(223,278)	-	( 223,278)
At 31 March 2023	388,681	214,934	516,462	1,120,077
<b>DEPRECIATION</b>				
At 1 April 2022	7,217	319,177	71,485	397,879
Charge for year	7,774	23,807	10,329	41,910
Eliminated on disposals	-	(211,166)	-	( 211,166)
At 31 March 2023	14,991	131,818	81,814	228,623
<b>NET BOOK VALUE</b>				
At 31 March 2023	373,690	83,116	434,648	891,454
At 31 March 2022	<u>381,464</u>	<u>92,742</u>	<u>444,977</u>	<u>919,183</u>

#### 14. FIXED ASSET INVESTMENTS

	2023 £	2022 £
Subsidiary undertakings	10,000	10,000

##### Subsidiary Undertakings

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

	2023		2022	
	Reserves £	Profit / (Loss) £	Reserves £	Surplus / (Deficit) £
Lochaber Housing Association Property Services	277,430	137,618	159,812	25,040
Lochaber Care and Repair	<u>57,377</u>	<u>(1,249)</u>	<u>58,626</u>	<u>(9,535)</u>

During the year, Lochaber Housing Association purchased repairs services from Lochaber Property Services CIC (LHAPS) amounting to £1,801,871 (2022: £1,436,177 ). Additionally, Lochaber Housing Association defrayed and recharged costs of £657,357 (2022: £543,832) to LHAPS and received rent from LHAPS amounting to £28,000 (2022: £28,000). LHAPS also paid an administration fee of £31,744 (2022: £30,260). The amount due from LHAPS at the year end was £264,125 (2022: £114,828).

During the year the Association was recharged salaries recharges from Lochaber Care & Repair (LCR) amounting to £32,062 (2022: £27,814.50). The Association paid a grant towards running costs of (LCR) of £35,000 (2022: £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 £265,444 (2022: £232,736). LCR leases workshop premises from the Association on a commercial basis and the rent charged for the year was £24,000 (2022: £24,000). As at 31 March 2023 LCR owed £59,653 (2022: £79,189) to the Association.

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

<b>15. RECEIVABLES</b>		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Gross arrears of rent & service charges	126,718	138,239
<b>Less:</b> Provision for doubtful debts	(79,330)	(75,640)
Net arrears of rent and service charges	47,388	62,599
Social housing grant receivable	105,230	2,728
Other receivables	298,756	214,731
Amounts due from group undertakings	323,778	194,017
	<u>775,152</u>	<u>474,075</u>
<b>16. STOCK AND WORK IN PROGRESS</b>		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Properties for sale	643,585	34,131
	<u>643,585</u>	<u>34,131</u>
<b>17. CURRENT ASSET INVESTMENTS</b>		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Short term deposits	3,400,000	3,400,000
	<u>3,400,000</u>	<u>3,400,000</u>
<b>18. CASH AND CASH EQUIVALENTS</b>		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	1,802,825	3,274,954
	<u>1,802,825</u>	<u>3,274,954</u>
<b>19. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Bank loans	620,836	656,890
Trade payables	12,601	-
Rent received in advance	119,298	111,846
Social housing grant in advance	911,543	1,133,302
Other taxation and social security	26,229	19,635
Other payables	36,555	32,234
Accruals and deferred income	674,657	665,213
	<u>2,401,719</u>	<u>2,619,120</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	2023	2022
	£	£
Bank loans	14,024,566	14,667,998

### 21. DEBT ANALYSIS - BORROWINGS

	2023	2022
	£	£
<b>Bank Loans</b>		
Amounts due within one year	620,836	656,890
Amounts due in one year or more but less than two years	635,813	670,805
Amounts due in two years or more but less than five years	4,015,084	4,100,647
Amounts due in more than five years	9,373,667	9,896,546
	14,645,400	15,324,888

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

<b>Lender</b>	<b>Number of Properties Secured</b>	<b>Effective Interest Rate</b>	<b>Maturity Variable or (Year) Fixed</b>
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
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 2023 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 2021 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £1,173m. The valuation revealed a shortfall of assets compared with the value of liabilities of £27m (equivalent to a past service funding level of 98%).

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)

	2023	2022
	£	£
Fair value of plan assets	1,456,000	2,246,000
Present value of defined benefit obligation	1,549,000	2,264,000
Surplus / (deficit) in plan	<u>(93,000)</u>	<u>(18,000)</u>
Unrecognised surplus	-	-
Defined benefit asset / (liability) to be recognised	<u>(93,000)</u>	<u>(18,000)</u>

# LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023  
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

	2023	2022
	£	£
Defined benefit obligation at the start of period	2,264,000	2,280,000
Expenses	2,000	2,000
Interest expense	62,000	48,000
Actuarial losses (gains) due to scheme experience	(161,000)	142,000
Actuarial losses (gains) due to changes in demographic assumptions	(33,000)	7,000
Actuarial losses (gains) due to changes in financial assumptions	(536,000)	(186,000)
Benefits paid and expenses	(49,000)	(29,000)
Defined benefit obligation at the end of period	1,549,000	2,264,000

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

	2023	2022
	£	£
Fair value of plan assets at start of period	2,246,000	2,061,000
Interest income	62,000	44,000
Experience on plan assets (excluding amounts included in interest income) gain (loss)	(836,000)	102,000
Contributions by the employer	33,000	68,000
Benefits paid and expenses	(49,000)	(29,000)
Fair value of plan assets at the end of period	1,456,000	2,246,000

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2023 was £(774,000).

# LOCHABER HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023  
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

	2023	2022
	£	£
Expenses	2,000	2,000
Net interest expense	-	4,000
	<u>2,000</u>	<u>6,000</u>

#### Defined benefit costs recognised in the other comprehensive income

	2023	2022
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	(836,000)	102,000
Experience gains and losses arising on plan liabilities - gain /(loss)	161,000	(142,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	33,000	(7,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	536,000	186,000
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	<u>(106,000)</u>	<u>139,000</u>
Total amount recognised in other comprehensive income - gain (loss)	<u>(106,000)</u>	<u>139,000</u>



# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 22. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

##### Assets

	2023	2022	2021
	£	£	£
Absolute Return	20,000	103,000	102,000
Alternative Risk Premia	8,000	93,000	83,000
Cash	6,000	6,000	1,000
Corporate Bond Fund	2,000	142,000	155,000
Credit Relative Value	56,000	72,000	59,000
Currency Hedging	3,000	(8,000)	-
Distressed Opportunities	45,000	81,000	70,000
Emerging Markets Debt	11,000	84,000	83,000
Global Equity	38,000	444,000	319,000
High Yield	7,000	22,000	54,000
Infrastructure	157,000	140,000	115,000
Insurance-Linked Securities	41,000	47,000	43,000
Liability Driven Investment	617,000	543,000	495,000
Liquid Credit	-	14,000	36,000
Long Lease Property	49,000	65,000	48,000
Net Current Assets	3,000	7,000	15,000
Opportunistic Credit	-	8,000	56,000
Opportunistic Illiquid Credit	64,000	74,000	53,000
Over 15 Year Gilts	-	1,000	1,000
Private Debt	65,000	57,000	49,000
Property	61,000	58,000	37,000
Risk Sharing	106,000	73,000	74,000
Secured Income	97,000	120,000	113,000
Total assets	1,456,000	2,246,000	2,061,000

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

	2023	2022	2021
Discount Rate	4.9%	2.8%	2.1%
Inflation (RPI)	3.2%	3.6%	3.3%
Inflation (CPI)	2.7%	3.2%	2.9%
Salary Growth	3.7%	4.2%	3.9%
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 2023 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2023	20.5
Female retiring in 2023	23.0
Male retiring in 2043	21.7
Female retiring in 2043	24.4

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
<b>Capital grants received</b>			
At 1 April 2022	49,415,042	381,307	49,796,349
Additions in the year	225,190	439,200	664,390
Eliminated on disposal	(265,236)	-	(265,236)
At 31 March 2023	49,374,996	820,507	50,195,503
<b>Amortisation</b>			
At 1 April 2022	15,784,480	55,845	15,840,325
Amortisation in year	1,096,160	35,986	1,132,146
Eliminated on disposal	(193,074)	-	(193,074)
At 31 March 2023	16,687,566	91,831	16,779,397
<b>Net book value</b>			
At 31 March 2023	32,687,430	728,676	33,416,106
At 31 March 2022	33,630,562	325,462	33,956,024

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

	2023 £	2022 £
Amounts due within one year	1,092,982	1,063,571
Amounts due in more than one year	32,323,124	32,892,453
	33,416,106	33,956,024

### 24. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2023 £	2022 £
At 1 April	39	31
Issued in year	5	10
Cancelled in year	(2)	(2)
At 31 March	42	39

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 2023 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 25. CASH FLOWS

#### Reconciliation of net cash flow to movement in net debt

	£	2023 £	£	2022 £
Decrease in cash	(1,472,129)		(15,083)	
Change in liquid resources	-		(75,000)	
Cashflow from change in net debt	679,486		664,368	
Movement in net debt during the year		(792,643)		574,285
Net debt at 1 April		(8,649,934)		(9,224,219)
Net debt at 31 March		(9,442,577)		(8,649,934)

	At 01 April 2022 £	Cashflows £	Other Changes £	At 31 March 2023 £
Cash and cash equivalents	3,274,954	(1,472,129)	-	1,802,825
	3,274,954	(1,472,129)	-	1,802,825
Liquid resources	3,400,000	-	-	3,400,000
Debt: Due within one year	(656,890)	679,486	(643,432)	(620,836)
Due after more than one year	(14,667,998)	-	643,432	(14,024,566)
Net debt	(8,649,934)	(792,643)	-	(9,442,577)

### 26. CAPITAL COMMITMENTS

	2023 £	2022 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	1,059,945	1,902,101

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

	2023 £	2022 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
<b>Other</b>		
Expiring in the next year	8,225	8,604
Expiring later than one year and not later than five years	27,211	17,220

# LOCHABER HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023 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 £1,118 (2022 - £418) 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:-	2023 No.	2022 No.
General needs	727	707
Shared ownership	44	44
	<u>771</u>	<u>751</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:

	2023 £	2022 £
Rent received from tenants on the Board of Management and their close family members	5,265	Nil
Members of the Board of Management who are tenants	1	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 £48,439 (2022 - £23,807).

# LOCHABER HOUSING ASSOCIATION LIMITED

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023  
NOTES TO THE FINANCIAL STATEMENTS (continued)

## 32. CONTINGENT LIABILITY

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of the changes. The Trustee is seeking clarification from the Court on these items, and this process is ongoing with it being unlikely to be resolved before the end of 2024 at the earliest.

It is estimated that this could potentially increase the value of the full Scheme liabilities by £27m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.