
LOCHABER HOUSING ASSOCIATION LIMITED
Financial Statements

For the year ended 31 March 2009

Registered Housing Association Number HAL151
Financial Services Authority Number 2289R(S)
Charity Number SC030951

LOCHABER HOUSING ASSOCIATION LIMITED

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LOCHABER HOUSING ASSOCIATION LIMITED

INFORMATION as at 31 March 2009

Registered Office

101 High Street, Fort William, PH33 6DG

Registration Numbers

Industrial & Provident Society number	2289R(S)
The Scottish Housing Regulator	HAL151
Scottish Charity number	SC030951

Management Committee

Alison Gainsford	Chairman
John MacLeod	Vice-chairman
Dion Alexander	Secretary
Hugh Donaldson	Treasurer
Neil Clark	
Keith Gadsby	Tenant
Donald Gillies	
Catriona Hunter	
Patricia Jordan	
Drew MacFarlane-Slack	
Ann Martin	
Jean Sinclair	Tenant
Allan Henderson	Councillor Co-optee appointed 19 May 2008
Brian Murphy	Councillor Co-optee appointed 19 May 2008

Director (not a member of the committee)

Blair Allan

Auditors

Baker Tilly UK Audit LLP, Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow, G2 3EH

Accountant

David Smith, Chartered Accountant
Keppoch
Croft Road
Oban

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

The management committee present their report and audited financial statements for the year ended 31 March 2009.

Organisation

The association is a non-profit making body registered with the Financial Services Authority as an Industrial and Provident Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

The association's constitution is a variation of the Model Rules for a Charitable Housing Association and provides for its governance by voluntary management committee. One third of the management committee are elected each year at the Annual General Meeting and the association is keen to support tenant participation on the management committee. In addition to the elected members, the management committee includes representatives nominated by Highland Council.

The main source of funding for the association's development activities was Communities Scotland and now the Scottish Government by way of Housing Association Grant.

Principal activity

The principal activity of Lochaber Housing Association is the development, management and maintenance of housing for people in housing need.

Strategic Aims

The association's mission statement is to provide good quality, truly affordable housing opportunities and services for local people in their preferred communities, thereby identifying and meeting local needs and helping to maintain and develop thriving communities throughout Lochaber.

This mission is underpinned by 5 strategic objectives. These are:

- We will provide increasing numbers of high quality affordable housing solutions throughout Lochaber
- We will develop and manage a high quality range of services that meet the needs and preferences of service users
- We will ensure that we manage and govern our affairs effectively and prudently and in doing so we will operate accountably and openly in all that we do
- We will ensure that our financial management and planning will deliver medium and long term financial viability
- We will support, train and develop our staff in the furtherance of our objectives

Corporate governance

The association's governing body is the management committee, which is elected by and is responsible to the members of the association. It is the responsibility of the management committee to determine the strategy for the association together with its overall direction and policies.

The members of the management committee serve in a voluntary capacity and are unpaid.

The executive team are led by the association's Director and are responsible for implementing the strategy set out by the management committee and managing the operational activities in line with laid down policies and procedures.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

Development

One of the association's major objectives is the development of new affordable properties. During the year we managed to complete 29 new properties throughout Lochaber with a further 25 units on site. Our total capital spend on development activity was £3,205,197. The association's Management Committee has been reluctant to consider further development commitments beyond this following the Scottish Government's decision in April 2008 to reduce grant subsidy for new build development to levels that have been deemed to be unsustainable. However, in order to help address the acute affordable housing shortage in Lochaber in the short term, while we engage in protracted discussions with the Scottish Government and The Highland Council, the Management Committee has decided to attempt to deliver a limited number of units during 2009/10 and to review the association's ability to deliver any further accommodation thereafter.

Property maintenance

The association seeks to maintain its properties to the highest practical standard. As well as dealing with day to day repairs the association has a programme of cyclical repairs to deal with recurring items such as painting and electrical testing. There is also a longer term plan to carry out major repairs which are predicted to be needed over the life of the property such as replacing kitchens bathrooms and heating systems. The year saw the completion of the surveying of all our properties, with appropriate life cycle costings informing revised planned maintenance programmes. A review of the options for the procurement of reactive, planned and cyclical maintenance services was also completed and the implementation of this review is currently being considered along with a heating replacement programme involving the installation of renewable energy sources

The association has a validated delivery plan in place to ensure compliance with the Scottish Housing Quality Standard by 2015.

Financing and liquidity

The association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the management committee. In this way the association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The association does not enter into transactions of a speculative nature. At 31 March 2009, the association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Reserves policy

The management committee consider that the main purpose in the association maintaining and building reserves is to provide funding for future major repairs. To this end a substantial proportion of surpluses earned has been designated for transfer to the Major Repairs Reserve which now stands at £1,651,513.

In addition the association maintains a general reserve which is intended to provide sufficient working capital to ensure the smooth operation of the association's services.

Budgetary process

The association prepares a detailed annual budget which is seen as a key element in the financial management of the association and the monitoring of performance. Quarterly management accounts provide the management committee with a detailed breakdown of actual performance against budget, highlighting problem areas and allowing remedial action to be taken as appropriate.

In line with regulatory requirements the association also prepares a 5 year budget and financial projections for submission to the Scottish Housing Regulator.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

Risk management policy

The management committee is responsible for establishing and maintaining the association's system of internal control. Internal control systems are designed to meet the particular needs of the association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the management committee has established with a view to providing effective internal financial are outlined in the its Statement on Internal Financial Control.

Statement of management committee's responsibilities

The Industrial and Provident Societies Acts and registered social housing legislation require the committee to prepare financial statements for each financial year which give a true and fair view of the association's state of affairs and of the surplus or deficit for that period. In preparing these financial statements the committee 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 the going concern basis unless it is inappropriate to presume that the association will continue in business.
- prepare a statement on internal financial control.

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

Review of the year

Much of the year has been devoted to implementing the decisions made in the previous year following the revisions to the association's 30 year financial projections and to the Internal Management Plan. These decisions related to the rental policy, the recovery of service costs, the possibility of implementing a selective sales strategy in relation to non viable properties and the procurement of maintenance services. The association has continued to carry out extensive capital expenditure on planned and cyclical maintenance programmes. Our activity in this regard is set to increase with expectations in connection with the 2015 target for the delivery of the Scottish Housing Quality Standard and following the completion during the year of the survey of all of the housing stock. The Association has continued to successfully prioritise continual improvement across the range of key performance indicators in rent arrears recovery, voids performance and reactive maintenance timescales. Much of the year has been spent in again reviewing the 30 year projections in the light of the adverse changes to government subsidy levels for new build development and in attempting to find the means through which the association could sustain a development programme beyond the short-term. This has involved a careful examination of new build cashflows and the extent to which the association can deliver the additional security required by lenders for extended private finance. This issue remains active and is referred to in the paragraph devoted to development above.

LOCHABER HOUSING ASSOCIATION LIMITED

REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

Future plans

In the coming year the association will continue its drive for continual improvement across the principal areas of its activities, as well as implement the decisions referred to above in relation to the delivery of its long term financial plan. The implementation of the revised Internal Management Plan will involve carefully examining the viability of further new build development, continuing to deliver on the SHQS and planned maintenance programmes; further developing the risk management strategy; continuing to monitor our financial performance and further strengthening our long-term viability.

Information for Auditors

As far as the committee are aware, there is no relevant audit information of which the auditors are unaware and the committee have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Dion Alexander
Date: 3 August 2009

On behalf of the Management Committee

LOCHABER HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS 31 March 2009

The committee 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 committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance
- forecasts and budgets are prepared regularly which allow the Committee of Management and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Committee of Management members and others.
- the Committee of Management review reports from management, from directors, staff and from the internal and external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2009 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Dion Alexander
Date: 3 August 2009

On behalf of the Management Committee

LOCHABER HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS 31 March 2009

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 6 concerning the association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 1999/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the statement on internal financial control on page 6 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date:

LOCHABER HOUSING ASSOCIATION LIMITED

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

We have audited the financial statements on pages 10 to 31, which have been prepared under the accounting policies set out on pages 14 to 17.

This report is made solely to the association's members, as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 opinion we have formed.

Respective responsibilities of Committee of Management and auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions with the association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent mis-statements within it or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

LOCHABER HOUSING ASSOCIATION LIMITED

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

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the association that it would be of no real value to the members of the association to consolidate or include the accounts of the association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009, because the business of the association and that of the subsidiary are so different they cannot be treated as a single undertaking.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the association's affairs as at 31 March 2009 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date:

LOCHABER HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2009

	Notes	2009 £	Restated 2008 £
Turnover	2	1,810,073	1,592,794
Less Operating Costs	2	<u>(1,351,109)</u>	<u>(1,031,829)</u>
Operating Surplus	2	458,964	560,965
Gain on sale of fixed assets		<u>-</u>	<u>111,613</u>
		458,964	672,578
Interest receivable		36,747	58,856
Interest payable and similar charges	8	<u>(476,344)</u>	<u>(519,482)</u>
		<u>(439,597)</u>	<u>(460,626)</u>
Surplus on ordinary activities before tax		19,367	211,952
Taxation	9	<u>-</u>	<u>-</u>
Surplus for year		<u><u>19,367</u></u>	<u><u>211,952</u></u>

All activities relate to continuing activities within the year.

LOCHABER HOUSING ASSOCIATION LIMITED

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS for the year ended 31 March 2009

	Notes	2009 £	Restated 2008 £
Surplus for the year and total recognised surpluses and deficits for the year			
Surplus for the year before restatement		<u>19,367</u>	<u>211,952</u>
Total recognised surpluses and deficits for the year		19,367	<u>(211,952)</u>
Prior year adjustment	24	<u>(168,832)</u>	
Total surpluses and deficits recognised since last financial statements		<u>(149,465)</u>	

LOCHABER HOUSING ASSOCIATION LIMITED

BALANCE SHEET as at 31 March 2009

	Notes	£	2009 £	£	Restated 2008 £
Tangible Fixed Assets					
Housing property	10		44,835,043		41,747,454
less Grant	10		<u>(34,552,360)</u>		<u>(31,876,437)</u>
			10,282,683		9,871,017
Other tangible fixed assets	11		<u>622,593</u>		<u>357,482</u>
			10,905,276		10,228,499
Current Assets					
Stocks	12	81,022		2,635	
Debtors	13	1,013,214		643,299	
Bank and cash		<u>814,374</u>		<u>2,320,709</u>	
		<u>1,908,610</u>		<u>2,966,643</u>	
Current Liabilities					
Creditors due within one year	14		<u>1,481,391</u>	<u>2,309,650</u>	
Net Current Assets					
			<u>427,219</u>		<u>656,993</u>
			11,332,495		10,885,492
Creditors due after one year	15		<u>(9,289,525)</u>		<u>(8,861,883)</u>
Net Assets			<u>£ 2,042,970</u>		<u>£ 2,023,609</u>
Capital and Reserves					
Share capital	16		88		94
Major repairs reserve	17		1,651,513		1,651,513
Revaluation reserve	17		133,942		133,942
Revenue reserve	17		<u>257,427</u>		<u>238,060</u>
			<u>£ 2,042,970</u>		<u>£ 2,023,609</u>

These financial statements were approved by the Committee of Management on 3 August 2009 and authorised for issue on 3 August 2009 and signed on their behalf by:

Committee Member

Committee Member

Secretary

LOCHABER HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT for the year ended 31 March 2009

	Notes	£	2009 £	£	Restated 2008 £
Net cash inflow from operating activities	18.1		(770,785)		2,272,995
Returns on investments and servicing of finance					
Interest received		36,747		58,856	
Interest paid		<u>(476,344)</u>	(439,597)	<u>(519,482)</u>	(460,626)
Investing activities					
Cash paid for construction and purchases		(3,205,197)		(4,944,287)	
Housing Association Grant received		2,675,923		3,840,356	
Sales of housing properties		-		338,452	
Purchase of other fixed asset		(297,780)		(2,869)	
Sale of other fixed assets		2,009		-	
Housing Association Grant repaid		<u>-</u>	(825,045)	<u>(116,798)</u>	(885,146)
Net cash outflow from investing					
Financing					
Loans received		676,147		969,780	
Loan principal repaid		(147,049)		(30,642)	
Decrease in share capital		<u>(6)</u>	529,092	<u>(2)</u>	939,136
Net cash inflow on financing					
(Decrease)/Increase in cash			<u>(1,506,335)</u>		<u>1,866,359</u>

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

1. Accounting Policies

1.1 Introduction and accounting basis

The principal accounting policies of the Association are set out below.

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. These financial statements are prepared under the historical cost convention and are based on the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice "Accounting by Registered Social Landlords", and in accordance with applicable accounting standards.

1.2 Change in accounting policies

Accounting policies 'Sale of Housing Properties', 'Property Development Cost' and 'Turnover' represent a change in accounting policy, following implementation of the Statement of Recommended Practice, Accounting by Registered Social Landlords, 2008. The previous treatment was to credit the first tranche sale of shared ownership properties against the cost. This has resulted in a prior year adjustment, as set out in note 24.

1.3 Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Housing Association Grant by the Scottish Housing Regulator.

1.4 Housing Association Grants

Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

1.5 Housing Association Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

1.6 Fixed assets - Housing land and buildings

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

Development costs are capitalised to the extent that they are attributable to specific schemes, where such costs are not felt to be excessive.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the scheme will not be developed to completion.

Interest on the loan financing the development is capitalised up to the relevant date of HAG completion.

The proportion of the development cost of shared ownership properties expected to be disposed as first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset.

1.7 Depreciation

(i) Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties, which is stated to be 50 years.

No depreciation is charged on the cost of land.

(ii) Other fixed assets

The association's assets are written off over their expected useful lives as follows:

Leasehold improvements		over the period of the lease
Office Property	-	over 50 years (straightline basis)
Furniture & equipment	-	between 20% and 33% (reducing balance basis)

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

1.8 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

1.9 Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

1.10 Stock and work in progress

Completed properties and property under construction for outright sale are valued at the lower of costs and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

1.11 Reserves

Designated reserve - reserve for major repairs

Accrued major repair expenditure, being the association's commitment to undertake major repairs to its properties, is set-aside in a designated reserve to the extent that it is not met from SHG.

1.12 Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

1.13 Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. First tranche shared ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the SORP

Disposals under shared equity schemes are accounted for in the income and expenditure account.

1.14 Low Cost Initiatives for First Time buyers (previously known as Homestake)

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

1.15 Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

1.16 Value added tax

The association is not VAT registered.

1.17 Pensions

The association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole.

The expected cost to the association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

1.18 Turnover

Turnover represents rental, service and management charges from properties, agency fees, revenue grants from Scottish Ministers and other grant awarding bodies and sale of first tranche shared ownership properties and sale of shared equity properties

1.19 Consolidation

The association and its subsidiary undertaking comprise a group. Application has been made to the Financial Services Authority for exemption from preparing group accounts. The accounts represent the results of the association and not of the group.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business

	Turnover £	Operating Costs £	Operating Surplus £	2008 Total £
Income and expenditure from letting	1,804,851	(1,304,958)	499,893	598,973
Income and expenditure from other activities	<u>5,222</u>	<u>(46,151)</u>	<u>(40,929)</u>	<u>(38,008)</u>
Current year total	<u>1,810,073</u>	<u>(1,351,109)</u>	<u>458,964</u>	<u>560,965</u>
Total for previous year	<u>1,592,794</u>	<u>(1,031,829)</u>	<u>560,965</u>	

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

3 Particulars of income and expenditure from lettings

	Housing Accommo- dation	Shared Ownership	Garages	Total	2008 Total
	£	£	£	£	£
Income from lettings					
Rent receivable net of service charges	1,706,180	101,489	14,272	1,821,941	1,595,669
Service charges receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross income from rents and service charges	1,706,180	101,489	14,272	1,821,941	1,595,669
Rent losses from voids	<u>(12,982)</u>	<u>-</u>	<u>(4,108)</u>	<u>(17,090)</u>	<u>(14,518)</u>
Total turnover from lettings	<u>1,693,198</u>	<u>101,489</u>	<u>10,164</u>	<u>1,804,851</u>	<u>1,581,151</u>
Expenditure on letting activities					
Management and maintenance administration costs	602,349	27,026	2,386	631,761	509,535
Service costs	4,085	-	-	4,085	54,913
Planned and cyclical maintenance including major repairs costs	315,156	-	-	315,156	129,156
Reactive maintenance costs	228,924	-	-	228,924	183,597
Bad debts rents and service charges	7,424	-	-	7,424	(1,862)
Depreciation of social housing	<u>114,654</u>	<u>2,954</u>	<u>-</u>	<u>117,608</u>	<u>106,840</u>
Operating costs for social letting activities	1,272,592	29,980	2,386	1,304,958	982,179
Operating Surplus for social lettings	<u>420,606</u>	<u>71,509</u>	<u>7,778</u>	<u>499,893</u>	<u>598,972</u>
Operating surplus for social letting for previous period of account	<u>514,252</u>	<u>76,165</u>	<u>8,555</u>	<u>598,972</u>	

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

4 Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other revenue grants £	Other income £	Total turnover £	Operating costs - bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous period £
Care and repair	-	-	-	-	-	36,859	(36,859)	(36,834)
Rural home ownership grants	-	-	-	-	-	4,070	(4,070)	(1,174)
Administration charges	-	-	5,181	5,181	-	5,181	-	-
Development administration	77,558	-	-	77,558	-	157,442	(79,884)	(83,976)
Development administration capitalised	(77,558)	-	-	(77,558)	-	(157,442)	79,884	83,976
Other income	-	-	41	41	-	41	-	-
	<u>-</u>	<u>-</u>	<u>5,222</u>	<u>5,222</u>	<u>-</u>	<u>46,151</u>	<u>(40,929)</u>	<u>(38,008)</u>
Year ended 31 March 2008	<u>2,400</u>	<u>-</u>	<u>9,243</u>	<u>11,643</u>	<u>-</u>	<u>49,651</u>	<u>(38,008)</u>	

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

5 AUDITOR'S REMUNERATION

	2009 £	2008 £
Remuneration of auditors for audit services	7,641	9,206
Remuneration of auditors for services other than those as external auditors	-	-
	7,641	9,206

6 EMPLOYEE INFORMATION

	2009 £	2008 £
Staff Costs during year		
Wages and salaries	441,248	409,959
Social security costs	35,387	33,897
Other pension costs	59,193	54,699
	535,828	498,555

The average full time equivalent number of persons employed by the association during the year were as follows:

Administration and Maintenance	14	14
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7 DIRECTORS' REMUNERATION

The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year . During the year there were no officers of the association whose emoluments, excluding pension contributions, exceeded £60,000.

	2009 £	2008 £
Emoluments paid to highest paid director(excluding pension contributions)	56,016	54,015
Director's pension contributions	7,838	10,277
Aggregate emoluments payable to directors (including pension contributions)	63,854	64,292
Expenses paid to director and committee members	8,798	6,013

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

8 INTEREST PAYABLE

	2009 £	2008 £
Loan interest payable	476,344	526,169
less: Development loan interest capitalised	-	(6,687)
	476,344	519,482

9 TAXATION

The association has charitable status and is not liable for Corporation Tax on its exempt activities.

10 TANGIBLE FIXED ASSETS HOUSING PROPERTY

	Letting properties				
	Complete	Under construction	Shared ownership	Leased property	Total
	£	£	£	£	£
Cost					
As at 1 April 2008 restated	33,295,345	5,858,112	2,866,540	185,102	42,205,099
Additions during the year	247,970	2,957,227	-	-	3,205,197
Transfer	5,443,708	(5,443,708)	-	-	-
Disposals during the year	-	-	-	-	-
As at 31 March 2009	38,987,023	3,371,631	2,866,540	185,102	45,410,296
Depreciation					
As at 1 April 2008 restated	424,759	-	19,676	13,210	457,645
Provided for year	111,546	-	2,954	3,108	117,608
Eliminated on disposals	-	-	-	-	-
As at 31 March 2009	536,305	-	22,630	16,318	575,253
Cost less depreciation					
As at 31 March 2009	38,450,718	3,371,631	2,843,910	168,784	44,835,043
As at 1 April 2008 restated	32,870,586	5,858,112	2,846,864	171,892	41,747,454
Housing grant					
As at 1 April 2008	23,976,393	5,343,139	2,433,957	122,948	31,876,437
Additions during year	44,943	2,630,980	-	-	2,675,923
Transfers	4,626,868	(4,626,868)	-	-	-
Repaid and abated in year	-	-	-	-	-
As at 31 March 2009	28,648,204	3,347,251	2,433,957	122,948	34,552,360
Net book Value					
As at 31 March 2009	9,802,514	24,380	409,953	45,836	10,282,683
As at 1 April 2008 restated	8,894,193	514,973	412,907	48,944	9,871,017

The net book amount at 31 March 2009 includes land cost of £5,024,737 (2008 : £4,464,737) which has not been depreciated

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

11 OTHER TANGIBLE FIXED ASSETS

	Office property £	Office equipment £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation					
As at 1 April 2008	295,000	149,640	18,079	8,108	470,827
Additions	276,465	21,315	-	-	297,780
Disposals	-	-	(6,925)	-	(6,925)
As at 31 March 2009	<u>571,465</u>	<u>170,955</u>	<u>11,154</u>	<u>8,108</u>	<u>761,682</u>
Depreciation					
As at 1 April 2008	-	94,013	13,028	6,304	113,345
Charge for year	13,808	15,388	1,014	450	30,660
Eliminated on disposals	-	-	(4,916)	-	(4,916)
As at 31 March 2009	<u>13,808</u>	<u>109,401</u>	<u>9,126</u>	<u>6,754</u>	<u>139,089</u>
Net book value					
As at 31 March 2009	<u>557,657</u>	<u>61,554</u>	<u>2,028</u>	<u>1,354</u>	<u>622,593</u>
As at 1 April 2008	<u>295,000</u>	<u>55,627</u>	<u>5,051</u>	<u>1,804</u>	<u>357,482</u>

The office premises were revalued on an open market basis by Samuels and Partners, Chartered Surveyors in June 2008.

At 31 March 2009, included within the net book value of land and buildings is £295,000 (2008: £295,000) relating to freehold land and buildings, £262,657 (2008: £nil) relating to leasehold land and buildings.

12 STOCK AND WORK IN PROGRESS

	2009 £	2008 £
Stocks	3,351	2,635
Work in progress	<u>77,671</u>	-
	<u>81,022</u>	<u>2,635</u>

Work in progress consists of the costs of construction less attributable housing grant in respect of properties intended for sale under low cost home ownership schemes.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

13 DEBTORS

	2009 £	2008 £
Gross rent arrears	79,546	79,149
Bad debt provision	<u>(47,246)</u>	<u>(41,829)</u>
	32,300	37,320
Other debtors	878,947	525,862
Prepayments and accrued income	<u>101,967</u>	<u>80,117</u>
	<u><u>1,013,214</u></u>	<u><u>643,299</u></u>

14 CREDITORS DUE WITHIN ONE YEAR

	2009 £	2008 £
Loans	283,251	181,795
Trade creditors	354,696	226,930
Rent paid in advance	50,444	49,989
Social security and other taxes	11,809	-
Other creditors	737,275	1,832,123
Accruals and deferred income	<u>43,916</u>	<u>18,813</u>
	<u><u>1,481,391</u></u>	<u><u>2,309,650</u></u>

15 CREDITORS DUE AFTER ONE YEAR

	2009 £	2008 £
Housing loans	<u>9,289,525</u>	<u>8,861,883</u>
In respect of loans above:		
Amounts payable by instalments		
within one year	283,251	181,795
within two to five years	959,805	678,930
in five years or more	<u>8,329,720</u>	<u>8,182,953</u>
	9,572,776	9,043,678
Less amount due within one year	<u>(283,251)</u>	<u>(181,795)</u>
	<u><u>9,289,525</u></u>	<u><u>8,861,883</u></u>

The above loans are secured by specific charges on the association's properties. Loans are repayable at varying rates of interest from 0.75% to 5.87% (2008 5.5% to 6.34%).

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

16 SHARE CAPITAL

	2009 £	2008 £
Shares of £1 fully paid and issued		
As at 1 April 2008	94	96
Issued in year	-	1
Cancelled in year	(6)	(3)
As at 31 March 2009	88	94

Each member of the association holds one share of £1 in the association. These shares carry no rights to a dividend or distributions on 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.

17 RESERVES

17.1 Major repairs reserve

	2009 £	2008 £
As at 1 April 2008	1,651,513	1,451,513
Transfer from Revenue reserve	-	200,000
As at 31 March 2009	1,651,513	1,651,513

There are no restrictions on this reserve

17.2 Revaluation reserve

	2009 £	2008 £
As at 1 April 2008	133,942	24,933
Movement in year	-	109,009
As at 31 March 2009	133,942	133,942

This reserve represents the unrealised gain on the revaluation of commercial property

17.3 Revenue reserve

	2009 £	Restated 2008 £
As at beginning of the year as previously stated	238,060	398,841
Prior year adjustment	-	(172,733)
As at 1 April 2008	238,060	226,108
Surplus for the year	19,367	211,952
Transfer to major repairs reserve	-	(200,000)
As at 31 March 2009	257,427	238,060

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

18 NOTES TO THE CASH FLOW STATEMENT

18.1 Reconciliation of surplus to net cash inflow from operating activities

	2009	2008
	£	£
Surplus for the year	19,367	211,952
Net interest payable	439,597	460,627
Operating surplus excluding interest	<u>458,964</u>	<u>672,579</u>
Depreciation	148,268	123,873
Gain on sale of property	-	(111,613)
(Increase)/Decrease in stock	(78,387)	(62)
(Increase)/Decrease in debtors	(369,915)	236,010
(Decrease)/increase in creditors	<u>(929,715)</u>	<u>1,352,208</u>
	<u><u>(770,785)</u></u>	<u><u>2,272,995</u></u>

18.2 Reconciliation of movement in net debt

(Decrease)/increase in cash	(1,506,335)	1,866,359
Loans received	(676,147)	(969,780)
Loan repayments	<u>147,049</u>	<u>30,642</u>
Change in net debt	<u>(2,035,433)</u>	927,221
Net debt at 1 April 2008	<u>(6,722,969)</u>	<u>(7,650,190)</u>
Net debt at 31 March 2009	<u><u>(8,758,402)</u></u>	<u><u>(6,722,969)</u></u>

18.3 Analysis of change in net debt

	As at 01/04/08	Cash Flow	Other changes	As at 31/03/09
	£	£	£	£
Cash at bank and in hand	2,320,709	(1,506,335)	-	814,374
Overdraft	-	-	-	-
Debt due within one year	(181,795)	(101,456)	-	(283,251)
Debt due after one year	<u>(8,861,883)</u>	<u>(427,642)</u>	-	<u>(9,289,525)</u>
	<u><u>(6,722,969)</u></u>	<u><u>(2,035,433)</u></u>	<u><u>-</u></u>	<u><u>(8,758,402)</u></u>

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

19 PENSIONS

The association participates in the SFHA Pension Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme currently offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

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

Lochaber Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and the career average revalued earnings with 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%

As at the balance sheet date there were 11 active members of the Scheme employed by the association. The association continues to offer membership of the Scheme to its employees.

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million (equivalent to a past service funding level of 83.4%).

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

- 19 The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual unding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions.

	Males	Females
Assumed life expectancy in years at age 65		
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional employer contributions of 5.3% of pensionable salaries with effect from April 2008. With effect from 1 April 2008, the joint contribution rates for each of the benefit structures were as follows:

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

19	Benefit structure	Joint contribution rate (% of pensionable salaries)
	Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
	Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
	Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

The association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2006. As at this date the estimated employer debt for the association was £501,122.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

19 In addition, the association has contributed to defined contribution schemes for one employee who has elected for this option. The assets of this scheme are held separately from those of the association are independently administered funds. At the balance sheet date unpaid contributions amounted to £nil (2008: £nil).

20 CAPITAL COMMITMENTS

As at the year end the association had capital commitments in respect of amounts contracted for but not provided for in these financial statements as follows:

	2009 £	2008 £
Contracted but not provided for	<u>4,727,164</u>	<u>4,158,616</u>

Of the total amount contracted but not provided for as at 31 March 2009, £2,096,229 is expected to be funded by SHG and £2,518,134 is to be funded by additional borrowings and sales proceeds. The balance of £112,801 will be funded from reserves.

21 HOUSING STOCK

The number of units in management at 31 March 2009 was as follows:-

	2009 No.	2008 No.
Property for rent	563	538
Shared ownership	62	62
Property for rent managed for others	<u>9</u>	<u>9</u>
	<u>634</u>	<u>609</u>

22 RELATED PARTIES

Various members of the Management Committee are tenants of the association. Their transactions with the association are all done on standard terms, as applicable to all tenants.

Lochaber Care and Repair is a charitable company limited by guarantee and controlled by Lochaber Housing Association. During the year the association contributed £23,439 (2008: £26,550) towards Lochaber Care and Repair's running costs.

LOCHABER HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

23 COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2009 the association has annual commitments under non-cancellable operating leases as follows:

	2009		2008	
	£	£	£	£
Expiry	Land and buildings	Other	Land and buildings	Other
Within 1 year	-	-	-	-
2 to 5 years	-	21,152	-	17,855
over 5 years	35,100	-	-	-
	<u>35,100</u>	<u>21,152</u>	<u>-</u>	<u>17,855</u>

24 PRIOR YEAR ADJUSTMENT

A change in accounting policies, following the implementation of the Statement of Recommended Practice (SoRP), Accounting by Registered Social Landlords, 2008, resulted in a prior year adjustment to the financial statements.

First tranche sales of shared ownership properties were previously credited to cost, the new treatment is to credit those to turnover on completion and take the related cost of construction to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account. Property developments that are intended for resale have been reclassified as current assets in accordance with the new accounting policy.

The impact on prior years of this change in accounting policy has been to:

	2008 £
Reduce the cost of shared ownership properties brought forward	(194,818)
Reduce the accumulated depreciation on shared ownership properties brought forward	22,085
Reduce the amount of the Revenue Reserve brought forward	<u>(172,733)</u>
Reduce the depreciation charge for the year on shared ownership properties	(3,901)
Increase the surplus for the year	<u>3,901</u>

There have been no disposals of first tranche shared ownership properties in the current year.

LOCHABER HOUSING ASSOCIATION LIMITED

DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2009

Rental income	2009		2008	
	£	£	£	£
Scottish Secure Tenancy rents	1,695,280		1,456,230	
Shared ownership rents	101,489		96,928	
Other rents	10,900		29,525	
Garage rents	<u>14,272</u>		<u>12,986</u>	
		1,821,941		1,595,669
Voids		<u>(17,090)</u>		<u>(14,518)</u>
		<u><u>1,804,851</u></u>		<u><u>1,581,151</u></u>
Other Income				
Factoring administration fee	990		1,052	
Other administration fees	4,191		3,356	
RHOG management fee	-		2,400	
Other income	<u>41</u>		<u>4,835</u>	
		<u><u>5,222</u></u>		<u><u>11,643</u></u>
Direct property costs				
Reactive repairs	195,829		140,524	
Cyclical repairs	91,188		95,644	
Major repairs	223,968		33,512	
Void repairs	33,095		43,073	
Service costs	4,085		54,913	
Rents payable	4,219		3,051	
Bad debts	7,424		(1,862)	
Legal fees	9,558		4,625	
Insurance	14,700		29,901	
Property depreciation	<u>117,608</u>		<u>106,839</u>	
		<u><u>701,674</u></u>		<u><u>510,220</u></u>

LOCHABER HOUSING ASSOCIATION LIMITED

DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2009

Administration costs	2009		2008	
	£	£	£	£
Staff salaries	476,635		443,856	
Staff pension	59,193		54,699	
Recruitment and relocation	-		1,861	
Other staff costs	1,612		2,289	
Training and library	12,671		14,484	
Motor and travel expenses	16,481		20,631	
Committee and directors expenses	8,798		6,013	
Affiliation fees and subscriptions	14,026		10,959	
Postage and stationery	20,585		17,846	
Telephone	7,390		6,180	
Equipment rental	5,115		5,945	
Computer and IT costs	10,758		11,623	
Advertising and promotion	3,959		3,216	
Office rent	21,938		-	
Rates	1,077		973	
Insurance	10,373		9,605	
Heat and Light	8,704		5,328	
Repairs	2,279		1,574	
Cleaning	6,030		3,589	
Accountancy fees	6,450		6,730	
Audit fee	7,641		9,206	
Internal audit fees	3,328		3,419	
Consultancy fees	28,183		40,934	
Legal fees	435		1,883	
Bank charges	6,018		7,013	
Sundry expenses	11,870		5,759	
Entertaining	179		96	
Care and repair costs	23,439		26,550	
Donations	1,050		1,150	
Depreciation	30,660		17,034	
	<u>806,877</u>		<u>740,445</u>	
Capitalised overhead	<u>(157,442)</u>		<u>(218,836)</u>	
		<u>649,435</u>		<u>521,609</u>
Operating surplus		<u>458,964</u>		<u>560,965</u>