

BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN
EILEIN SGITHEANAICH LTD
LOCHALSH AND SKYE HOUSING ASSOCIATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

SCOTTISH CHARITY NO. SC038019
REGISTERED HOUSING ASSOCIATION NO. 324
FCA REGISTRATION NO. 2132 RS

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**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**BOARD, EXECUTIVES AND ADVISERS
For the year ended 31 March 2021**

Board Members

The Board is elected by the Association's members at a General Meeting unless they are appointed to fill a casual vacancy or are co-opted.

The members of the Board from 1 April 2020 to the date of this report were as follows:

Mrs Audrey Sinclair	
Mr Ian Young	
Mr John Laing	
Mr Steven Proudfoot	
Mr Roger Liley	- Left 29-09-2020
Mr John Cayley	
Ms Maggie Muir	- Left 07-09-2020
Ms Liz Williams	
Mr John Finlayson	
Mrs Isabelle Campbell	
Prof David Clapham	- Joined 20-07-2020
Prof Ron Hill	- Joined 17-08-2020
Mr Iain Lewis	- Joined 21-12-2020

Executive Officer

The Executive Officer of the Association from 1 April 2020 to the date of this report was Mr Lachlan MacDonald, Chief Executive.

Company Secretary:

Ms Lesley MacIntosh

Auditor:

RSM UK Audit LLP
Third Floor
Centenary House
69 Wellington Street
GLASGOW
G2 6HG

Bankers:

Royal Bank of Scotland
Bank Street
PORTREE
Isle of Skye
IV51 9BX

Internal Auditor:

Quinn Internal Audit and Business Support Services
55 Lady Place
LIVINGSTON
EH54 6TB

Management Accountant:

Kenneth G Goddard CPFA
75 Warren Avenue
SAXMUNDHAM
Suffolk
IP17 1GN

Solicitors:

Munro & Noble
4 Church Street
DINGWALL
Ross-shire
IV15 9SB

Macleod & MacCallum
28 Queensgate
INVERNESS
IV1 1YN

The MacKenzie Law Practice
Highland Rail House
Station Square
INVERNESS
IV1 1LE

Legal Status

The Association is registered with the following:-

- The Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014, No. 2132 RS
- The Scottish Housing Regulator as a Registered Social Landlord, No. 324
- The Office of the Scottish Charity Regulator as a Charity, No. SC038019
- The Scottish Government as a Property Factor No. PF 000139
- The Scottish Letting Agent Register No. LARN 1810015
- Information Commissioner's Office, Registration Reference Z6024339

The Association operates under Rules based on the Scottish Federation of Housing Associations' Charitable Model Rules (Scotland) 2020.

**REPORT OF THE BOARD
For the year ended 31 March 2021**

The Board, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2021. Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited is also known as Lochalsh & Skye Housing Association and is referred to throughout this report as "the Association".

AIMS AND OBJECTIVES

The Association's aims are:-

- To work in partnership to provide access to high quality affordable housing solutions and related services and to contribute to the improvement of the social, economic and cultural wellbeing of the whole community.

Our Strategic Objectives which support these aims are:-

- To provide access to a wide range of high quality affordable housing solutions for those in need in both the rental and home ownership sectors.
- To ensure that remote and rural settlements with housing needs are supported by our housing investment activities.
- To promote energy efficiency and to assist in the reduction of carbon emissions and the eradication of fuel poverty.
- To deliver high quality services and standards across the whole range of our activities.
- To work within a policy framework and financial environment which deliver, cost efficiency, financial viability and value for money.
- To ensure accountability, openness and compliance in the governance of the Association's activities.
- To support all of the work of the Association by the efficient and effective use of financial, human and information resources.
- To provide equality of opportunity and access to all our services and activities.

KEY PRINCIPLES

The Key Principles which support our Strategic Objectives are:-

- To strive to ensure that the cost of housing solutions is affordable to the level of income of our client groups.
- To help create balanced, successful and sustainable communities through the provision of solutions that best meet local needs.
- To help support our Board and staff members to achieve their collective and individual ambitions to develop the Association as an efficient, effective and successful organisation.
- To act as excellent employers to our staff and to maximise their potential through investment in training and development.
- To promote best practice in all companies and organisations who provide services to the Association.
- To promote effective tenant involvement and ensure that tenants have the maximum opportunity to influence service provision, policies and procedures that affect them.
- To foster a culture which ensures that all staff and Board members deal with our customers in accordance with our Customer Services Charter commitments, which are:-
 - To treat everyone fairly, equally and sensitively
 - To be courteous, friendly and efficient
 - To be as open, informative and accessible as possible whilst respecting confidentiality
 - To strive to improve our service standards by reviewing them regularly and using feedback from our customers
 - To monitor our performance against our targets and publishing the results.
- To promote and actively participate in good partnership working with all our stakeholders to help achieve our aims and objectives.

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**REPORT OF THE BOARD (continued)
For the year ended 31 March 2021**

The Association considers that these aims, objectives and key principles are consistent with and support our charitable objects, which are:-

- To provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care; and
- Any other purpose or object permitted under Section 24 of the Housing (Scotland) Act 2010 which is charitable both for the purposes of Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and also in relation to the application of the Taxes Acts.
- The permitted activities and powers of the Association will include anything which is necessary or expedient to help the Association achieve these objects.

Principal Activities

The principal activities of the Association are the development, management and maintenance of housing in Skye and Lochalsh for people in housing need.

Business Review

In the period under review, the Association has continued to expand and has been actively involved in a range of partnerships which have contributed towards achieving its aims and objectives.

Key aspects of the period under review are detailed below:

- The Association incurred Capital Expenditure of £6,181,291 on housing projects of which £5,720,198 was spent on developing and acquiring new properties and £461,093 on improving existing properties.
- As the Agent of the Highland Council the Association arranged the expenditure of £225,550 on Care and Repair Projects for elderly and disabled clients throughout the area.
- The managed housing stock comprised:-

	2021	2020
Our own tenanted stock	736	707
Managed on behalf of others	16	17
Mid-Market Rent stock	-	5
Shared Ownership stock	19	19
TOTAL	771	748

Relationships with other charities and organisations

The Association is represented on the Boards of the following organisations:

Highland Housing Alliance - non charitable company, Company No. SC279579

Communities Housing Trust - Charity No. SC027544, Company No. 182862

The Association has the following non-charitable non-registered subsidiary trading company:

North West Highland Community Enterprises Ltd - Company No. SC319435

Surplus for the year and Reserves

The Association has made a surplus of £239,956 (2020 - £223,800) which has been retained in the Income and Expenditure Reserve. In addition, a remeasurement of the Association's Pension Liability has produced an actuarial loss of £587,699 (2020 - actuarial gain of £771,000) which is shown as Other Comprehensive Income which has been reflected as a reduction in the Income and Expenditure Reserve.

At 31 March 2021 the Association held total capital and reserves of £5,643,156 (2020 - £5,990,901), of which £5,642,984 was held in the Income and Expenditure Reserve (2020 - £5,990,727).

Pension Risk Management

The Board carries out a review of the Association's participation in the SHAPS pension scheme on an annual basis. This review looks at the defined pension benefits available to staff and the future cost of the associated contributions to the scheme. If, the pension liability increases or fails to reduce, the Board can take steps to review the Association's participation in the scheme or reduce the level of pension benefits available to staff in order to contain costs and limit future liabilities.

Going Concern

The Board has reviewed the results for this year and has reviewed the financial projections for the next 5 years along with forecasts set out in the Association's 30 year Financial Plan. The projections have been stress tested for variations in interest, inflation and rent income and include proposed development and improvements to current housing stock and the funding requirements for this work.

Further review and stress testing has been carried out in light of the coronavirus pandemic. This included consideration of the impact on income streams of delays to the completion of new build properties, delays to planned maintenance and major repair programmes, increases in the number of void properties and increases in the levels of arrears and bad debts.

The Board has considered the extent of operational disruption caused by the pandemic. Some staff were placed on furlough and certain operations, including development and most maintenance works, were temporarily suspended. Remaining staff successfully transitioned to remote working enabling the Association to continue to operate effectively and maintain services, subject to prevailing government guidance. At the time of signing, most furloughed staff have returned to work, and development and maintenance programmes have resumed. The Board is satisfied that the disruption will have no lasting impact on future operations.

The Board has concluded that the present arrangements are adequate for the Association to meet its liabilities as they fall due for the foreseeable future. Accordingly, it continues to adopt the Going Concern basis in preparing the financial statements.

Fixed Assets

Details of fixed assets are set out in Note 10 of the attached accounts.

REPORT OF THE BOARD (continued)
For the year ended 31 March 2021

Operational Review

Corporate Governance

The Board

Meetings of the Board are normally held monthly and the main responsibilities of the Board include:-

- setting the Association's Aims and Objectives
- agreeing strategies to achieve the Aims and Objectives
- considering and approving policies and procedures
- ensuring compliance with all relevant regulatory requirements set out in the Regulatory Framework
- ensuring compliance with all relevant standards and outcomes in the Scottish Social Housing Charter
- ensuring compliance with all relevant legislative duties
- ensuring compliance with the Standards of Governance and Financial Management
- ensuring adequate resources are in place to deliver the activities of the Association.

Members of the Board are governed by the Scottish Federation of Housing Association's Code of Conduct for Governing Body Members and are subject to annual appraisals to ensure continuing compliance with the requirements of the Regulatory Framework.

The Association has an Audit, Finance and Performance Sub-Committee which meets on a quarterly basis. Other ad-hoc Sub-Committees may be established by the Board to consider specific governance or business activities that may require more detailed scrutiny.

Staff

The Board employ staff to provide information and advice to them and to carry out the day to day administration of the Association's activities. It is a particular responsibility of the Board to ensure that suitably qualified and experienced staff are in post and that the Association's levels of staffing are appropriate to the levels of activity undertaken by the Association.

All staff employed by the Association have comprehensive Job Descriptions which are regularly reviewed through the Staff Appraisal System and they are employed on Employers in Voluntary Housing Terms and Conditions of Employment. Staff are also governed by the Scottish Federation of Housing Association's Code of Conduct for Staff.

Business Planning

The Association's Business Plan sets out the Association's aims, objectives and key priorities for a five-year period. It identifies targets to be met and the resources, both human and financial, required to implement the Plan.

In addition, the Association's Plans and Strategies are supported by a wide range of policies and procedures which detail how we will implement our proposed activities. Our policies and procedures are subject to regular review to ensure that they are consistent with the requirements of the business and regulatory environment within which we operate.

Corporate Issues

Service Delivery Standards

The Association is committed to delivering high quality services and standards across the range of its activities. In order to meet these commitments, it is essential that the Association works within a framework which allows us to measure how we are achieving the key themes of setting standards, consulting with stakeholders, offering choice where possible and continuously improving our services.

The Scottish Housing Regulator has published a Regulatory Framework to be used by Registered Social Landlords in measuring their performance. The Association assesses itself against the criteria on an on-going basis to ensure compliance and provides the Scottish Housing Regulator with an Annual Assurance Statement to confirm the outcome of our compliance review.

The Association complies with the requirements of the Scottish Social Housing Charter to carry out a comprehensive Customer Satisfaction Survey on a three-yearly basis but we will also continue with a rolling programme of Customer Satisfaction Surveys in respect of the key services which we provide. The outcome of these surveys enables the Association to continue to review standards timeously and to take appropriate action to address any deficiencies identified.

Benchmarking

The Association engages in the benchmarking of its performance against the performance of other Registered Social Landlords within its peer group as defined within the Annual Report on the Charter produced by the Scottish Housing Regulator. The purpose of this benchmarking is to enable the Association to identify areas of performance where we can do better. A report on the outcome of this benchmarking is presented annually to the Board and the results are used to inform our target setting for the delivery of services.

In addition, the Association has joined the Scottish Housing Best Value Network for benchmarking and best practice purposes.

Performance Targets

The Association sets Performance Targets for its key activities on an annual basis and monitors performance achieved on a quarterly basis through the Audit, Finance and Performance Sub-Committee. The targets set are informed by reviewing the previous year's outcomes together with the information obtained from benchmarking.

Internal Audit

The Association is committed to a rolling programme of internal audit and the Strategic Internal Audit Plan 2020/2023 identifies operational areas to be examined during the period. Generally, the areas to be examined are those activities which expose the Association to greatest risk if they are operationally weak and the outcomes of the Internal Audit reports are considered regularly by the Board and Action Plans approved.

**REPORT OF THE BOARD (continued)
For the year ended 31 March 2021**

Risk Management

The activities undertaken by the Association are varied and often complex and therefore a Risk Management Policy has been developed to describe how the Association will assess and manage the risks associated with its activities.

In considering its approach to risk management, the Association has been mindful of the need to balance a prudent approach to the risks associated with its business with the need to ensure an innovative and creative approach to opportunities and challenges. The Association regards effective risk management as an essential component of its business strategy and crucial to maintaining its position as a successful and highly regarded housing association.

The Association's Risk Register identifies strategic and operational risks, which are then classified according to likelihood and consequence. This classification process enables the Association to take action to mitigate specific risks, where the level of risk assumed is unacceptable. For each risk, mitigating actions are identified, and responsibility assigned to relevant staff members. Progress against agreed actions is monitored by the Senior Management Team, and subsequently reviewed as part of the Business Plan process and quarterly monitoring of the Risk Register is carried out by the Audit, Finance and Performance Sub-Committee and reported to the Board.

The Association recognises that its plans must be flexible enough to allow for changes which may largely be outwith the control of the Association. The Risk Register identifies a range of "actions" to be considered in the event that anticipated risks materialise. In addition, the Association's Financial Plan has a range of "stress testing" scenarios included as appendices which give consideration to the key financial factors or risks that may arise and measures their financial impact.

The major risks and mitigating actions identified in the Association's Risk Management Plan include:

Risk	Mitigating Action(s)
Significant expansion of housing development programme 2020-2025	<ul style="list-style-type: none"> • Review Private Finance requirements and secure potential lenders throughout programme • Monitor impact on Business Plan and Operational Services at Progress meetings • Implement required changes to all Operational Services and re-align with revised Development Programme
Requirements of new Fire Safety Regime for RSLs	<ul style="list-style-type: none"> • Review potential impact of C19 on proposed programme of retrospective installations • Prepare Action Plan to revise the implementation programme Information being collected in database and regular meetings of the Fire Safety Working Group being held • Identify any additional resources required and establish their source and timescale • Implement actions required to achieve full compliance as soon as possible
Increased LSHA expenditure as a consequence of COVID-19	<ul style="list-style-type: none"> • Set up Finance codes to identify additional expenditure • Regularly review the range of additional costs to include: PPE, IT, Overheads, Homeworking • Identify costs within revised Financial Plan and review as required
Lack of Contractors to deliver development programme	<ul style="list-style-type: none"> • Maintain diverse list of framework contractors
Failure to secure sufficient and long-term Handyperson/Care & Repair funding	<ul style="list-style-type: none"> • Continue negotiations on funding with NHS Highland/The Highland Council. Anticipated agreement to be secured by March 2021, and discussions continuing on long-term agreement during 2021/2022 • Engage in discussions with Scottish Government on long-term funding
Increased construction costs due to supply chain issues affect project viability and the planned delivery of our development programme	<ul style="list-style-type: none"> • Support SFHA lobbying activity with Scottish Government • Provide evidence to SFHA/SG on increasing tender prices and mismatch with current cost limits to address issues. • Review increasing levels of private finance required for projects and impact on proposed rent levels
EESH2 requirements result in significant increases in asset management costs until 2032	<ul style="list-style-type: none"> • Continue work on analysing SG requirements through the LSHA EESH2 Working Group and devise strategy to meet targets • Revise Asset Management Programme and Financial Plan in accordance with the revised strategy

REPORT OF THE BOARD (continued)
For the year ended 31 March 2021

Risk Management (continued)

Risk	Mitigating Action(s)
COVID-19 restrictions continue to impact on service delivery to tenants and adversely affect the Financial Plan	<ul style="list-style-type: none">• Regularly review Asset Management Programme and re-programme works as necessary• Regularly review Financial Plan projections and adjust as necessary• Maximise use of Flexible Furlough Scheme to minimise downtime for affected staff members

Credit Payment Policy

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

Maintenance Policies

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Statement of Comprehensive Income. The performance of the Association's Property Services team has been severely disrupted during the year as a consequence of COVID-19 restrictions which limited our ability to enter into properties to carry out repairs. We did provide a full emergency repairs service and the average time to carry out these repairs was 2.92 hours.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives.

The cost of replacing specified components (see Accounting Policies Note J on page 18 is capitalised within the terms outlined in the Statement of Recommended Practice 'Accounting by registered social landlords 2018' ("SORP"). Other works are charged to the Statement of Comprehensive Income.

Treasury Management

The Association operates in accordance with its Treasury Management Policy which covers all of its funding or borrowing from external sources and the lending or investment of surplus balances. It also deals with the internal movement of surplus funds between accounts.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2021, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Employee Involvement and Health & Safety

The Association encourages employee involvement in all major initiatives and in maintaining Health & Safety standards in all areas.

Guidance on Payments, Benefits and Corporate Accountability

Guidance on payments, benefits and corporate accountability is covered by an Entitlements, Payments and Benefits policy and procedures.

The amount spent on promoting the Association in the year was £2,410 (2020 - £3,263).

Disclosure of Information to the Auditor

The members of the Board 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

RSM UK Audit LLP have agreed to offer themselves for re-appointment as auditors of the Association.

By the order of the Board

Ms Lesley MacIntosh
Secretary

Date: 28 June 2021

STATEMENT OF THE BOARD'S RESPONSIBILITIES
For the year ended 31 MARCH 2021

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period. In preparing these financial statements, the Board is required to:

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

The Board is responsible for instituting adequate systems of internal control and for:

- safeguarding assets
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing and Regeneration Act 2008 and the Determination of Accounting Requirements – February 2019.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Lochalsh and Skye Housing Association website.

By the order of the Board

Ms Lesley MacIntosh
Secretary

Date: 28 June 2021

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**
THE BOARD'S STATEMENT OF INTERNAL FINANCIAL CONTROL
For the year ended 31 MARCH 2021

The Board 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 maintenance of proper accounting records;
- the reliability of information used within the Association or for publication; and
- the safeguarding of assets against unauthorised use or disposition

It is the Board'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 or failure to meet objectives. 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 employees take responsibility for the important business functions and regular appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly management accounts 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;
- the Board receive reports from management, and from internal and external 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; and
- formal procedures have been established for instituting appropriate action to correct any weakness identified through internal or external audit reports;
- an internal auditor has been appointed in accordance with the requirements of Guidance Note 97/06. An audit plan was set and completed for the year. The results of the work confirm that the Association has satisfactory procedures for managing its finances.

The Board has reviewed the effectiveness of the Association's systems of internal financial control for the year ended 31 March 2021 and until 28 June 2021 when the financial statements were approved. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

By the order of the Board

Ms Lesley MacIntosh
Secretary

Registered Office
Morrison House
Bayfield
PORTREE
Isle of Skye
IV519EW

Date: 28 June 2021

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED**

Opinion

We have audited the financial statements of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited (the 'Association') for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 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 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019.

Basis for 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 UK, including the FRC'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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee'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 about 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 Management Committee with respect of going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements 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

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 9, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee 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 Management Committee either intends 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.

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED**

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the sector, including the legal and regulatory frameworks that the Association operates in and how the Association is complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Housing SORP 2018, the Scottish Housing Regulator's Determination of Accounting Requirements – February 2019 and the Housing (Scotland) Act 2010. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included, reviewing financial statement disclosures.

The most significant laws and regulations that have an indirect impact on the financial statements are the Housing (Scotland) Acts 2006 and 2014, the Co-operative and Community Benefit Societies Act 2014, the Scottish Housing Regulator's Regulatory Framework (published 2019), Public Services Reform (Scotland) Act 2010 and the Office of the Scottish Charity Regulator (OSCR). We performed audit procedures to inquire of management and those charged with governance whether the Association is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

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

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 8 JULY 2021

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED
ON CORPORATE GOVERNANCE MATTERS
For the year ended 31 MARCH 2021

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 6 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory 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 through enquiry of certain members of the Board and Officers of the Association and examination of relevant documents. 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 on Internal Financial Control on page 10 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory 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.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 8 July 2021

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2021**

		<u>2021</u>	<u>2020</u>
	Notes	£	£
TURNOVER	2	4,997,654	5,130,157
Other operating income	2	148,178	2,247
Operating expenditure	2	(4,387,623)	(4,375,643)
Loss on disposal of property, plant and equipment		(15,177)	(18,424)
OPERATING SURPLUS	6	743,032	738,337
Interest receivable		5,967	17,291
Interest and financing costs	5	(511,543)	(531,828)
Fair value gain on revaluation of investment property	11	2,500	-
SURPLUS BEFORE TAX		239,956	223,800
Taxation	7	-	-
SURPLUS FOR THE YEAR		239,956	223,800
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) in respect of defined benefit pension scheme	27	(587,699)	771,000
TOTAL COMPREHENSIVE INCOME / (LOSS)		<u>(347,743)</u>	<u>994,800</u>

The accompanying notes form part of these financial statements

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**STATEMENT OF FINANCIAL POSITION
As at 31 March 2021**

		2021		2020	
Notes	£	£	£	£	£
FIXED ASSETS					
Housing properties	10a		74,072,742		69,620,995
Other fixed assets	10b		633,856		654,579
Investment properties	11		285,000		282,500
Fixed asset investments	12		1		1
			74,991,599		70,558,075
CURRENT ASSETS					
Trade and other debtors	15	228,352		227,671	
Cash and cash equivalents	24	4,875,310		3,366,548	
		5,103,662		3,594,219	
CURRENT LIABILITIES					
Payables falling due within one year	16	(1,083,154)		(911,717)	
Deferred grant falling due within one year	16	(1,245,387)		(1,214,590)	
			2,775,121		1,467,912
NET CURRENT ASSETS					
			77,766,720		72,025,987
LONG-TERM LIABILITIES					
Creditors:					
Payables falling due after more than one year	17	(21,700,446)		(18,414,531)	
Deferred grant due after more than one year	17	(49,865,932)		(47,532,448)	
			(71,566,378)		(65,946,979)
Pension – defined benefit net liability	27	(527,000)		(64,000)	
Provisions	20	(30,186)		(24,107)	
			(557,186)		(88,107)
TOTAL NET ASSETS					
			5,643,156		5,990,901
RESERVES					
Called up share capital	21		172		174
Income and expenditure reserve			5,642,984		5,990,727
			5,643,156		5,990,901
TOTAL RESERVES					

These financial statements were approved and authorised for issue by the Board on 28 June 2021 and signed on their behalf by:

Board Member

Board Member

Secretary

STATEMENT OF CHANGES IN RESERVES
For the year ended 31 March 2021

	Income and expenditure reserve	Total
	£	£
Balance at 1 April 2019	4,995,927	4,995,927
Surplus for the year	223,800	223,800
Other Comprehensive Income	771,000	771,000
	<hr/>	<hr/>
Balance as at 31 March 2020	5,990,727	5,990,727
Surplus for the year	239,956	239,956
Other Comprehensive Income	(587,699)	(587,699)
	<hr/>	<hr/>
Balance as at 31 March 2021	5,642,984	5,642,984

**STATEMENT OF CASHFLOWS
For the year ended 31 March 2021**

	Notes	2021		2020	
		£	£	£	£
Net cash generated from operating activities	24		4,749,957		5,658,738
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(6,188,485)		(7,449,936)	
Proceeds from sale of tangible fixed assets		33,750		102,276	
Interest received		5,967		17,291	
Net cash used in investing activities			(6,148,768)		(7,330,369)
CASH FLOW FROM FINANCING ACTIVITIES					
Issue of share capital		7		7	
Interest paid		(511,543)		(512,828)	
New secured loans		4,000,023		2,762,725	
Capitalised loan interest		39,098		-	
Repayment of borrowings		(620,012)		(351,469)	
Net cash from/(used in) financing activities			2,907,573		1,898,435
Net increase/(decrease) in cash and cash equivalents			1,508,762		226,804
Cash and cash equivalents at start of year			3,366,548		3,139,744
Cash and cash equivalents at end of year	24		4,875,310		3,366,548

Reconciliation of Net Cash Flow to Movement in Net Debt	<u>2021</u>	<u>2020</u>
	£	£
Decrease/(Increase) in cash at bank	(1,508,762)	(226,804)
Loan advances received	4,000,023	2,762,725
Capitalised loan interest	39,098	-
Loan redemption payments	(620,012)	(351,469)
	<u>1,910,347</u>	<u>2,184,452</u>
Net debt at 1 April	15,594,542	13,410,090
Net debt at 31 March	<u>17,504,889</u>	<u>15,594,542</u>

Analysis of Changes in Net Debt	At <u>01/04/20</u>	Cash Flows	At <u>31/03/21</u>
	£	£	£
Cash and Bank and in Hand	3,366,548	1,508,762	4,875,310
Debt due within one year	(546,559)	(133,194)	(679,753)
Debt due after one year	(18,414,531)	(3,285,915)	(21,700,446)
Total	<u>(15,594,542)</u>	<u>(1,910,347)</u>	<u>(17,504,889)</u>

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

1 ACCOUNTING POLICIES

A. Legal Status

The Association is constituted under its Rule Book and is registered as a non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority No. 2132 RS and is registered with the Scottish Housing Regulator No. 324. The Association gained charitable status on 3 April 2007 as Scottish Charity No. SC038019. Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited is a Public Benefit Entity

The registered and principal place of business is Morrison House, Bayfield, Portree, Isle of Skye, IV51 9EW.

B. Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and to comply with the Determination of Accounting Requirements 2019[GC1], and under the historical cost convention. The financial statements are prepared in Sterling (£).

The Association is a public benefit entity (PBE).

C. Going Concern

The Board consider on an annual basis the appropriateness of preparing the Association's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- the prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- the financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.
- the short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Financial Plan including sensitivity analyses and independent verification of key underlying assumptions.

Further review and stress testing is being carried out in light of the coronavirus pandemic. This includes consideration of the impact on income streams of delays to the completion of new build properties, increases in the number of void properties and increases in the levels of arrears and bad debts.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Board consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

D. Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Obligations under the SHAPS defined benefit pension scheme

The estimate of the defined benefit obligation is based on a number of critical underlying actuarial assumptions which are reviewed by management. These include standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 27). The net defined benefit pension liability at 31 March 2021 was £527k.

Impairment of Fixed Assets

The Association does not consider any individual housing schemes to be separate cash generating units when assessing for impairment in accordance with SORP 2018.

Recoverable amount of rent arrears and other debtors

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

Useful lives of properties, plant and equipment

The Association assesses the useful lives of its properties, plant and equipment and uses this as a basis for estimating the annual charge to be depreciated.

Components of housing properties

The Association assesses the useful lives of major components of its housing property and uses this as a basis for estimating the annual charge to be depreciated.

Valuation of property and impairment review

The Association's properties are reviewed annually for impairment in line with the Association's impairment policy. Investment property is valued on a regular basis by an external qualified surveyor. A review undertaken by management in May 2021 concluded that there was no impairment of Association properties.

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2021

ACCOUNTING POLICIES (continued)

E. Basis of Consolidation

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Ltd and its non-registered subsidiary (North West Highland Community Enterprises Ltd) comprise a group. The Association has obtained exemption from the Financial Conduct Authority from producing Consolidated Financial Statements as provided by Section 99 (3a) of the Co-operative and Community Benefit Societies Act 2014. The accounts represent the results of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Ltd and not of the group. North West Highland Community Enterprises Ltd is a subsidiary trading company and did not generate a significant level of financial results from a group perspective.

F. Turnover

Turnover represents rental, service and management charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value and revenue based grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

G. Government Grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

H. Other Grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met. Grants received via the Coronavirus Job Retention Scheme are accounted for as Other Operating Income.

I. Borrowing

Mortgage loans are advanced by private lenders and local authorities under the terms of individual mortgage deeds in respect of each housing scheme. Advances are available only in respect of those developments which have been approved for Social Housing Grant (SHG).

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale. All other borrowing costs are expensed as incurred.

J. Tangible Fixed Assets - Housing Properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. Development costs are capitalised to the extent that they are directly attributable to specific schemes and where such costs are not felt to be excessive. Labour costs of the Association's development staff and in-house staff fulfilling the client role, indirectly arising from the construction or acquisition of properties, are charged to the Statement of Comprehensive Income as incurred.

Works to existing properties which replace a component that has been treated separately for depreciation purposes (see Note L below), along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

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

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

ACCOUNTING POLICIES (continued)

K. Investment Properties

Investment property is initially measured at cost and subsequently stated at fair value. The gain or loss arising from changes in the fair value are included in the Statement of Comprehensive Income. No depreciation is provided on investment property in line with FRS 102 as the Board considers that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

L. Depreciation of Housing Properties

Depreciation is charged on a straight line basis over the expected useful lives of each major component that makes up the housing property as shown below. Depreciation is not charged on land or assets under construction

Structure	- 60 years
Roof	- 50 years
Electrics	- 50 years
Windows/External Doors	- 25 years
Bathroom	- 25 years
Heating System	- 20 years
Kitchen	- 15 years
Biomass Plant	- 30 years
Drying Green	- 60 years

A full year's depreciation is charged in the year of purchase or acquisition but no depreciation is charged in the year of sale or disposal.

M. Impairments of Fixed Assets

An assessment is made at each reporting date of whether there are indications that any fixed assets (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

N. Other Tangible Fixed Assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

Land and Buildings	-	same as housing properties (see above)
Housing Furniture	-	20% straight line
Office Equipment & Furniture - General	-	15% reducing balance
Office Equipment & Furniture - IT	-	33.3% straight line
Energy Monitoring Equipment	-	15% straight line
Motor Vehicles	-	25% reducing balance

A full year's depreciation is charged in the year of purchase or acquisition but no depreciation is charged in the year of sale or disposal.

O. Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income in accordance with Statement of Recommended Practice. Property developments that are intended for resale are included in current assets until disposal.

P. Sale of Shared Ownership/Shared Equity Properties

First tranche Shared Ownership disposals are credited to turnover on completion and 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 Statement of Comprehensive Income, in accordance with the Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in Statement of Comprehensive Income. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

ACCOUNTING POLICIES (continued)

Q. Stocks

Stocks are valued at the lower of cost and net realisable value.

R. Taxation

The Association has charitable status and is registered with the Office of the Scottish Charity Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

S. VAT

The Association first registered for VAT on 25 April 2008. The registration took effect in the year to 31 March 2008. On 1 April 2013 the Association, along with its subsidiary NWHCE, obtained group registration for VAT. The majority of the Association's income is exempt for VAT purposes, giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.

T. Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

U. Leases

Operating Leases

Operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

V. Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

W. Retirement Benefits

Defined contribution plans

For defined contribution schemes the amount charged to the Statement of Comprehensive Income is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined Benefit plans - Scottish Housing Association Pension Scheme (SHAPS)

For defined benefit schemes the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability.

The net defined benefit pension deficit liability is been included within the provisions for pension liability in the financial statements. Remeasurements are reported in other comprehensive income

Refer to Note 27 for more details.

X. Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in these accounts.

Y. Financial Instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade and other Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade and other debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade or other debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

ACCOUNTING POLICIES (continued)

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade and other creditors

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade or other creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

De-recognition of financial assets

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Z. Provisions

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

AA. Reserves

The Association would establish restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

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

	Note	Turnover	Other operating income	Operating costs	2021 Operating Surplus/ (Deficit)	2020 Operating Surplus/ (Deficit)
		£	£	£	£	£
Affordable letting activities	3	4,453,463	-	3,429,664	1,023,799	950,986
Other activities	4	544,191	148,178	957,959	(265,590)	(194,225)
Loss on disposal of property, plant and equipment		-	-	15,177	(15,177)	(18,424)
		<u>4,997,654</u>	<u>148,178</u>	<u>4,402,800</u>	<u>743,032</u>	<u>738,337</u>
Total for previous period of account		5,130,157	2,247	4,394,067	738,337	

3 PARTICULARS OF INCOME AND EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared Ownership £	2021 Total £	2020 Total £
Income from Affordable Lettings				
Rent Receivable net of service charges	3,069,532	51,777	3,121,309	2,936,983
Service Charges	48,287	2,280	50,567	45,174
Gross income from rents and service charges	<u>3,117,819</u>	<u>54,057</u>	<u>3,171,876</u>	<u>2,982,157</u>
Less: Rent Losses from Voids	(17,465)	-	(17,465)	(10,861)
Net income from rents and service charges	<u>3,100,354</u>	<u>54,057</u>	<u>3,154,411</u>	<u>2,971,296</u>
Grants released from deferred income	1,210,151	14,020	1,224,171	1,187,396
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	74,881	-	74,881	82,285
Total Turnover from Affordable Letting Activities	<u>4,385,386</u>	<u>68,077</u>	<u>4,453,463</u>	<u>4,240,977</u>
Expenditure on Affordable Letting Activities				
Management and maintenance administration costs	861,554	14,978	876,532	815,521
Service costs	63,979	-	63,979	58,670
Planned and cyclical maintenance including major repair cost:	311,200	-	311,200	348,116
Reactive maintenance costs	493,857	-	493,857	475,191
Bad debts - rents and service charges	20,420	-	20,420	15,800
Depreciation of affordable let properties	1,647,773	15,903	1,663,676	1,576,693
Impairment of affordable let properties	-	-	-	-
Operating Costs for affordable letting activities	<u>3,398,783</u>	<u>30,881</u>	<u>3,429,664</u>	<u>3,289,991</u>
Operating Surplus for affordable letting activities	<u>986,603</u>	<u>37,196</u>	<u>1,023,799</u>	<u>950,986</u>
Operating Surplus for affordable letting activities for previous reporting period	<u>915,424</u>	<u>25,562</u>	<u>950,986</u>	

The Association has no Supported Accommodation.

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2020**

4 PARTICULARS OF TURNOVER, COST OF SALES, 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 £	2021 Operating Surplus/ (Deficit) £	2020 Operating Surplus/ (Deficit) £
Wider role activities:								
Care and repair	-	66,109	225,550	291,659	-	297,754	(6,095)	(13,914)
Investment property activities	-	-	21,903	21,903	-	18,560	3,343	3,247
Factoring	-	-	11,134	11,134	-	3,712	7,422	(1,988)
Uncapitalised development administration costs	1,752	3,575	-	5,327	-	181,642	(176,315)	(93,629)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	17,757	17,757	-	37,119	(19,362)	2,844
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Other activities:	-	-	-	-	-	-	-	-
Handyperson Service	-	165,628	-	165,628	-	222,965	(57,337)	(86,059)
Energy Advice Service	-	1,140	18,287	19,427	-	13,424	6,003	(15,379)
Mid-Market Properties	-	-	5,356	5,356	-	14,848	(9,492)	2,857
Other rents	-	-	6,000	6,000	-	7,424	(1,424)	4,434
Heat Sales	-	-	-	-	-	-	-	2,362
Other operating income	-	-	148,178	148,178	-	160,511	(12,333)	1,000
Total from other activities	<u>1,752</u>	<u>236,452</u>	<u>454,165</u>	<u>692,369</u>	<u>-</u>	<u>957,959</u>	<u>(265,590)</u>	<u>(194,225)</u>
Total from other activities for previous reporting period	<u>13,775</u>	<u>243,861</u>	<u>633,791</u>	<u>891,427</u>	<u>-</u>	<u>1,085,652</u>	<u>(194,225)</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

5 INTEREST AND FINANCING COSTS

	<u>2021</u>	<u>2020</u>
	£	£
Bank Loans and Overdrafts	494,938	492,488
Non-utilisation and other loan fees	16,605	20,340
Defined benefit pension scheme –net interest expense	-	19,000
	<u>511,543</u>	<u>531,828</u>

Interest incurred in the development period of housing projects which has been written off to the Statement of Comprehensive Income amounted to £455,773 (2020 - £503,990).

6 OPERATING SURPLUS

	<u>2021</u>	<u>2020</u>
	£	£
Operating surplus is stated after charging: -		
Depreciation of housing properties	1,663,676	1,576,693
Depreciation of mid-market properties	-	13,280
Depreciation of other fixed assets	44,856	47,623
Operating lease rentals (note 14)	88,530	93,748
	<u>1,797,062</u>	<u>1,731,344</u>
External auditors' remuneration:		
Audit services (excluding VAT)	9,950	9,600
Other services (excluding VAT)	-	-
	<u>9,950</u>	<u>9,600</u>

7 TAXATION

Charitable status was obtained on 3 April 2007. All activities since that date meet the definition of charitable purposes, or are ancillary thereto: surpluses are therefore not normally liable to Corporation Tax.

8 EMPLOYEES

Number of employees	<u>2021</u>	<u>2020</u>
	No.	No.
The average monthly number of Full Time Equivalent persons (including key management personnel) employed by the Association during the year was:	43.1	44.2
The average total number of Employees employed during the year was;		
Full Time	39	41
Part Time	6	5
	<u>45</u>	<u>46</u>
Staff Costs for the above persons	<u>2021</u>	<u>2020</u>
	£	£
Salaries	1,413,171	1,383,361
Social security costs	139,902	131,875
Defined Benefit Pensions	115,216	178,000
Defined Contribution Pensions	17,682	17,335
	<u>1,685,971</u>	<u>1,710,571</u>

9 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the members of the Board, the Chief Executive and the Director of Investment. The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period were:

	<u>2021</u>	<u>2020</u>
Number of key management personnel - £60,000 to £69,999	2	2
Emoluments payable to key management personnel	<u>£141,125</u>	<u>£141,017</u>

The Association's pension contributions for key management personnel amounted to £16,370 (2020 - £14,384). Employer's national insurance was £17,049 and PAYE deductions were £40,363.

No payment or fees or other remuneration was made to members of the Board during the year.

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

10 TANGIBLE FIXED ASSETS

a) Housing Properties

	Housing Properties Held for Letting £	Mid-Market Properties £	Housing Properties in the course of Construction £	Shared Ownership Housing Properties £	Totals £
COST:					
As at 1 April 2020	77,788,126	579,205	8,980,198	938,771	88,286,300
Additions	444,153	-	5,737,139	-	6,181,292
Transfers	4,952,821	(579,205)	(4,373,616)	-	-
Disposals	(91,593)	-	(16,942)	(14,113)	(122,648)
As at 31 March 2021	<u>83,093,507</u>	<u>-</u>	<u>10,326,779</u>	<u>924,658</u>	<u>94,344,944</u>
DEPRECIATION:					
As at 1 April 2020	18,224,090	102,522	-	338,693	18,665,305
Charge for Year	1,647,773	-	-	15,903	1,663,676
Transfers	102,522	(102,522)	-	-	-
Eliminated on disposal	(51,688)	-	-	(5,091)	(56,779)
As at 31 March 2021	<u>19,922,697</u>	<u>-</u>	<u>-</u>	<u>349,505</u>	<u>20,272,202</u>
NET BOOK VALUE:					
As at 31 March 2021	<u>63,170,810</u>	<u>-</u>	<u>10,326,779</u>	<u>575,153</u>	<u>74,072,742</u>
As at 31 March 2020	<u>59,564,036</u>	<u>476,683</u>	<u>8,980,198</u>	<u>600,078</u>	<u>69,620,995</u>

LAND VALUES

Land valued at £6,852,863 (2020- £6,509,855) is included in the above.

	2021 £	2020 £
EXPENDITURE ON MAJOR WORKS TO EXISTING PROPERTIES		
Improvement work capitalised	279,104	200,440
Replacement components capitalised	181,989	352,138
Amounts charged to income and expenditure	-	-
Total major repairs/replacements spend	<u>461,093</u>	<u>552,578</u>

Lochalsh and Skye Housing Association does not consider any individual schemes to be separate cash generating units when assessing for impairment in accordance with SORP 2018.

TANGIBLE FIXED ASSETS

b) Other property, plant and equipment

	Office Land & Buildings £	Housing Furniture £	Equipment & Furniture £	Motor Vehicles £	Totals £
COST:					
As at 1 April 2020	783,869	11,116	219,061	68,678	1,082,724
Additions	10,886	-	2,209	11,038	24,133
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
As at 31 March 2021	<u>794,755</u>	<u>11,116</u>	<u>221,270</u>	<u>79,716</u>	<u>1,106,857</u>
DEPRECIATION:					
As at 1 April 2020	210,799	11,116	187,624	18,606	428,145
Charge for Year	15,024	-	14,554	15,278	44,856
Eliminated on disposal	-	-	-	-	-
As at 31 March 2021	<u>225,823</u>	<u>11,116</u>	<u>202,178</u>	<u>33,884</u>	<u>473,001</u>
NET BOOK VALUE:					
As at 31 March 2021	<u>568,932</u>	<u>-</u>	<u>19,092</u>	<u>45,832</u>	<u>633,856</u>
As at 31 March 2020	<u>573,070</u>	<u>-</u>	<u>31,437</u>	<u>50,070</u>	<u>654,579</u>

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

11 INVESTMENT PROPERTIES

	<u>2021</u>	<u>2020</u>
	£	£
The Association's Investment properties are held at fair value		
At 1 April	282,500	197,500
Additions	-	-
Transfers	-	85,000
Revaluation	2,500	-
At 31 March	<u>285,000</u>	<u>282,500</u>

The investment property at Bridge Road, Portree and the investment property at Kyle of Lochalsh were valued at Current Market Value on 31 March 2021. Both valuations were carried out by Andy Gray MA(Hons), MRICS in accordance with RICS valuation professional standards (January 2014).

12 FIXED ASSET INVESTMENTS

Investments in subsidiary

The Association has a wholly-owned subsidiary, North West Highland Community Enterprises Limited (SC319435) which was incorporated on 23 March 2007. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties. The following transactions took place between both entities during the year.

	<u>2021</u>	<u>2020</u>
	£	£
Amount invested in subsidiary	<u>1</u>	<u>1</u>
Expenses incurred on behalf of, and recoverable from, subsidiary	1,539	1,479
Property rents recoverable from the subsidiary	5,356	20,859
Property management fees recoverable from subsidiary	<u>1,989</u>	<u>7,983</u>

The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2020 to 31 March 2021 were as follows:

Capital and Reserves	<u>(2,021)</u>	<u>(877)</u>
(Loss)/Profit for the year after taxation	<u>(1,144)</u>	<u>653</u>

13 CAPITAL COMMITMENTS

	<u>2021</u>	<u>2020</u>
	£	£
Capital expenditure contracted for but not provided in the financial statements	<u>5,276,816</u>	<u>2,230,031</u>
The Association expects to finance this commitment by:		
Capital grant receivable	1,047,675	143,309
Loans under negotiation with loan offers	4,229,141	2,086,722
Loans yet to be arranged	-	-
	<u>5,276,816</u>	<u>2,230,031</u>

14 COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Year ended <u>31/03/21</u>	Year ended <u>31/03/20</u>
	£	£
Amounts due:-		
Within one year	88,283	91,334
Between one and five years	63,050	85,260
After five years	-	-
	<u>151,333</u>	<u>176,594</u>

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2021</u>	<u>2020</u>
	£	£
Rent and Service Charges Arrears	111,326	99,034
Less bad debt provision	<u>(60,405)</u>	<u>(45,040)</u>
Care & Repair debtor	50,921	53,994
Trade debtors	50,482	24,667
Other debtors	36,737	13,903
Prepayments and accrued income	35,819	105,155
Due from group undertaking	53,833	29,951
	<u>560</u>	<u>1</u>
	<u>228,352</u>	<u>227,671</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2021</u>	<u>2020</u>
	£	£
Payables:		
Bank Loans and Overdrafts (see Note 19)	679,753	546,559
Trade Creditors	210,043	99,391
Other Creditors	11,621	5,526
Care & Repair creditor	18,415	22,769
Taxation and social security costs	-	34,642
Rents in Advance	46,281	29,258
Accruals & Deferred Income	<u>117,041</u>	<u>173,572</u>
	<u>1,083,154</u>	<u>911,717</u>
Deferred income:		
Deferred grants – Housing (see Note 18)	1,245,387	1,214,590
Deferred grants - Other	-	-
	<u>1,245,387</u>	<u>1,214,590</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2021</u>	<u>2020</u>
	£	£
Payables:		
Payables – Bank Loans (see Note 19)	<u>21,700,446</u>	<u>18,414,531</u>
Deferred income:		
Deferred grants – Housing (see Note 18)	<u>49,865,932</u>	<u>47,532,448</u>

18 DEFERRED HOUSING GRANT

	<u>2021</u>	<u>2020</u>
	£	£
Total grant received at 1 April	65,714,353	61,277,982
Grant received in the year	<u>3,588,452</u>	<u>4,436,371</u>
Total grant received at 31 March	<u>69,302,805</u>	<u>65,714,353</u>
Total grant released at 1 April	(16,967,315)	(15,772,639)
Grant released in the year	<u>(1,224,171)</u>	<u>(1,194,676)</u>
Total grant released at 31 March	<u>(18,191,486)</u>	<u>(16,967,315)</u>
Total deferred grant at 31 March	<u>51,111,319</u>	<u>48,747,038</u>
Amounts to be released within one year	1,245,387	1,214,590
Amounts to be released after more than one year	<u>49,865,932</u>	<u>47,532,448</u>
	<u>51,111,319</u>	<u>48,747,038</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

19 **BANK LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

	<u>2021</u>	<u>2020</u>
	£	£
Amounts falling due within one year or on demand:		
Bank Loans - Housing Properties	679,753	546,559

Amounts falling due after more than one year:

Bank Loans - Housing Properties	21,700,446	18,414,531
---------------------------------	------------	------------

Security

The bank loans are secured by a charge on specified Association properties - the total value of the secured properties is £27.8 million. The interest rates of the bank loans range between 0.683% (variable) and 5.97% (fixed). The loans are repayable by instalments which are due as set out below.

	<u>2021</u>	<u>2020</u>
	£	£
Due within one year	679,753	546,559
Due in more than one year but less than two years	812,331	679,772
Due between two and five years	3,582,491	3,531,436
Due after more than five years	<u>17,305,624</u>	<u>14,203,323</u>
	<u>22,380,199</u>	<u>18,961,090</u>

20 **PROVISIONS**

	Holiday Pay £
1 April 2020	24,107
Utilised in the year	(15,356)
Increase in provision	21,435
Remeasurements – changes in accounting treatment	-
31 March 2021	<u>30,186</u>

Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

21 **SHARE CAPITAL**

	Year ended <u>31/03/21</u>	Year ended <u>31/03/20</u>
	£	£
Shares of £1 each, issued and fully paid:		
As at 1 April	174	171
Shares issued	5	7
Cancelled in year	(7)	(4)
As at 31 March	<u>172</u>	<u>174</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

22	HOUSING STOCK	<u>31/03/21</u>	<u>31/03/20</u>
	The number of units of accommodation in management at the year-end was: -		
	General needs	736	707
	Supported accommodation	-	-
	Shared Ownership	19	19
	Mid-market	-	5
	Managed on behalf of other owners	16	17
		<u>771</u>	<u>748</u>

23 **RELATED PARTY TRANSACTIONS**

Members of the Board are related parties of the Association as defined by Section 33 of FRS 102. The related party relationships of the members of the Board are summarised as follows:

Board members cannot use their position to their advantage. Any transaction between the Association and any entity with which a Board member has a connection is made at arm's length and is under normal commercial terms. There were no such transactions with related parties in the year.

None of the current Board members are tenants of the Association. Tenants that may become Board members would have tenancies that are on the Association's normal tenancy terms.

Transactions with the Association's subsidiary company, North West Highland Community Enterprises Limited, are shown in Note 12 (page 26).

24 **RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM/(USED IN) OPERATIONS**

	<u>31 March 2021</u>
	£
Surplus for the year	239,956
<u>Adjustments for non-cash items</u>	
Depreciation of tangible fixed assets	1,708,532
Impairment losses on tangible fixed assets	-
Impairment losses on investments	(2,500)
Fair value (gains)/losses on investment properties	-
Defined benefit pension schemes	(124,698)
Fair value (gains)/losses on financial instruments	-
Increase/(decrease) in provisions	6,079
(Gain)/loss on disposal of tangible fixed assets	15,177
Shares cancelled	(7)
Interest receivable	(5,967)
Interest payable	511,543
	<u>2,348,115</u>
Operating cash flows before movements in working capital	2,348,115
(Increase) / decrease in trade and other debtors	(681)
Increase / (decrease) in trade and other creditors	2,402,523
	<u>4,749,957</u>
Cash generated from / (used in) operations	4,749,957
Cash and Cash Equivalents	
Cash at bank	3,515,310
Short-term deposits	1,300,000
	<u>4,875,310</u>

25 **CONTINGENT LIABILITIES**

No contingent liabilities have been identified.

26 **POST BALANCE SHEET EVENTS**

There have been no post balance sheet events.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

27 RETIREMENT BENEFITS

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited participates in the Scottish Housing Associations 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 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 pension schemes in the UK

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A recovery Plan has been put in place to eliminate the deficit which runs to 23 March 2023 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2019 and 30 September 2019. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

FAIR VALUE OF PLAN ASSETS, PRESENT VALUE OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2021	31 March 2020
	(£000s)	(£000s)
Fair value of plan assets	5,684	4,809
Present value of defined benefit obligation	6,211	4,873
Surplus (deficit) in plan	(527)	(64)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(527)	(64)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(527)	(64)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended
	31 March 2021
	(£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2021 (£000s)
Defined benefit obligation at start of period	4,873
Current service cost	111
Expenses	4
Interest expense	118
Member contribution	108
Actuarial losses (gains) due to scheme experience	10
Actuarial losses (gains) due to changes in demographic assumptions	-
Actuarial losses (gains) due to changes in financial assumptions	1,013
Benefits paid and expenses	(26)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	6,211

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2021 (£000s)
Fair value of plan assets at start of period	4,809
Interest income	118
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	435
Employer contributions	240
Member contributions	108
Benefits paid and expenses	(26)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	5,684

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £553,000.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2020 to 31 March 2021 (£000s)
Current service cost	111
Expenses	4
Net interest expense	-
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in statement of comprehensive income (SOCl)	115

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2021 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	435
Experience gains and losses arising on the plan liabilities - gain (loss)	(10)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(1,013)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(588)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	(588)

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2021**

ASSETS	31 March 2021 (£000s)	31 March 2020 (£000s)
Global Equity	879	661
Absolute Return	280	295
Distressed Opportunities	194	88
Credit Relative Value	164	116
Alternative Risk Premia	228	385
Fund of Hedge Funds	-	-
Emerging Markets Debt	229	171
Risk Sharing	203	152
Insurance-Linked Securities	119	129
Property	102	90
Infrastructure	317	284
Private Debt	134	95
Opportunistic Illiquid Credit	146	117
High Yield	149	-
Opportunistic Credit	155	-
Cash	2	-
Corporate Bond Fund	429	351
Liquid Credit	98	126
Long Lease Property	132	118
Secured Income	312	267
Over 15 Year Gilts	3	61
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,367	1,267
Net Current Assets	42	36
Total assets	5,684	4,809

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

KEY ASSUMPTIONS	31 March 2021 % per annum	31 March 2020 % per annum
Discount Rate	2.17%	2.38%
Inflation (RPI)	3.28%	2.62%
Inflation (CPI)	2.86%	1.62%
Salary Growth	3.86%	2.62%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.4
Male retiring in 2040	22.8
Female retiring in 2040	25.0