

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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

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**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
For the year ended 31 March 2019**

Management Committee and Executive Officer

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer holds no interest in the Association's share capital and, although not having the legal status of Director, acts as an Executive within the authority delegated by the Management Committee. Members of the Management Committee are elected by the members at a General Meeting unless they are appointed to fill a casual vacancy or are co-opted.

The members of the Management Committee from 1 April 2018 to the date of this report were as follows:

Mrs Audrey Sinclair	- Chairperson from 20-08-2018
Mr Ian Young	- Vice Chairperson from 20-08-2018
Mr John Laing	- Chairperson to 20-08-2018
Mr Steven Proudfoot	
Mr Roger Liley	
Mr John Cayley	
Ms Maggie Muir	
Ms Maggie MacPhee	- Joined 17-12-2018
Ms Liz Williams	- Joined 17-12-2018
Ms Elizabeth Featherstone	- Joined 17-12-2018 - Left 20-05-2019
Mr John Finlayson	- Joined 20-05-2019
Mrs Isabelle Campbell	- Joined 20-05-2019
Mr Paul Carpenter	- Left 17-09-2018
Mr Jon Hanley	- Left 21-05-2018
Ms Janet Anderson	- Left 20-11-2018

Executive Officer:

The Executive Officer of the Association from 1 April 2018 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:

George Street Law
4 George Street
DINGWALL
Ross-shire
IV15 9SA

Macleod & MacCallum
28 Queensgate
INVERNESS
IV1 1YN

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

**REPORT OF THE MANAGEMENT COMMITTEE
For the year ended 31 March 2019**

The Management Committee, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2019. 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".

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. The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory.

Key aspects of the period under review are detailed below:

- The Management Committee has been consistently well attended and has used the Business Plan as a tool towards achieving key targets and for reviewing internal policy, practice and procedure.
- The Association has established Strategic Objectives that support its key Strategic Aims.
- The Association incurred Capital Expenditure of £6,594,467 on housing projects of which £6,017,674 was spent on developing and acquiring new properties and £567,493 on improving existing properties.
- The Association also arranged expenditure of £41,243 on capital projects for the Highland Council.
- As the Agent of the Highland Council the Association arranged the expenditure of £339,422 of grants on Care and Repair Projects for elderly and disabled clients throughout the area.

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

The Highlands Small 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 £326,316 (2018 - £342,107) which has been retained in the Revenue Reserve.

At 31 March 2019 the Association held total capital and reserves of £4,996,098 (2018 - £5,131,787), of which £4,995,927 was held in the Income and Expenditure Reserve (2018 - £5,131,611).

Accounting Changes

The way in which we have to account for the SHAPS pension scheme has changed. Under Financial Reporting Standard 102 (FRS 102) an employer participating in a defined benefit pension scheme is required to recognise its share of the assets and liabilities of that scheme. However, in a multi-employer scheme, such as SHAPS, sufficient information was not always available to fully meet this requirement. The alternative, permitted under FRS 102, and adopted by the Association, was to recognise a liability for future contributions to the agreed deficit recovery plan.

From 31 March 2019 sufficient information has now become available to enable employers in SHAPS to meet the full requirement of FRS 102.

Impact of Accounting Changes

In the Statement of Financial Position the former deficit funding provision of £377k at 31 March 2018 has been replaced with a provision for the net defined benefit liability representing the Association's share of the SHAPS assets and liabilities. The new liability at 31 March 2018 was £718k, an increase of £341k. Actuarial losses in the year to 31 March 2019 increased the liability by a further £121k.

In the Statement of Comprehensive Income the accounting changes require us to recognise the annual defined benefits costs rather than the employer contributions actually paid by the Association. In the year to 31 March 2019 the employer contributions were £181k compared with defined costs of £168k, reducing the liability by the difference of £13k.

The overall impact is a new liability of £826k at 31 March 2019, an increase of £449k over the previous £377k deficit funding provision. This increase in liability is matched by a corresponding reduction of £449k in the Association's reserves.

The accounting changes have not had any impact on compliance with loan covenants.

Pension Risk Management

The Management Committee 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 Management Committee 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.

For the year ended 31 March 2019

Going Concern

The Management Committee has reviewed and approved the Association's budget for 2019/20 along with a 30 year Financial Plan with cash flow forecasts which have been stress tested by a range of scenarios that include variations in interest rates and the inflation levels. These forecasts indicate that the Association is likely to continue to create a surplus each year. The Association currently has undrawn loan facilities and, with recently improved loan security valuations, the Management Committee is confident of obtaining sufficient future loan finance to meet its ongoing development programme. The Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Future Developments

- We will continue to expand over the next period and have identified new development opportunities throughout Skye and Lochalsh.
- The Association will continue to invest in its existing housing stock through a programme of repairs, maintenance and major refurbishment.
- The ongoing review of policies and procedures will be maintained to ensure that the governance and accountability of the Association is in accordance with best practice.

Change in Fixed Assets

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

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.

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 15) is capitalised within the terms outlined in the Statement of Recommended Practice 'Accounting by registered social landlords 2014' ("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 2019, 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 £3,527 (2018- £4,390).

Disclosure of Information to the Auditor

The members of the Management Committee 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 Management Committee

Ms Lesley Macintosh
Secretary

Date: 24 June 2019

**Buidheann Tigheadas Loch Aillse Agus An
Eilein Sgitheanaich Limited**
STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 MARCH 2019

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit for that period. In preparing these financial statements, the Management Committee 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 Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, The Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

By the order of the Management Committee



Ms Lesley MacIntosh
Secretary

Date: 24 June 2019

MANAGEMENT COMMITTEE'S STATEMENT OF INTERNAL FINANCIAL CONTROL

For the year ended 31 MARCH 2019

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

- the 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 Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss 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 Management Committee 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 Management Committee;
- the Management Committee 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 Management Committee has reviewed the effectiveness of the Association's systems of internal financial control for the year ended 31 March 2019 and until 24 June 2019 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 Management Committee



Ms Lesley MacIntosh
Secretary

Registered Office
Morrison House
Bayfield
PORTREE
Isle of Skye
IV519EW

Date: 24 June 2019

**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 2019 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters under the Co-operative and Community Benefit Societies Act 2014

In our opinion, the following continued to apply throughout the year of account

- the reason given by the Committee in respect of a previous year of account for North West Highland Community Enterprises Limited to not be dealt with in the financial statements (having been approved by the FCA under section 99, subsection (3); and
- the grounds given by the Committee for that reason .

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 Committee

As explained more fully in the Committee's responsibilities statement set out on page 6, the 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 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 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 Committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

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.

A further description of our responsibilities for the audit of the financial statements is located 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: 27/06/19

**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 2019**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 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 Management Committee 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 7 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: 27/06/19

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2019

		2019	2018
	Notes	£	£
TURNOVER	2	4,751,517	5,734,369
Operating expenditure	2	(3,952,187)	(5,023,102)
OPERATING SURPLUS	6	799,330	711,267
Loss on disposal of property, plant and equipment		(72,409)	(55,746)
Interest receivable		15,988	24,782
Interest and financing costs	5	(426,593)	(338,196)
Fair value gain on revaluation of investment property	11	10,000	-
SURPLUS BEFORE TAX		326,316	342,107
Taxation	7	-	-
SURPLUS FOR THE YEAR		326,316	342,107
OTHER COMPREHENSIVE INCOME			
Initial recognition of multi-employer defined benefit scheme	27	(341,000)	-
Actuarial losses in respect of defined benefit pension scheme	27	(121,000)	-
TOTAL COMPREHENSIVE INCOME		(135,684)	342,147

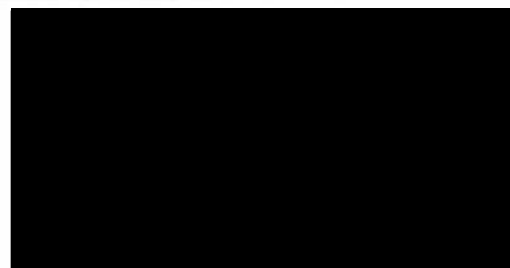
The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

		2019		2018	
	Notes	£	£	£	£
FIXED ASSETS					
Housing properties	10a		64,128,952		59,138,822
Other fixed assets	10b		539,982		564,104
Investment properties	11		197,500		187,500
Fixed asset investments	12		1		1
			<u>64,866,435</u>		<u>59,890,427</u>
CURRENT ASSETS					
Trade and other debtors	15	213,900		230,578	
Cash and cash equivalents	24	3,139,744		3,995,833	
		<u>3,353,644</u>		<u>4,226,411</u>	
CURRENT LIABILITIES					
Payables falling due within one year	16	(637,210)		(586,089)	
Deferred grant falling due within one year	16	<u>(1,267,909)</u>		<u>(1,205,000)</u>	
NET CURRENT ASSETS			<u>1,448,525</u>		<u>2,435,322</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>66,314,960</u>		<u>62,325,749</u>
LONG-TERM LIABILITIES					
Creditors:					
Payables falling due after more than one year	17	(16,225,975)		(14,600,801)	
Deferred grant due after more than one year	17	<u>(44,238,434)</u>		<u>(42,196,855)</u>	
			(60,464,409)		(56,797,656)
Pension - deficit funding liability		-		(377,000)	
Pension – defined benefit net liability	27	(826,000)		-	
Provisions	20	<u>(28,453)</u>		<u>(19,306)</u>	
			(854,453)		(396,306)
TOTAL NET ASSETS			<u>4,996,098</u>		<u>5,131,787</u>
RESERVES					
Called up share capital	21		171		176
Income and expenditure reserve			4,995,927		5,131,611
TOTAL RESERVES			<u>4,996,098</u>		<u>5,131,787</u>

These financial statements were approved and authorised for issue by the Management Committee on 24 June 2019 and signed on their behalf by:



STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2019

	Income and expenditure reserve	Total
	£	£
Balance at 1 April 2017	4,789,504	4,789,504
Surplus for the year	342,107	342,107
Balance as at 31 March 2018	5,131,611	5,131,611
Surplus for the year	326,316	326,316
Other Comprehensive Income	(462,000)	(462,000)
Balance as at 31 March 2019	4,995,927	4,995,927

STATEMENT OF CASHFLOWS

For the year ended 31 March 2019

		2019	2018
	Notes	£	£
Net cash generated from operating activities	24	4,490,872	5,388,775
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(6,598,937)	(6,231,417)
Proceeds from sale of tangible fixed assets		-	106,855
Interest received		15,988	24,782
Net cash used in investing activities		(6,582,949)	(6,099,780)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of share capital		4	4
Interest paid		(408,593)	(338,196)
New secured loans		2,927,416	1,000,007
Repayment of borrowings		(1,282,839)	(311,615)
Net cash from/(used in) financing activities		1,235,988	350,200
Net increase/(decrease)in cash and cash equivalents		(856,089)	(360,805)
Cash and cash equivalents at start of year		3,995,833	4,356,638
Cash and cash equivalents at end of year	24	3,139,744	3,995,833

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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 Association's 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 2014 "Statement of Recommended Practice for Registered Housing Providers" and to comply with the Determination of Accounting Requirements 2019, 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 Management Committee 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.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Management Committee 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

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as 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 2019 was £826k.

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 2014.

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 Company's impairment policy. Investment property is valued on a regular basis by an external qualified surveyor.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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.

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 2019

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 Management Committee 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	- 25 years
External Doors	- 25 years
Bathroom	- 25 years
Heating System	- 20 years
Kitchen	- 15 years
Biomass Plant	- 30 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 - I T	-	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 2019

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)
In previous years, the Association was unable to recognise its share of the scheme assets and scheme liabilities, therefore had applied defined contribution accounting in respect of the SHAPS. For the year ended 31 March 2018, the Association had recognised a past service deficit liability of £377k, within provisions based on the present value of the Association's deficit funding agreement.
For the year ended 31 March 2019, the Association is able to identify its share of the scheme assets and scheme liabilities from 1 April 2018 and therefore has applied defined benefit accounting from this date onwards. For accounting purposes, the relevant date for accounting for this change from defined contribution to defined benefit accounting is 1 April 2018. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.
The deficit funding agreement liability that was previously recognised within provisions of £377k was derecognised on the 1 April 2018, and an initial net defined benefit pension liability of £718k was recognised at this date in the statement of financial position. The resulting net difference of £341k on initial recognition of the SHAPS obligation was recognised in other comprehensive income.
As at the year ended 31 March 2019, the net defined benefit pension deficit liability was £826k, which has been included within the provisions for pensions liability in the financial statements.
In the year ended 31 March 2019, 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. 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.

ACCOUNTING POLICIES (continued)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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.

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.

AB Reserves

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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

	Note	Turnover	Operating Costs	2019 Operating Surplus/(Deficit)	2018 Operating Surplus/(Deficit)
		£	£	£	£
Affordable letting activities	3	3,970,144	3,043,151	926,993	846,759
Other activities	4	<u>781,373</u>	<u>909,036</u>	<u>(127,663)</u>	<u>(135,492)</u>
		<u>4,751,517</u>	<u>3,952,187</u>	<u>799,330</u>	<u>711,267</u>
Total for previous period of account		<u>5,734,369</u>	<u>5,023,102</u>	<u>711,267</u>	

3 PARTICULARS OF INCOME AND EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared Ownership £	2019 Total £	2018 Total £
Income from Affordable Lettings				
Rent Receivable net of service charges	2,676,283	48,794	2,725,077	2,519,140
Service Charges	<u>37,719</u>	<u>2,400</u>	<u>40,119</u>	<u>38,487</u>
Gross income from rents and service charges	2,714,002	51,194	2,765,196	2,557,627
Less: Rent Losses from Voids	<u>(6,016)</u>	<u>-</u>	<u>(6,016)</u>	<u>(8,830)</u>
Net income from rents and service charges	2,707,986	51,194	2,759,180	2,548,797
Grants released from deferred income	1,164,080	14,864	1,178,944	1,160,530
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	<u>32,020</u>	<u>-</u>	<u>32,020</u>	<u>12,454</u>
Total Turnover from Affordable Letting Activities	<u>3,904,086</u>	<u>66,058</u>	<u>3,970,144</u>	<u>3,721,781</u>
Expenditure on Affordable Letting Activities				
Management and maintenance administration costs	780,088	10,089	790,177	745,335
Service costs	30,814	-	30,814	34,042
Planned and cyclical maintenance including major repair cost:	247,792	-	247,792	241,464
Reactive maintenance costs	450,540	-	450,540	424,572
Bad debts - rents and service charges	5,180	-	5,180	12,997
Depreciation of affordable let properties	1,501,899	16,749	1,518,648	1,416,612
Impairment of affordable let properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Costs for affordable letting activities	<u>3,016,313</u>	<u>26,838</u>	<u>3,043,151</u>	<u>2,875,022</u>
Operating Surplus for affordable letting activities	<u>887,773</u>	<u>39,220</u>	<u>926,993</u>	<u>846,759</u>
Operating Surplus for affordable letting activities for previous reporting period	<u>822,374</u>	<u>24,385</u>	<u>846,759</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 2019**

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 £	2019 Operating Surplus/ (Deficit) £	2018 Operating Surplus/ (Deficit) £
Wider role activities:								
Care and repair	-	66,108	339,422	405,530	-	415,572	(10,042)	(7,950)
Investment property activities	-	-	18,250	18,250	-	13,247	5,003	5,589
Factoring	-	-	8,972	8,972	-	9,935	(963)	943
Uncapitalised development administration costs	9,225	2,871	-	12,096	-	82,655	(70,559)	(96,886)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	64,223	64,223	-	61,113	3,110	7,859
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Other activities:	-	-	-	-	-	-	-	-
Handyperson Service	-	198,329	-	198,329	-	221,518	(23,189)	(13,690)
Energy Advice Service	-	4,318	-	4,318	-	23,792	(19,474)	(17,165)
Mid-Market Properties	-	7,279	20,173	27,452	-	23,215	4,237	7,695
Other rents	-	-	24,467	24,467	-	19,870	4,597	7,806
Heat Sales	-	-	16,236	16,236	-	38,119	(21,883)	(32,193)
Other income	-	-	1,500	1,500	-	-	1,500	2,500
Total from other activities	<u>9,225</u>	<u>278,905</u>	<u>493,243</u>	<u>781,373</u>	<u>-</u>	<u>909,036</u>	<u>(127,663)</u>	(135,492)
Total from other activities for previous reporting period	<u>12,074</u>	<u>321,574</u>	<u>1,678,940</u>	<u>2,012,588</u>	<u>-</u>	<u>2,148,080</u>	<u>(135,492)</u>	

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019**

5 INTEREST AND FINANCING COSTS

	<u>2019</u>	<u>2018</u>
	£	£
Bank Loans and Overdrafts	395,792	334,196
Non-utilisation and other loan fees	12,801	-
Defined benefit pension change (unwinding of discount factor)	-	4,000
Defined benefit pension scheme –net interest expense	18,000	-
	<u>426,593</u>	<u>338,196</u>

Interest incurred in the development period of housing projects which has been written off to the Statement of Comprehensive Income amounted to £395,792 (2018- £332,268).

6 OPERATING SURPLUS

	<u>2019</u>	<u>2018</u>
	£	£
Operating surplus is stated after charging: -		
Depreciation of housing properties	1,518,648	1,416,612
Depreciation of mid-market properties	13,280	13,280
Depreciation of other fixed assets	28,592	32,676
Operating lease rentals (note 14)	80,272	68,208
	<u>1,640,792</u>	<u>1,530,776</u>
External auditors' remuneration:		
Audit services (excluding VAT)	8,850	8,500
Other services (excluding VAT)	-	-
	<u>8,850</u>	<u>8,500</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>2019</u>	<u>2018</u>
The average monthly number of Full Time Equivalent persons (including key management personnel) employed by the Association during the year was:	<u>No.</u>	<u>No.</u>
	41.3	38.3
The average total number of Employees employed during the year was:		
Full Time	39	36
Part Time	4	3
	<u>43</u>	<u>39</u>
Staff Costs for the above persons	<u>2019</u>	<u>2018</u>
	£	£
Salaries	1,291,963	1,156,355
Social security costs	128,348	116,225
Defined Benefit Pensions	150,000	81,870
Defined Contribution Pensions	16,135	11,104
Pension deficit remeasurements	-	(3,000)
	<u>1,586,446</u>	<u>1,362,554</u>

9 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the members of the Management Committee, 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>2019</u>	<u>2018</u>
Number of key management personnel - £60,000 to £69,999	2	2
Emoluments payable to key management personnel	<u>£134,452</u>	<u>£129,690</u>

The Association's pension contributions for key management personnel amounted to £13,714 (2018- £13,228). Employer's national insurance was £16,229 and PAYE deductions were £35,052

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

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 2018	67,686,542	579,205	5,813,601	975,436	75,054,784
Additions	576,793	-	6,017,674	-	6,594,467
Transfers	4,487,427	-	(4,487,427)	-	-
Disposals	(285,398)	-	-	-	(285,398)
As at 31 March 2019	<u>72,465,364</u>	<u>579,205</u>	<u>7,343,848</u>	<u>975,436</u>	<u>81,363,853</u>
DEPRECIATION:					
As at 1 April 2018	15,521,771	75,962	-	318,229	15,915,962
Charge for Year	1,501,899	13,280	-	16,749	1,531,928
Eliminated on disposal	(212,989)	-	-	-	(212,989)
As at 31 March 2019	<u>16,810,681</u>	<u>89,242</u>	<u>-</u>	<u>334,978</u>	<u>17,234,901</u>
NET BOOK VALUE:					
As at 31 March 2019	<u>55,654,683</u>	<u>489,963</u>	<u>7,343,848</u>	<u>640,458</u>	<u>64,128,952</u>
As at 31 March 2018	<u>52,164,771</u>	<u>503,243</u>	<u>5,813,601</u>	<u>657,207</u>	<u>59,138,822</u>

LAND VALUES

Land valued at £6,516,376 (2018- £5,906,376) is included in the above.

	2019 £	2018 £
EXPENDITURE ON WORKS TO EXISTING PROPERTIES		
Improvement work capitalised	169,095	141,686
Replacement components capitalised	407,698	425,806
Amounts charged to income and expenditure	-	24,745
Total major repairs spend	<u>576,793</u>	<u>592,237</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 2014.

TANGIBLE FIXED ASSETS

b) Other

	Land and Buildings £	Housing Furniture £	Office Equipment & Furniture £	Motor Vehicles £	Totals £
COST:					
As at 1 April 2018	698,543	11,116	178,197	60,794	948,650
Additions	<u>3,313</u>	<u>-</u>	<u>1,157</u>	<u>-</u>	<u>4,470</u>
As at 31 March 2019	<u>701,856</u>	<u>11,116</u>	<u>179,354</u>	<u>60,794</u>	<u>953,120</u>
DEPRECIATION:					
As at 1 April 2018	183,577	11,116	164,076	25,777	384,546
Charge for Year	<u>12,924</u>	<u>-</u>	<u>6,914</u>	<u>8,754</u>	<u>28,592</u>
As at 31 March 2019	<u>196,501</u>	<u>11,116</u>	<u>170,990</u>	<u>34,531</u>	<u>413,138</u>
NET BOOK VALUE:					
As at 31 March 2019	<u>505,355</u>	<u>-</u>	<u>8,364</u>	<u>26,263</u>	<u>539,982</u>
As at 31 March 2018	<u>514,966</u>	<u>-</u>	<u>14,121</u>	<u>35,017</u>	<u>564,104</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

11 INVESTMENT PROPERTIES

	<u>2019</u>	<u>2018</u>
	£	£
The Association's Investment properties are held at fair value		
At 1 April	187,500	187,500
Revaluation	10,000	-
At 31 March	<u>197,500</u>	<u>187,500</u>

Valued at Current Market Value at 31 March 2019 by Ian M Lewis BSc MRICS in accordance with RICS valuation professional standards (January 2014). The historic cost of the investment properties was £114,805. The gain on revaluation of £10,000 in 2019 has been credited to the Statement of Comprehensive Income.

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>2019</u>	<u>2018</u>
	£	£
Amount invested in subsidiary	<u>1</u>	<u>1</u>
Expenses incurred on behalf of, and recoverable from, subsidiary	1,333	1,261
Property rents recoverable from the subsidiary	20,173	19,397
Property management fees recoverable from subsidiary	<u>8,455</u>	<u>8,103</u>

The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2018 to 31 March 2019 were as follows:

	£	£
Capital and Reserves	<u>(1,530)</u>	<u>(1,903)</u>
Profit for the year	<u>373</u>	<u>143</u>

13 CAPITAL COMMITMENTS

	<u>2019</u>	<u>2018</u>
	£	£
Capital expenditure contracted for but not provided in the financial statements	<u>7,538,444</u>	<u>3,032,903</u>
The Association expects to finance this commitment by:		
Capital grant receivable	3,427,477	377,265
Loans under negotiation with loan offers	4,110,967	2,655,638
Loans yet to be arranged	-	-
	<u>7,538,444</u>	<u>3,032,903</u>

14 COMMITMENTS UNDER OPERATING LEASES

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

	Year ended <u>31/03/19</u>	Year ended <u>31/03/18</u>
	£	£
<u>Amounts due:</u>		
Within one year	92,460	26,037
Between one and five years	125,650	127,314
After five years	-	2,420
	<u>218,110</u>	<u>155,771</u>

Buidheann Tigheadas Loch Aillse Agus An
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NOTES TO THE FINANCIAL STATEMENTS
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15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2019</u>	<u>2018</u>
	£	£
Rent and Service Charges Arrears	85,062	73,198
Less bad debt provision	<u>(39,935)</u>	<u>(35,942)</u>
	45,127	37,256
Care & Repair debtor	78,023	59,463
Trade debtors	9,992	12,834
Other debtors	49,584	88,323
Prepayments and accrued income	30,340	32,070
Due from group undertaking	<u>834</u>	<u>632</u>
	<u>213,900</u>	<u>230,578</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2019</u>	<u>2018</u>
	£	£
<u>Payables:</u>		
Bank Loans and Overdrafts (see Note 19)	323,859	304,456
Trade Creditors	123,203	51,643
Other Creditors	7,554	25,740
Care & Repair creditor	36,779	45,878
Taxation and social security costs	52,921	48,551
Rents in Advance	27,848	44,996
Accruals & Deferred Income	<u>65,046</u>	<u>64,825</u>
	637,210	586,089
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	1,266,909	1,203,500
Deferred grants - Other	<u>1,000</u>	<u>1,500</u>
	<u>1,267,909</u>	<u>1,205,000</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2019</u>	<u>2018</u>
	£	£
<u>Payables:</u>		
Payables – Bank Loans (see Note 19)	<u>16,225,975</u>	<u>14,600,801</u>
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	44,238,434	42,195,855
Deferred grants - Other	<u>-</u>	<u>1,000</u>
	<u>44,238,434</u>	<u>42,196,855</u>

18 DEFERRED HOUSING GRANT

	<u>2019</u>	<u>2018</u>
	£	£
Total grant received at 1 April	57,985,771	53,470,912
Grant received in the year	<u>3,292,211</u>	<u>4,514,859</u>
Total grant received at 31 March	<u>61,277,982</u>	<u>57,985,771</u>
Total grant released at 1 April	(14,586,416)	(13,418,603)
Grant released in the year	<u>(1,186,223)</u>	<u>(1,167,813)</u>
Total grant released at 31 March	<u>(15,772,639)</u>	<u>(14,586,416)</u>
Total deferred grant at 31 March	<u>45,505,343</u>	<u>43,399,355</u>
Amounts to be released within one year	1,266,909	1,203,500
Amounts to be released after more than one year	<u>44,238,434</u>	<u>42,195,855</u>
	<u>45,505,343</u>	<u>43,399,355</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

19 **BANK LOANS AND OVERDRAFTS**

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

	<u>2019</u> £	<u>2018</u> £
Amounts falling due within one year or on demand:		
Bank Loans - Housing Properties	323,859	304,456

Amounts falling due after more than one year:

Bank Loans - Housing Properties	16,225,975	14,600,801
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Security

The bank loans are secured by a charge on specified Association properties - the total value of the secured properties is £17.1 million. The interest rates of the bank loans range between 1.203% (variable) and 5.97% (fixed). The loans are repayable by instalments which are due as set out below.

	<u>2019</u> £	<u>2018</u> £
Due within one year	323,859	304,456
Due in more than one year but less than two years	476,605	358,609
Due between two and five years	2,879,893	2,571,731
Due after more than five years	<u>12,869,477</u>	<u>11,670,461</u>
	<u>16,549,834</u>	<u>14,905,257</u>

20 **PROVISIONS**

	Holiday Pay £	Pension Deficit Funding £
1 April 2018	19,306	377,000
Utilised in the year	(2,358)	-
Increase in provision	11,505	-
Remeasurements – changes in accounting treatment	<u>-</u>	<u>(377,000)</u>
31 March 2019	<u>28,453</u>	<u>-</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.

Pension Deficit Funding

This provision has been eliminated following a change to accounting treatment and has been replaced by the provision for defined benefit liability in Note 27.

21 **SHARE CAPITAL**

	Year ended <u>31/03/19</u> £	Year ended <u>31/03/18</u> £
Shares of £1 each, issued and fully paid:		
As at 1 April	176	183
Shares issued	4	4
Cancelled in year	(9)	(11)
As at 31 March	<u>171</u>	<u>176</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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

22	HOUSING STOCK	<u>31/03/19</u>	<u>31/03/18</u>
	The number of units of accommodation in management at the year-end was: -		
	General needs	679	653
	Supported accommodation	-	-
	Shared Ownership	20	20
	Mid-market	5	5
	Managed on behalf of other owners	17	17
		<u>721</u>	<u>695</u>

23 **RELATED PARTY TRANSACTIONS**

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

Committee members cannot use their position to their advantage. Any transaction between the Association and any entity with which a committee 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 Committee members are tenants of the Association. Tenants that may become Committee 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 23).

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

	<u>31 March 2019</u>
	£
Surplus for the year	326,316
<u>Adjustments for non-cash items</u>	
Depreciation of tangible fixed assets	1,560,520
Impairment losses on tangible fixed assets	-
Impairment losses on investments	-
Fair value (gains)/losses on investment properties	(10,000)
Defined benefit pension schemes	(31,000)
Fair value (gains)/losses on financial instruments	-
Increase/(decrease) in provisions	9,147
(Gain)/loss on disposal of tangible fixed assets	72,409
Shares cancelled	(9)
Interest receivable	(15,988)
Interest payable	426,593
	<u>2,337,988</u>
Operating cash flows before movements in working capital	2,337,988
Decrease/(increase) in trade and other debtors	16,678
Increase/(decrease) in trade and other creditors	2,136,206
	<u>4,490,872</u>
Cash generated from / (used in) operations	4,490,872
Cash and Cash Equivalents	
Cash at bank	1,839,744
Short-term deposits	1,300,000
	<u>3,139,744</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 2019

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 2015. This valuation revealed a deficit of £198m. A recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 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 financial years ending on or before 28 February 2019, it has not been possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. 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.

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

	31 March 2019	31 March 2018
	(£000s)	(£000s)
Fair value of plan assets	4,145	3,609
Present value of defined benefit obligation	4,971	4,327
Surplus (deficit) in plan	(826)	(718)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(826)	(718)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(826)	(718)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended
	31 March 2019
	(£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	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	4,327
Current service cost	147
Expenses	3
Interest expense	114
Contributions by plan participants	83
Actuarial losses (gains) due to scheme experience	(10)
Actuarial losses (gains) due to changes in demographic assumptions	12
Actuarial losses (gains) due to changes in financial assumptions	321
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	4,971

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

	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	3,609
Interest income	96
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	202
Contributions by the employer	181
Contributions by plan participants	83
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	4,145

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £298,000.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	147
Expenses	3
Net interest expense	18
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)	168

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	Period ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	202
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)	(12)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(321)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(121)
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)	(121)

**Buidheann Tigheadas Loch Aillse Agus An
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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019**

ASSETS	31 March 2019	31 March 2018
	(£000s)	(£000s)
Global Equity	667	649
Absolute Return	351	428
Distressed Opportunities	71	16
Credit Relative Value	72	-
Alternative Risk Premia	231	137
Fund of Hedge Funds	12	104
Emerging Markets Debt	133	123
Risk Sharing	120	33
Insurance-Linked Securities	108	99
Property	82	143
Infrastructure	174	66
Private Debt	53	33
Corporate Bond Fund	291	252
Long Lease Property	50	-
Secured Income	145	132
Over 15 Year Gilts	106	117
Index Linked All Stock Gilts	-	-
Liability Driven Investment	1,475	1,270
Net Current Assets	4	7
Total assets	4,145	3,609

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 2019 % per annum	31 March 2018 % per annum
Discount Rate	2.31%	2.58%
Inflation (RPI)	3.29%	3.18%
Inflation (CPI)	2.29%	2.18%
Salary Growth	3.29%	3.18%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7