



Scott-Moncrieff
business advisers and accountants

FYNE HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

FYNE HOMES LIMITED

**Report and Financial Statements
For the year ended 31 March 2016**

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Registration information

Financial Conduct Authority

Co-operative and Community Benefit Societies
Act 2014
Registered number 1454 R (S)

The Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered number 321

Recognised Scottish Charity

SC009152

Management Committee, Executive Officers and Advisers

Management Committee

T McKay, Chairperson
P Wallace, Vice Chairperson
I Dunn, Secretary (Resigned 23 August 2016)
D Anderson
A C Harrison
H Kirk
M Lang
P Lingard
A G T Mack (resigned 12 September 2016)
S MacLeod
J McMillan
L Scoullar
D Wilkinson (appointed 16 September 2015)
D O Williams (appointed 16 September 2015)

Executive Officers

C Renfrew, Chief Executive
J McAlister, Technical Services Director
S Cole, Head of Business Services
T Shields, Head of Housing Services

Bankers

Bank of Scotland
36/42 Montague Street
Rothesay
PA20 0BT

Registered Office

81 Victoria Street
Rothesay
Isle of Bute
PA20 0AP

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

T C Young
Solicitors
7 West George Street
Glasgow
G2 1BA

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the Association is the provision of rented accommodation.

Review of business and future developments

At 31 March 2016 Fyne Homes made a surplus of £491,094 (2015 restated: £614,555). During the year Fyne Homes invested £1,615,726 in property improvements and continues to provide quality affordable housing.

A scheme of 6 rented units at Ardfarn was completed in April 2015. A further 2 schemes are on site, which will provide 17 rented units at St Cuthbert's Dunoon, due for completion in 2016/17 and 8 rented units at Kilmun, Cowal, also due for completion in 2016/17. The capital spend on new developments in the year was £1,838,527.

The Association made satisfactory progress on its planned and cyclical programme of repairs and renewals to its existing stock, and also the improvement programme to properties in Campbeltown which were acquired by Stock Transfer in 1999.

As at 31 March 2016, 96.41% of our stock met the Scottish Housing Quality Standard.

The Management Committee is satisfied with the progress of the Association over the past year and looks forward to the completion of future planned developments.

Objectives and Strategy

Fyne Home Corporate Plan identified 3 main objectives and this is incorporated into our strategy. These objectives are as follows:

- Meet the needs and aspirations of our customers;
- Meet the housing needs of our customers; and
- Ensure we maintain value for money.

Risk and Uncertainties

Within Fyne Homes Risk Register we have identified the following risks which are significant to the Association;

- The financial impact of interest rates and pension contributions increasing;
- Adverse changes to the operating environment;
- Changes in welfare benefits; and
- Loss of IT systems.

These risks are mitigated as far as possible by the Association and are monitored on a quarterly basis.

Financial and non-financial key performance indicators

The financial and non-financial KPIs used to monitor the performance of the Association are as follows:

- Meeting our financial covenants with lenders – this was achieved this year and in 2014/15;
- Meeting void targets of 28 days – this was not achieved in 2015/16 as the average void period was 69 days (2014/15: 54 days) due to having difficult to let properties;
- Achieving a rent loss target of 2% - this was not achieved in 2015/16 as the rent loss was 2.33% of total rental income (2014/15: 1.84%) due to higher voids;
- Our internal target of completing 95% of emergency repairs within 6 hours was achieved in 2015/16 with a completion rate of 99% (2014/15 :completion rate of 97%);
- Our internal target of completing 95% of urgent repairs of 95% within 3 working days was not achieved in 2015/16 with a completion rate of 90% (2014/15: 91%) which was outwith our control as we were unable to gain access to some properties.

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016****Financial and non-financial key performance indicators (continued)**

Fyne Homes Limited like other RSLs completes the annual return on the Scottish Social Housing Charter. The Charter sets out the standards and outcomes that we are aiming to achieve in relation to:- Equalities, Customer & Landlord Relationship, Housing Quality and Maintenance, Neighbourhood and Community, Access to Housing & Support and Good Value from rents and Service Charges. Each year the Scottish Housing Regulator publish reports about each landlords' performance against the Charter this enables us to benchmark our performance against other RSLs. Our 2014/15 overall performance was slightly below the Scottish average. The full 2014/15 report can be accessed on the Scottish Housing Association's website and the 2015/16 report will be accessible on this website when published.

Governance

The Management Committee and Executive Officers on the Association are listed on page 1.

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

The Management Committee meet eight times a year and the Executive Committee once to approve these financial statements.

The other sub committees are the Staffing Committee, who meet three times a year, and the Audit Committee who meet as deemed required.

All members of the Committee receive appropriate training twice a year.

Statement of Management Committee's Responsibilities

Housing Association legislation requires the Committee 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 income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Committee are required to:-

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

The Committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association.

The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on Internal Financial Controls

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

- The reliability of financial information used within the Association or for publication;
- The maintenance of proper accounting records; 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. Key elements include ensuring that:

**Report of the Management Committee (incorporating the Strategic Report)
For the year ended 31 March 2016**

Statement on Internal Financial Controls (continued)

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate.
- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members.
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial control. The results of such reviews are reported to the Audit Committee.
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed.
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the internal auditor.

The Management Committee have reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2016. 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.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Management Committee is aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee Member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the Management Committee



P Wallace
Vice Chairperson

Dated: 14 September 2016

Report of the Independent Auditor to the members of Fyne Homes Limited

We have audited the financial statements of Fyne Homes Limited for the year ended 31 March 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law, FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

This report is made solely to the Association's members as a body, in accordance with 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.

Respective responsibilities of the Management Committee and the auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 3, the Management Committee is responsible for the preparation of the financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers issued in 2014; and
- have been properly 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 2014 as issued by the Scottish Housing Regulator.

Report of the Independent Auditor to the members of Fyne Homes Limited

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; or
- we have not received all the information and explanations we need for our audit.

Scott-Moncrieff

Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 14 September 2016

Report of the Independent Auditor to the Management Committee of Fyne Homes Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statements on pages 3 and 4 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.

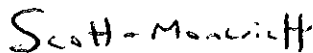
Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 3 and 4 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.

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



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 14 September 2016

**Statement of Comprehensive Income
For the year ended 31 March 2016**

	Notes	2016 £	Restated 2015 £
Turnover	4	6,412,593	6,095,815
Less: Operating expenditure	4	(5,215,840)	(4,769,432)
Operating surplus	4	<u>1,196,753</u>	<u>1,326,383</u>
Loss on sale of property, plant and equipment		(6,081)	(78,994)
Increase in value of investment property		15,500	-
Interest receivable	10	21,870	27,503
Interest and financing costs	11	(737,948)	(673,788)
Gift aid		<u>1,000</u>	<u>13,451</u>
Surplus for the year		491,094	614,555
Actuarial gain in respect of the pension scheme	26	155,000	19,000
Total comprehensive income for the year		<u><u>646,094</u></u>	<u><u>633,555</u></u>

The results for the year relate wholly to continuing activities.

Statement of Changes in Capital and Reserves at 31 March 2016

	Share Capital £	Revenue Reserves £	Pension Reserves £	Total Reserves £
Balance at 1 April 2015 as restated	140	24,678,001	(695,000)	23,983,141
Total Comprehensive Income for the year	-	491,094	155,000	646,094
Transfers	-	8,000	(8,000)	-
Share capital issued during the year	6	-	-	6
Share capital cancelled during the year	(16)	-	-	(16)
Balance at 31 March 2016	<u>130</u>	<u>25,177,095</u>	<u>(548,000)</u>	<u>24,629,225</u>

Statement of Changes in Capital and Reserves at 31 March 2015


	Share Capital £	Restated Revenue Reserves £	Pension Reserves £	Restated Total Reserves £
Balance at 1 April 2014 as restated	153	24,111,446	(762,000)	23,349,599
Total Comprehensive Income for the year	-	614,555	19,000	633,555
Transfers	-	(48,000)	48,000	-
Share capital issued during the year	4	-	-	4
Share capital cancelled during the year	(17)	-	-	(17)
Balance at 31 March 2015 as restated	<u>140</u>	<u>24,678,001</u>	<u>(695,000)</u>	<u>23,983,141</u>

The notes form part of these financial statements.

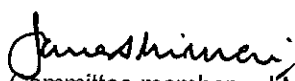
Statement of Financial Position
As at 31 March 2016

	Notes	2016 £	Restated 2015 £
Tangible fixed assets			
Housing properties	13	47,443,234	45,442,870
Other fixed assets	15	445,233	440,093
		<u>47,888,467</u>	<u>45,882,963</u>
Investments	16	<u>1</u>	<u>1</u>
		<u>47,888,468</u>	<u>45,882,964</u>
Current assets			
Debtors (amounts falling due after more than one year)	17	278,885	308,557
Debtors (amounts falling due within one year)	17	731,068	1,150,288
Cash and cash equivalents	18	1,123,346	1,188,838
		<u>2,133,299</u>	<u>2,647,683</u>
Creditors: amounts falling due within one year	19	<u>(2,798,333)</u>	<u>(2,801,457)</u>
Net current liabilities		<u>(665,034)</u>	<u>(153,744)</u>
Total assets less current liabilities		<u>47,223,434</u>	<u>45,729,190</u>
Creditors: amounts falling due after more than one year	20	<u>(22,046,209)</u>	<u>(21,051,049)</u>
Retirement benefit pension scheme deficit	26	<u>(548,000)</u>	<u>(695,000)</u>
Net assets		<u>24,629,225</u>	<u>23,983,141</u>
Capital and reserves			
Share capital	23	130	140
Revenue reserve		25,177,095	24,678,001
Pension reserve		<u>(548,000)</u>	<u>(695,000)</u>
		<u>24,629,225</u>	<u>23,983,141</u>

The financial statements were authorised for issue by the Management Committee on 14 September 2016 and were signed on its behalf by:


Vice Chairperson – P Wallace


Committee member – P Lingard


Committee member – J McMillan

The notes form part of these financial statements.

Statement of Cash Flows
For the year ended 31 March 2016

	Notes	2016 £	Restated 2015 £
Net cash generated from operating activities	27	2,764,449	2,572,696
Cash flow from investing activities			
Purchase of property, plant and equipment		(3,511,520)	(2,487,034)
Proceeds from sale of property, plant and equipment		159,905	45,000
Repayment of Government Grant		(58,988)	(79,034)
Grants received		1,231,665	981,264
Interest received		21,870	27,503
		<u>(2,157,068)</u>	<u>(1,512,301)</u>
Cash flow from financing activities			
Interest paid		(660,948)	(592,788)
New secured loan		817,000	-
Repayment of borrowings		(828,931)	(860,310)
Issue of share capital		6	4
		<u>(672,873)</u>	<u>(1,453,094)</u>
Net changes in cash and cash equivalents		<u>(65,492)</u>	<u>(392,699)</u>
Cash and cash equivalents at 1 April		<u>1,188,838</u>	<u>1,581,537</u>
Cash and cash equivalents at 31 March		<u><u>1,123,346</u></u>	<u><u>1,188,838</u></u>

**Notes to the Financial Statements
For the year ended 31 March 2016****1. General Information**

The financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3). The presentation currency is pounds sterling (GBP), as that is the currency in which the Association's transactions are denominated. The financial statements comprise the results of the Association only.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities. The Association is a registered social landlord and its registered number is 321. The registered address is 81 Victoria Street, Rothesay, Isle of Bute, PA20 0AP.

2. Accounting policies**Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. On transition to FRS 102 and the new SORP, the Association elected to use an existing use value at 1 April 2014 as deemed cost. The effect of events relating to the year ended 31 March 2016, which occurred before the date of approval of the financial statements by the Management Committee have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2016 and of the results for the year ended on that date. The accounting policies of the Association are set out below.

The financial statements are the Association's first financial statements prepared in accordance with Financial Reporting Standard 102 (FRS 102), 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). The Association's date of transition to FRS 102 is 1 April 2014. Information on the impact of first time adoption of FRS 102 is given in note 31 to these financial statements.

Going concern

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2017 and 2018. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from Argyll and Bute Council and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Interest receivable

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Interest payable

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Fixed assets - Housing properties

Housing properties are stated at cost, less accumulated depreciation. On transition to FRS 102 and the new SORP, the Association elected to use an existing use value at 1 April 2014 as deemed cost. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings; and
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

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

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

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

Depreciation

(i) Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

Land	--	not depreciated
Structure	--	over 60 years
Roofs	--	over 40 years
Windows	--	over 25 years
Bathrooms	--	over 20 years
Kitchen	--	over 20 years
Central Heating	--	over 33.3 years
Rewiring	--	over 25 years
Lifts	--	over 20 years
Boilers	--	over 50 years

(ii) Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Heritable Property	--	4% per annum on cost
Office Equipment	--	10% per annum, reducing balance
Computer and Other Equipment	--	33.33% per annum on cost
Motor Vehicles	--	25% per annum, reducing balance

A full year's depreciation is charged in the year of purchase.
No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Commercial Properties

Commercial properties are valued at their fair value (which is their market value) with movements in value recognised in the Statement of Comprehensive Income.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental Arrears

Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in Note 17.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security can only be provided in respect of these loans once approval by The Scottish Government has been obtained.

Government Capital Grants

Government Capital Grants at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income over the useful life of the assets it relates to. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-Government Grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Financial Instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like rents and other accounts receivable and payable, loans from banks and related parties.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Financial Instruments (continued)

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Association terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pensions

Scottish Housing Association Pension Scheme (SHAPS)

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

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience.

Thus the Scheme is accounted for as a defined contribution scheme. However the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability has been recognised in the Statement of Financial Position.

Strathclyde Pension Fund

The Association operates a defined benefit scheme in respect of its employees. The assets of the scheme are held in external funds managed by professional investment managers.

In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Other Comprehensive Income.

**Notes to the Financial Statements
For the year ended 31 March 2016**

2. Accounting policies (continued)

Financial Commitments

Rentals under operating leases are recognised in the Statement of Comprehensive Income.

Consolidation

The Association and its subsidiary undertakings comprise a group. The accounts represent the results of the Association and not of the group. Consolidated group accounts have been prepared and are publicly available.

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Basis of estimation

Valuation of housing properties

Housing properties are held at deemed cost which is based on existing use valuations at the date of transition. The assumptions used to form the basis of the existing use valuation have been reviewed and are considered reasonable and appropriate.

The valuation of investment property

The investment property was valued by an appropriately qualified surveyor using market data at the date of valuation.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The main components of housing properties and their useful lives

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Recoverable amount of rental and other trade receivables

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

The obligations under the SHAPS and Strathclyde pension schemes

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. The SHAPS past service deficit liability is based on the 2015 provisional valuation.

Notes to the Financial Statements
For the year ended 31 March 2016

4. Particulars of Turnover, Operating Expenditure and Operating Surplus

	2016		Restated 2015	
	Turnover £	Operating Expenditure £	Operating Expenditure £	Operating Surplus £
Social Lettings (Note 5)	6,003,841	(4,807,088)	(4,495,514)	1,326,383
Other activities (Note 6)	408,752	(408,752)	(273,918)	-
	<u>6,412,593</u>	<u>(5,215,840)</u>	<u>(4,769,432)</u>	<u>1,326,383</u>
		<u>1,196,753</u>		

Notes to the Financial Statements
For the year ended 31 March 2016

5. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2016 Total £	Restated 2015 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,836,544	106,908	99,660	6,043,112	5,863,013
Service charges	127,818	4,802	-	132,620	125,266
Gross income from rents and service charges	5,964,362	111,710	99,660	6,175,732	5,988,279
Less voids	(180,348)	-	-	(180,348)	(166,382)
Net income from rents and service charges	5,784,014	111,710	99,660	5,995,384	5,821,897
Grants released from deferred income	8,457	-	-	8,457	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	5,792,471	111,710	99,660	6,003,841	5,821,897
Expenditure					
Management and maintenance administration costs	(1,699,766)	(93,509)	(77,799)	(1,871,074)	(1,971,801)
Service charges	(219,806)	(4,802)	-	(224,608)	(167,213)
Planned cyclical maintenance including major repairs	(510,272)	-	-	(510,272)	(505,905)
Reactive maintenance costs	(829,356)	-	-	(829,356)	(824,559)
Bad debts – rents and service charges	(24,887)	-	-	(24,887)	(36,587)
Depreciation of social housing	(1,311,631)	(13,399)	(21,861)	(1,346,891)	(989,449)
Operating expenditure for social letting activities	(4,595,718)	(111,710)	(99,660)	(4,807,088)	(4,495,514)
Operating surplus on letting activities, 2016	1,196,753	-	-	1,196,753	-
Restated operating surplus on letting activities, 2015	1,326,383	-	-	1,326,383	-

Notes to the Financial Statements for the year ended 31 March 2016

6. Particulars of turnover, operating expenditure and operating surplus from other activities

	Grants from Scottish Ministers 2016	Other revenue grants 2016	Supporting people income 2016	Other income 2016	Total Turnover 2016	Total Turnover 2015	Other operating expenditure 2016	Other operating expenditure 2015	Operating surplus / (deficit) 2016	Operating surplus / (deficit) 2015
	£	£	£	£	£	£	£	£	£	£
Stage 3 adaptations	173,140	-	-	-	173,140	87,131	(173,140)	(87,131)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	39,847	39,847	40,661	(39,847)	(40,661)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	24,665	24,665	25,165	(24,665)	(25,165)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and Community Grant	171,100	-	-	-	171,100	120,961	(171,100)	(120,961)	-	-
Other activities	-	-	-	-	-	-	-	-	-	-
Total from other activities, 2016	344,240	-	-	64,512	408,752	273,918	(408,752)	(273,918)	-	-
Total from other activities, 2015	208,092	-	-	65,826	273,918	273,918	(273,918)	(273,918)	-	-

Notes to the Financial Statements
For the year ended 31 March 2016

7. Directors' emoluments

The directors are defined as the members of the Management Committee, the Executive Officers and any other person reporting directly to the Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year (2015: £nil). The Association considers key management personnel to be the Management Committee and the Executive Officers of the Association.

	2016 £	2015 £
Emoluments payable to the Chief Executive (excluding pension contributions) amounted to:	80,927	79,731
Aggregate emolument payable to key management (excluding pension contributions):	234,393	235,500
Total emoluments payable to the number of employees whose emoluments, excluding pension contributions, exceed £60,000 during the year are as follows:		
£60,001 - £65,000	-	-
£65,001 - £70,000	1	1
£75,001 - £80,000	-	1
£80,001 - £85,000	1	1
Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	2,523	3,325

The Chief Executive is an ordinary member of the Association's pension scheme described in note 26. The Association's contribution for the Chief Executive in the year amounted to £6,929 (2015: £6,827).

The pension contributions paid in respect of key management in the year including past service deficit payments was £82,943 (2015: £68,538)

8. Employee Information

The number of persons (head count) employed during the year was:

	2016 Number	2015 Number
Maintenance Operatives	6	6
Administration Staff	38	32
Wardens and Cleaners	2	2
	46	40
The average weekly number of persons (full time equivalent) employed by the Association during the year was:	41	36

**Notes to the Financial Statements
For the year ended 31 March 2016**

8. Employee Information

	2016 £	Restated 2015 £
Staff costs (including directors' emoluments)	942,224	937,683
Social security costs	107,184	101,970
Pension costs	168,587	138,059
Defined benefit pension charge – Strathclyde Pension Fund (note 26)	(13,000)	(45,000)
SHAPS re-measurements (note 26)	(10,000)	185,000
	<u>1,194,995</u>	<u>1,317,712</u>

Not included above is £125,375 (2015: £96,747) of maintenance staff costs which have been allocated to maintenance costs.

9. Operating Surplus

	2016 £	Restated 2015 £
Operating surplus is stated after charging:		
Depreciation - housing properties (inc loss on disposed components)	1,346,891	989,449
Depreciation – other fixed assets	67,627	59,133
Auditor's remuneration (inc VAT)		
- In their capacity as auditor	12,000	12,000
- In respect of other services	2,400	1,500
- In respect of internal audit	12,177	4,616
	<u>1,341,195</u>	<u>1,067,638</u>

10. Interest receivable

	2016 £	2015 £
Interest receivable on deposits	2,652	7,193
Interest receivable on loan to subsidiary	19,218	20,310
	<u>21,870</u>	<u>27,503</u>

11. Interest and financing costs

	2016 £	Restated 2015 £
On private loans	660,948	592,788
SHAPs deficit repayment plan – interest expense (note 26)	56,000	84,000
Defined benefit pension adjustment (note 26)	21,000	(3,000)
	<u>737,948</u>	<u>673,788</u>

12. Taxation

The Association is a Registered Charity and is therefore exempt from Corporation Tax on its charitable activities. No corporation tax was due on the non-charitable activities in the year (2015: £nil).

Notes to the Financial Statements
For the year ended 31 March 2016

13. Tangible Fixed Assets

	Housing Properties Held for Letting £	Housing Properties In Course of Construction £	Shared Ownership Properties Held for Letting £	Restated Total £
Cost				
At 1 April 2015 as restated	42,096,345	2,688,799	1,386,999	46,172,143
Additions				
- units	-	1,838,527	-	1,838,527
- components	1,615,726	-	-	1,615,726
Transfers in year	780,554	(780,554)	-	-
Disposals				
- units	(61,476)	-	(47,281)	(108,757)
- components	(584,090)	-	-	(584,090)
At 31 March 2016	<u>43,847,059</u>	<u>3,746,772</u>	<u>1,339,718</u>	<u>48,933,549</u>
Depreciation				
At 1 April 2015 as restated	706,643	-	22,630	729,273
Transfers in year	-	-	-	-
Provided during year	762,418	-	21,861	784,279
Eliminated on disposal				
- units	(990)	-	(769)	(1,759)
- components	(21,478)	-	-	(21,478)
At 31 March 2016	<u>1,446,593</u>	<u>-</u>	<u>43,722</u>	<u>1,490,315</u>
Net Book Value				
At 31 March 2016	<u>42,400,466</u>	<u>3,746,772</u>	<u>1,295,996</u>	<u>47,443,234</u>
At 31 March 2015 as restated	<u>41,389,702</u>	<u>2,688,799</u>	<u>1,364,369</u>	<u>45,442,870</u>

The proceeds of property disposals in the year was £159,905 (2015: £45,000). These units cost £108,757 (2015: £44,960) and had accumulated depreciation of £1,759 (2015: £nil). Government grant of £58,988 (2015: £41,272) is due to be repaid in respect of these disposals. In addition, Government grant of £nil (2015: £37,762) is due to be repaid in respect of prior year disposals.

Additions to housing properties during the year included no capitalised interest (2015: £nil) and no capitalised administration costs (2015: £nil). All properties are freehold. The cost of new components capitalised in the year was £1,615,726 (2015: £1,075,488).

Components with a cost of £584,090 (2015: £255,778) and accumulated depreciation of £21,478 (2015: £nil) were disposed of in the year.

Notes to the Financial Statements
For the year ended 31 March 2016

14. Property Stock

The number of units of accommodation owned by the Association was as follows:-

	Units in Management		Units under Development	
	2016	2015	2016	2015
Unimproved	2	2	-	-
New Build	763	757	25	31
Improved	682	684	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
General Needs Housing	1,447	1,443	25	31
	<hr/>	<hr/>	<hr/>	<hr/>
Shared Ownership Accommodation	47	49	-	-
Supported Housing Accommodation	30	30	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Housing Stock	1,524	1,522	25	31
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Other Property</u>				
Commercial	1	1	-	-
Heritable – Association's offices	4	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Property	5	5	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements
For the year ended 31 March 2016

15. Tangible Fixed Assets - Other Assets	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Restated Total £
Cost							
At 1 April 2015 as restated	556,645	50,000	488,060	224,957	48,375	6,474	1,374,511
Additions in year	-	-	3,578	28,983	20,718	3,988	57,267
Revaluation in year	-	15,500	-	-	-	-	15,500
At 31 March 2016	<u>556,645</u>	<u>65,500</u>	<u>491,638</u>	<u>253,940</u>	<u>69,093</u>	<u>10,462</u>	<u>1,447,278</u>
Depreciation							
At 1 April 2015 as restated	314,709	-	374,785	196,294	42,279	6,351	934,418
Provided in year	22,266	-	11,686	25,535	6,704	1,436	67,627
At 31 March 2016	<u>336,975</u>	<u>-</u>	<u>386,471</u>	<u>221,829</u>	<u>48,983</u>	<u>7,787</u>	<u>1,002,045</u>
Net Book Value							
At 31 March 2016	<u>219,670</u>	<u>65,500</u>	<u>105,167</u>	<u>32,111</u>	<u>20,110</u>	<u>2,675</u>	<u>445,233</u>
At 31 March 2015 as restated	<u>241,936</u>	<u>50,000</u>	<u>113,275</u>	<u>28,663</u>	<u>6,096</u>	<u>123</u>	<u>440,093</u>

Notes to the Financial Statements
For the year ended 31 March 2016

16. Investments

	2016 £	2015 £
Investment in subsidiary undertaking	1	1

During 2005, Fyne Homes Limited acquired 1 ordinary £1 shares in Fyne Initiatives Limited, at par. This represents a 100% shareholding in Fyne Initiatives Limited, a company registered in Scotland, whose principal activities are property development and the rental of commercial property.

The profit on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2016 was £7,343 (2015: loss of £659). The net assets of Fyne Initiatives Limited as at 31 March 2016 was £681 (2015 restated: net liabilities of £6,662).

Fyne Homes Limited controls Fyne Futures, a Scottish charity and company limited by guarantee, incorporated on 10 February 2005. The principal activity of the charity is the recycling of metal waste and scrap.

The net incoming resources of Fyne Futures as at 31 March 2016 was £28,584 (2015 restated: incoming resources of £147,091). The capital and reserves of Fyne Futures as at 31 March 2016 was £388,947 (2015 restated: £360,363).

Details of transactions during the year with the above companies can be found at note 28.

17. Debtors

	2016 £	2015 £
Rental arrears	145,294	127,825
Less: provision for bad debts	(50,000)	(50,000)
	95,294	77,825
Amounts owed by subsidiary undertakings (due within 1 year)	180,246	280,711
Amounts owed by related parties	18,206	15,717
Other debtors	91,684	160,356
Prepayments and accrued income	345,638	615,679
Amounts owed by subsidiary undertakings (due greater than 1 year)	278,885	308,557
	<u>1,009,953</u>	<u>1,458,845</u>

18. Cash and cash equivalents

	2016 £	2015 £
Balances held in current accounts	470,265	355,379
Balances held in deposit accounts	653,081	833,459
	<u>1,123,346</u>	<u>1,188,838</u>

Notes to the Financial Statements
For the year ended 31 March 2016

19. Creditors – amounts falling due within one year

	2016 £	Restated 2015 £
Bank loans and overdrafts	854,145	829,192
Trade creditors	304,754	119,813
Contract retentions	283,251	170,616
Accruals and deferred income	644,300	938,897
Amounts owed to subsidiary undertakings	206,618	299,513
Amounts owed to related parties	-	4,750
Rent in advance	161,607	157,806
PAYE/NIC creditor	28,654	27,141
Other creditors	69,383	41,272
SHAPS deficit repayment plan (note 26)	207,762	204,000
Deferred Government capital grants (note 21)	37,859	8,457
	<u>2,798,333</u>	<u>2,801,457</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £28,272 in respect of pension contributions to be paid to the various pension providers (2015: £nil).

20. Creditors – amounts falling due after more than one year

	2016 £	Restated 2015 £
Bank loans	17,696,065	17,732,949
Deferred Government capital grants (note 21)	3,307,892	2,114,086
SHAPS deficit repayment plan (note 26)	1,042,252	1,204,014
	<u>22,046,209</u>	<u>21,051,049</u>

Bank loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest including LIBOR with margins of 0.2% to 2.6%, BASE with margins of 0.4% to 3% and Fixed rate loans with rates between 4.33% to 6.63%. Our earliest loan is due for repayment in February 2017 and our last loan repayment is due in 2041. The above bank loans are due as follows:

	£	£
Between one and two years	761,202	854,279
Between two and five years	2,665,853	2,520,476
In five years or more	14,269,010	14,358,194
	<u>17,696,065</u>	<u>17,732,949</u>

21. Deferred Government capital grants

	2016 £	Restated 2015 £
At 1 April 2015	2,122,543	1,141,279
Grants received in year	1,231,665	981,264
Released to income in year	(8,457)	-
	<u>3,345,751</u>	<u>2,122,543</u>
At 31 March 2016	<u>3,345,751</u>	<u>2,122,543</u>

Notes to the Financial Statements
For the year ended 31 March 2016

21. Deferred capital grants (cont'd)

	2016 £	Restated 2015 £
Due within one year	37,859	8,457
Between one and two years	72,499	37,859
Between two and five years	512,700	397,899
In five years or more	2,722,693	1,678,328
	<u>3,345,751</u>	<u>2,122,543</u>

22. Financial Instruments

	2016 £	2015 £
Financial Assets		
Financial assets measured at amortised cost	<u>752,312</u>	<u>1,239,910</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>21,308,530</u>	<u>21,545,016</u>

Financial assets measured at amortised cost comprises rent arrears, accrued income, amounts due from subsidiary undertakings and other debtors.

Financial liabilities measured at amortised cost comprises trade creditors, other creditors, contract retentions, accruals, bank loans, amounts owed to related parties and subsidiary undertakings and SHAPS deficit repayment plan.

23. Share Capital

	2016 £	2015 £
Shares of £1 each issued and fully paid		
At 1 April 2015	140	153
Issued during year	6	4
Shares forfeited in year	(16)	(17)
	<u>130</u>	<u>140</u>
At 31 March 2016	<u>130</u>	<u>140</u>

Each share has the right to one vote. There is no right to receive any dividends or any distribution on wind up.

24. Revenue Commitments

Total operating leases which expire:

	2016 Premises £	Restated 2015 Premises £
Within one year	13,530	13,530
Within two to five years	26,930	31,610
Greater than five years	44,250	53,100
	<u>84,710</u>	<u>98,240</u>

Notes to the Financial Statements
For the year ended 31 March 2016

25. Capital Commitments

	2016 £	2015 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	676,235	2,327,530
Capital expenditure which has been authorised by the Management Committee but is not contracted	-	-
	<u>676,235</u>	<u>2,327,530</u>
This is to be funded by:		
Funding from the Scottish Government	-	504,272
Other grants	-	931,693
Private finance	676,235	891,565
	<u>676,235</u>	<u>2,327,530</u>

26. Pensions

Scottish Housing Association Pension Scheme (SHAPS)

General

Fyne Homes Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state pension scheme.

The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate;
- Career average revalued earnings with a 1/60th accrual rate;
- Career average revalued earnings with a 1/70th accrual rate;
- Career average revalued earnings with a 1/80th accrual rate;
- Career average revalued earnings with a 1/120th accrual rate, contracted in; and
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months prior notice.

From 1 April 2011, Fyne Homes has operated the career average revalued earnings with a 1/120th accrual rate benefit.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

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

**Notes to the Financial Statements
For the year ended 31 March 2016**

26. Pensions (continued)

General (continued)

During the accounting period, Fyne Homes Limited paid contributions at the rate of 6.7% of pensionable salaries. Employee contributions were 4.7%.

In addition to these contributions, £210,814 (2015: £204,878) was paid in the year as a past service deficit contribution of which £6,814 (2015: £6,878) was for administration costs. The past service deficit contribution for 2016/17 is £209,925 (net of administration costs).

As at the Statement of Financial Position date there were 27 (2015: 26) active members of the Scheme employed by Fyne Homes Limited. Fyne Homes Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. As the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience.

Thus the scheme is accounted for as a defined contribution scheme. However, the Association has entered into a past service deficit repayment agreement with the Pension Trust and per FRS102, this discounted past service deficit (based on 2015 provisional valuation) has been recognised in the Statement of Financial Position.

2012 valuation

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The key valuation assumptions used to determine the assets and liabilities of the scheme as at 30 September 2012 were as follows:

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-

	% pa
- Investment return pre retirement	5.3
- Investment return post retirement – non-pensioners	3.4
- Investment return post retirement – pensioners	3.4
- Rate of salary increases	4.1
- Rate of price inflation	
RPI	2.6
CPI	2.0

The valuation was carried out using SAPS (SIPA). All pensioners year of Birth Long Cohort with 1% pa minimum improvement for non-pensioners and pensioners.

Notes to the Financial Statements
For the year ended 31 March 2016

26. Pensions (continued)

2015 valuation

As highlighted at the 2015 Employer Forums, the triennial valuation has been undertaken against a challenging economic backdrop for defined benefit (DB) schemes like SHAPS. That said, the deficit has reduced from £304m as at 30 September 2012 to £198m as at 30 September 2015; an improvement in the funding position from 56% to 76%.

A summary of the headline provisional valuation results is set out in the table below:

Valuation	2012	2015
Assets (£ million)	394	612
(Liabilities) (£ million)	(698)	(810)
(Deficit) (£ million)	(304)	(198)*
Funding level	56%	76%
Aggregate annual deficit contributions for the year from 1 April 2017 (£ million)	28.7	28.7
	(26.3 on inception from 1 April 2014)	
Annual increases to deficit contributions	3.0%	3.0%
Proposed deficit contribution (recovery plan) and date	30 September 2027	28 February 2022

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

The Trustees have recently supplied Fyne Homes Limited with an estimated updated contribution figure to the past service deficit. From 1 April 2016 Fyne Homes Limited will be required to pay £209,925. From 1 April 2017, Fyne Homes Limited will be required to pay £216,087 (net of administration costs) per annum as a contribution to the past service deficit. This will increase by 3% per year. The deficit is now expected to be removed from the Scheme by 28 February 2022 (previously 30 September 2027). The past service deficit liability recognised in the financial statements is based on the revised estimated contribution schedule provided to the Association on 3 March 2016 by the Pensions Trust.

Notes to the Financial Statements
For the year ended 31 March 2016

26. Pensions (continued)

Past service deficit repayment liability	2016 £	Restated 2015 £
Provision at start of period	1,408,014	1,337,014
Unwinding of the discount factor (interest expense)	56,000	84,000
Deficit contribution paid	(204,000)	(198,000)
Re-measurements – impact of any changes in assumptions	(10,000)	185,000
	<hr/>	<hr/>
Provision at end of period	1,250,014	1,408,014
	<hr/>	<hr/>
Liability split as:		
< 1 year	207,762	204,000
1-2 years	209,073	207,762
2-5 years	635,966	631,582
> 5 years	197,213	364,670
	<hr/>	<hr/>
	1,250,014	1,408,014
	<hr/>	<hr/>
Statement of Comprehensive Income Impact		
	2016 £	Restated 2015 £
Interest expense	56,000	84,000
Re-measurements – impact of any change in assumptions	(10,000)	185,000
Assumptions	2016	2015
Rate of discount	2.29%	2.22%

The discount rates shown above are the equivalent single discount rates, which when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate band yield curve to discount the same recovery plan contributions.

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

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

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

Notes to the Financial Statements
For the year ended 31 March 2016

26. Pensions (continued)

Fyne Homes Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS based on the financial position of the Scheme as at 30 September 2015. As of this date the estimated employer debt for Fyne Homes Limited was £7,743,174 (2015: £7,213,521)

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

Scottish Life

From 1 April 2011, members of the SHAPS scheme have the option to join the "top up" scheme Fyne Homes Limited has with Scottish Life. Employee contribution is their choice and the employer contribution is 2%.

Strathclyde Pension Fund

Fyne Homes Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2016	31 March 2015
Inflation / Pension Increase Rate	2.1%	2.1%
Salary increases	4.1%	4.0%
Discount rate	3.4%	3.1%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with CMI2012 model assuming current rates of improvement have peaked and will converge to a long term rate of a 1.5% p.a. for males and a 1.25% p.a. for females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.6 years
Future Pensioners	24.8 years	26.2 years

The following details relate to Fyne Homes Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Scheme assets

The assets in the scheme and the expected rate of return were:-

	Value at 31 March 2016 £000	Value at 31 March 2015 £000
Fair value of plan assets	2,067	1,981
Present value of funded liabilities	(2,615)	(2,676)
Net pension liability	(548)	(695)

Notes to the Financial Statements
For the year ended 31 March 2016

26. Pensions (continued)

Reconciliation of defined benefit obligation

	31 Mar 2016 (£'000)	31 Mar 2015 (£'000)
Opening Defined Benefit Obligation	2,676	2,513
Current Service Cost	81	21
Interest Cost	83	102
Plan participants' contributions	18	8
Changes in financial assumptions	(130)	172
Other experience	(35)	(116)
Changes in demographic assumptions	-	54
Unfunded Benefits Paid	-	-
Benefits Paid	(78)	(78)
	<hr/>	<hr/>
Closing Defined Benefit Obligation	2,615	2,676
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of fair value of employer assets

	31 Mar 2016 (£'000)	31 Mar 2015 (£'000)
Opening Fair Value of Employer Assets	1,981	1,751
Interest income on plan assets	62	105
Plan participants contributions	18	8
Contributions by the Employer	94	66
Contributions in respect of Unfunded Benefits	-	-
Return on assets excluding amounts included in net interest	(10)	129
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(78)	(78)
	<hr/>	<hr/>
Closing Fair Value of Employer Assets	2,067	1,981
	<hr/> <hr/>	<hr/> <hr/>
Net pension liability	(548)	(695)
	<hr/> <hr/>	<hr/> <hr/>

Analysis of amount recognised in Other Comprehensive Income

	2016 £	2015 £
Total measurements recognised in other comprehensive income	155,000	19,000
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements
For the year ended 31 March 2016

26. Pensions (continued)

Analysis of amounts included in Statement of Comprehensive Income

	31 March 2016 £'000	31 March 2015 £'000
Current service cost	81	21
Contributions	(94)	(66)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
	<hr/>	<hr/>
Total operating charge	(13)	(45)
	<hr/> <hr/>	<hr/> <hr/>
Net Interest cost	21	(3)
	<hr/> <hr/>	<hr/> <hr/>

27. Net Cash Flow from Operating Activities

	2016 £	Restated 2015 £
Surplus for the year	491,094	614,555
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets	1,414,518	1,048,582
Carrying amount of tangible fixed asset disposals	106,998	44,960
Decrease/(Increase in debtors	448,892	(152,778)
(Decrease)/increase in creditors	(61,241)	395,075
SHAPS past service deficit liability movements	46,000	269,000
Strathclyde Pension Scheme pension liability	8,000	(48,000)
<u>Adjustments for investing and financing activities:</u>		
Increase in valuation of investment properties	(15,500)	-
Proceeds from sale of tangible fixed assets	(159,905)	(45,000)
Repayment of Government Grant	58,988	79,034
Interest payable	660,948	592,788
Interest received	(21,870)	(27,503)
Release of deferred Government Capital Grant	(8,457)	-
SHAPS past service deficit payments	(204,000)	(198,000)
Cancelled share capital	(16)	(17)
	<hr/>	<hr/>
Net cash inflow from operating activities	2,764,449	2,572,696
	<hr/> <hr/>	<hr/> <hr/>

28. Related party transactions

Fyne Futures

Fyne Futures is a subsidiary undertaking of Fyne Homes Limited.

During the year Fyne Homes Limited charged management fees of £9,000 (2015: £9,000) to Fyne Futures.

During the year, Fyne Homes Limited charged £2,500 (2015: £2,500), for the rental of office and storage space to Fyne Futures.

During the year payroll costs and other costs were paid on behalf of Fyne Futures by Fyne Homes Limited. These costs were recharged in full to Fyne Futures.

**Notes to the Financial Statements
For the year ended 31 March 2016**

28. Related party transactions (continued)

Fyne Futures (continued)

At the Statement of Financial Position date the Association owed £5,428 (2015: £541) to Fyne Futures. This is included within creditors.

Also at the Statement of Financial Position date £38,920 (2015: £21,376) was owed to the Association by Fyne Futures. This is included within debtors.

Fyne Initiatives Limited

Fyne Initiatives Limited is a subsidiary undertaking of Fyne Homes Limited.

During the year Fyne Homes Limited charged management fees of £7,000 (2015: £7,000) to Fyne Initiatives Limited.

Fyne Homes Limited entered into a design and build contract with Fyne Initiatives Limited. £1,815,949 (2015: £1,326,903) was invoiced to Fyne Homes Limited by Fyne Initiatives Limited in respect of work carried out in the year. An arrangement fee of £nil (2015: £4,500) was charged by Fyne Initiatives Limited to Fyne Homes Limited with regards this contract. £201,190 (2015: £298,972) is included within creditors in respect of recharged invoices outstanding.

During the year expenditure relating to shared equity schemes was incurred by Fyne Homes Limited on behalf of Fyne Initiatives Limited. These costs amounted to £61,210 (2015: £39,743) and were not recharged to Fyne Initiatives Limited.

Fyne Initiatives Limited made a gift aid donation of £1,000 (2015: £13,451) to Fyne Homes Limited in the year.

The amount due to Fyne Homes Limited from Fyne Initiatives Limited in respect of the above transactions, at the Statement of Financial Position date, was £15,854 (2015: £135,733) and is included within debtors.

In December 2012, Fyne Homes Limited made an unsecured commercial loan to Fyne Initiatives Limited for £458,671. At 31 March 2016 the loan outstanding was £95,800 (2015: £95,437). Interest is charged at a rate of 3% above libor. This balance is included in debtors due within 1 year. The loan will be repaid in full when the remaining shared equity properties are sold at the Lochgilphead High School Phase 1 development contract. Interest of £4,083 (2015: £3,745) was paid by Fyne Initiatives in respect of this loan.

In 2005, Fyne Homes Limited made a commercial loan to Fyne Initiatives Limited for £370,556. The loan is to be repaid over 15 years and the balance outstanding at the Statement of Financial Position date was £128,557 (2015: £156,722). £29,672 (2015: £28,165) of this balance is due within one year, with the remainder of the balance, £98,885 (2015: £128,557), due after more than one year. Interest of £8,385 (2015: £9,815) was paid by Fyne Initiatives Limited in respect of this loan.

In December 2010, Fyne Homes made a commercial loan to Fyne Initiatives Limited for £180,000. The loan is to be repaid over 10 years and the balance outstanding at the Statement of Financial Position date was £180,000 (2015: £180,000) and is included in amounts owed by subsidiary undertakings due in more than 1 year. Interest of £6,750 (2015: £6,750) was paid by Fyne Initiatives Limited in respect of this loan.

**Notes to the Financial Statements
For the year ended 31 March 2016**

28. Related party transactions (continued)

InspirAlba Limited

InspirAlba Limited is a related party as a Committee member and the Chief Executive of the Association are Board members. InspirAlba Limited is a company limited by guarantee.

At the Statement of Financial Position the Association was owed £18,206 (2015: £15,717) by InspirAlba Limited.

At the Statement of Financial Position date the Association owed £nil (2015: £4,750) to InspirAlba Limited.

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £12,326 (2015: £14,416). The total rent arrears relating to tenant Board members included within debtors at the year end is £88 (2015: prepaid rent £110).

29. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

30. Subsequent events

A new subsidiary company of Fyne Homes Limited called Fyne Energy Limited was incorporated on 1 April 2016. The subsidiary company will hold a three-turbine wind farm to be built along the southern ridge of Barr Glen, Kintyre. The costs and Scottish Government Grant incurred to date in Fyne Futures will be transferred to this new company. Argyll and Bute Council approved this project in July 2014.

31. Transition to FRS 102

The Association has adopted Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for social housing providers (SORP 2014) for the year ended 31 March 2016. This has led to a number of changes in accounting policy, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

The following changes to accounting policies and estimates have been applied:

In accordance with FRS 102 the Association does not present an Income and Expenditure Account or a Statement of Recognised Gains and Losses (STRGL) as was presented in the financial statements to 31 March 2015 as items that previously appeared in these statements are now included in the Statement of Comprehensive Income.

As prescribed by FRS 102 the Association now prepares a Statement of Changes in Capital and Reserves whereas in the financial statements to 31 March 2015 capital and reserves were analysed as part of the notes to the financial statements.

As permitted by FRS 102 the Association has renamed the Balance Sheet as the Statement of Financial Position.

Housing units have been valued on an existing use value at 1 April 2014 and this has been taken as deemed cost.

Depreciation of housing properties was previously based on gross cost less HAG but is now based on gross cost only.

As a result of the decision to use an existing use value as deemed cost on 1 April 2014, all government capital grants were recognised under the performance model at 1 April 2014 and were thus recognised as revenue in the Revenue Reserve. From 1 April 2014, government capital grants are now recognised in line with the accrual model. The accrual model results in the grant being recognised over the expected useful life of the housing property structure.

Investment properties have been revalued at the transition date of 1 April 2014.

**Notes to the Financial Statements
For the year ended 31 March 2016**

31. Transition to FRS 102

Designated reserves are no longer shown separately in the financial statements and instead are combined with the revenue reserve.

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) pension scheme and makes annual contributions towards the deficit in line with the fund plan. Under FRS 102, the future contributions in respect of the deficit must now be shown as a liability on the Statement of Financial Position with the actual payment being released to the Statement of Comprehensive Income as it falls due.

Restated surplus for the year ended 31 March 2015

	£
Surplus for year ended 31 March 2015 as previously stated	915,242
Effects of:	
Restatement of component disposals at deemed cost	(262,586)
Restatement of property disposals	(29,453)
Restatement of depreciation charge of housing properties	59,942
Remove depreciation on investment properties	2,410
Reflect movement in the SHAPS past service deficit liability	(71,000)
Surplus for the year ended 31 March 2015 as restated	614,555

Restated Statement of Financial Position as at 31 March 2015

	£
Capital and reserves as at 31 March 2015 as previously stated	8,581,514
Effect of:	
<u>Prior year adjustments</u>	
Restatement of housing properties at deemed cost	(60,852,606)
Release of government grants held in respect of housing properties to revenue reserves	76,999,615
Restatement of shared ownership properties at deemed cost	(1,003,819)
Release of Government grants held in respect of shared ownership properties to revenue reserves	1,882,333
Revaluation of investment property	13,805
Release of Government grants for other equipment in other fixed assets	16,090
Restatement of accumulated depreciation for other equipment in other fixed assets	(16,090)
Recognition of SHAPS past service deficit liability	(1,337,014)
<u>In year adjustments</u>	
Restatement of component disposals at deemed cost	(262,586)
Restatement of property disposals	(29,453)
Restatement of depreciation charge of housing properties	59,942
Remove depreciation on investment properties	2,410
Reflect the movement in the SHAPS past service deficit liability	(71,000)
Capital and reserves as at 31 March 2015 as restated	23,983,141

Notes to the Financial Statements
For the year ended 31 March 2016

31. Transition to FRS 102 (continued)

Restated Statement of Financial Position as at 1 April 2014

	£
Capital and reserves as at 1 April 2014 as previously stated	7,647,285
Effect of:	
Restatement of housing properties at deemed cost	(60,852,606)
Release of government grants held in respect of housing properties to revenue reserves	76,999,615
Restatement of shared ownership properties at deemed cost	(1,003,819)
Release of government grants held in respect of shared ownership properties to revenue reserves	1,882,333
Revaluation of investment property	13,805
Release of government grants for other equipment in other fixed assets	16,090
Restatement of accumulated depreciation for other equipment in other fixed assets	(16,090)
Recognition of SHAPS past service deficit liability	(1,337,014)
Capital and reserves as at 1 April 2014 as restated	<u>23,349,599</u>