



**FYNE HOMES LIMITED**

**GROUP REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2017**

# FYNE HOMES LIMITED

## Report and Financial Statements For the year ended 31 March 2017

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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

## **FYNE HOMES LIMITED**

### **Management Committee, Executive Officers and Advisers**

#### **Management Committee**

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

#### **Executive Officers**

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

#### **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

#### **Internal auditor**

Scott-Moncrieff  
Chartered Accountants  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

## **FYNE HOMES LIMITED**

### **Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017**

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2017.

#### **Principal activities**

The principal activity of the Association is the provision of social rented accommodation. The Association has three subsidiary companies, Fyne Futures, Fyne Initiatives Limited and Fyne Energy Limited.

Fyne Futures is a charitable company whose principal activities are focused on environmental sustainability, namely recycling, reuse, Local Produce and Car Club activities which provide employment and training opportunities. The charitable company also delivers a Carbon Reduction programme and performs wider role activities providing support to a range of community regeneration projects across the operational area. The charitable company has been involved in numerous projects during the year; these were mainly, but not exclusively Towards Zero Carbon Bute, Bute Produce and Employment Training.

Fyne Initiatives Limited is a company whose principal activities are property development and the rental of commercial property.

Fyne Energy Limited was incorporated on 1 April 2016 and is a company whose principal activity is that of electricity generation.

#### **Objectives and Strategy**

Fyne Homes 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.

#### **Review of business and future developments**

##### **Association**

At 31 March 2017 Fyne Homes Limited made a surplus of £755,152 (2016: £491,094). During the year Fyne Homes Limited invested £1,262,014 in property improvements and continues to provide quality affordable housing.

3 schemes came off site during 2016/17 providing 17 rented units at St Cuthbert's, Dunoon, 8 rented units at Kilmun and 6 rented units at Baddens, Lochgilphead.

A further 4 schemes are on site, which will provide 16 rented units at Spence Court, Dunoon, 12 rented units at Lochgilphead High School, Phase 5, and 6 rented units at Minard all due for completion in 2017/18. 16 rented units at Lochgilphead High School Phase 4 are due for completion in 2018/19. The capital spend on new developments in the year was £2,707,435.

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 2017, 96.79% 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.

## **FYNE HOMES LIMITED**

### **Report of the Management Committee (incorporating the Strategic Report) For the year ended 31 March 2017**

#### **Review of business and future developments (continued)**

##### ***Fyne Futures***

The charitable company generated net funds of £24,675 (2016: £28,584) for the year. The net assets of the charitable company were £413,622 at 31 March 2017 (2016: £388,947) and thus the charitable company is in a healthy financial position.

The main achievements in the year included continuation of our community regeneration activities to support the successful delivery of a range of projects, sustaining an income stream for Recycling Services from Argyll and Bute Council, Bute Produce, Recycling and Reuse activities and continued funding to deliver Towards Zero Carbon Bute Activity.

It is hoped that revenue income will increase over the next three years primarily by expanding the existing areas of operation and by adding new income streams where possible.

##### ***Fyne Initiatives Limited***

The profit after providing for taxation amounted to £428 (2016: £7,343). This was after a gift payment to the Association of £10,500 (2016: £1,000). The company continues to provide design and build services to the Association as well as generate rental income from its commercial properties.

##### ***Fyne Energy Limited***

A new subsidiary, Fyne Energy Limited, was incorporated on 1 April 2016 in order to run the Kintyre Wind project. The profit after providing for taxation for the year to 31 March 2017 amounted to £159,343 and the net assets were £159,344.

#### **Risk and Uncertainties**

Within Fyne Homes Limited's 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 also in 2015/16;
- Meeting void targets of 28 days – this was not achieved in 2016/17 as the average void period was 40 days (2015/16: 69 days) due to difficult to let properties;
- Achieving a rent loss target of 2% - this was not achieved in 2016/17 as the rent loss was 2.45% of total rental income including service charges (2015/16: 2.92%). However if you exclude our decant properties used during major works in 2016/17 the rental loss would be 1.76% (2015/16 2.33%);
- Our internal target of completing 95% of emergency repairs within 6 hours was achieved in 2016/17 with a completion rate of 99% (2015/16: completion rate of 99%);
- Our internal target of completing 95% of urgent repairs within 3 working days was not achieved in 2016/17 with a completion rate of 88% (2015/16: 90%) which was outwith our control as we were unable to gain access to some properties.

During 2017/18 the Association will be revising its targets.

## **FYNE HOMES LIMITED**

### **Report of the Management Committee (incorporating the Strategic Report) (continued) For the year ended 31 March 2017**

#### **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 2015/16 overall performance was slightly below the Scottish average. The full 2015/16 report can be accessed on the Scottish Housing Association's website and the 2016/17 report will be accessible on this website when published.

#### **Governance**

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

#### **The Management Committee and Executive Officers**

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 each year and the Executive Committee meet at least twice a year one to approve these financial statements.

The other sub committees are the Staffing Committee, who meet at least 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 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 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:

- (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 auditors 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.

## **FYNE HOMES LIMITED**

### **Report of the Management Committee (incorporating the Strategic Report) (continued) For the year ended 31 March 2017**

#### **Statement on Internal Financial Controls (continued)**

- (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 2017. 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.

#### **Statement of Management Committee's Responsibilities**

Housing Association legislation requires the Management 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 Group and of the income and expenditure of the Association and Group for the year ended on that date. In preparing those financial statements the Management 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 and Group 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. They are 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.

#### **Disclosure of information to the auditor**

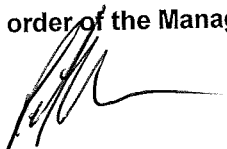
To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- so far as the Association's Committee members are aware, there is no relevant audit information of which the auditor is unaware; and
- the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such 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  
Chairperson

Dated: 13 September 2017

## **FYNE HOMES LIMITED**

### **Report of the Auditor to the members of Fyne Homes Limited on the Financial Statements For the year ended 31 March 2017**

We have audited the financial statements of Fyne Homes Limited for the year ended 31 March 2017 which comprise the Consolidated and Association Statement of Comprehensive Income, the Consolidated and Association Statement of Changes in Capital and Reserves, the Consolidated and Association Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with Section 87 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.

#### **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 5, the Management Committee is responsible for the preparation of 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](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2017 and of the Group's and Association's income and expenditure for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 as issued by the Scottish Housing Regulator.



**FYNE HOMES LIMITED**

**Report of the Auditor to the members of Fyne Homes Limited on the Financial Statements  
For the year ended 31 March 2017**

**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: 13 September 2017

## **FYNE HOMES LIMITED**

### **Report of the Auditor to the Management Committee of Fyne Homes Limited on Corporate Governance Matters For the year ended 31 March 2017**

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 4 and 5 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 Controls on pages 4 and 5 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 Controls 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*

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

Dated: 13 September 2017

**FYNE HOMES LIMITED**

**Consolidated Statement of Comprehensive Income  
For the year ended 31 March 2017**

	Notes	2017 £	2016 £
<b>Turnover</b>	4	7,521,316	7,343,887
Less: Operating expenditure	4	<u>(5,889,617)</u>	<u>(6,068,998)</u>
<b>Operating surplus</b>	4	1,631,699	1,274,889
Gain/(loss) on disposal of property, plant and equipment		8,530	(6,081)
Increase in value of investment property		-	15,500
Interest receivable and other income	9	2,255	2,652
Interest payable and similar charges	10	<u>(717,673)</u>	<u>(757,654)</u>
<b>Surplus before taxation</b>		924,811	529,306
Taxation	11	<u>(606)</u>	<u>(2,285)</u>
<b>Surplus for the year</b>		924,205	527,021
Actuarial gain in respect of the pension scheme	27	<u>(266,000)</u>	<u>155,000</u>
<b>Total comprehensive income for the year</b>		<u><u>658,205</u></u>	<u><u>682,021</u></u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

**FYNE HOMES LIMITED**

**Association Statement of Comprehensive Income  
For the year ended 31 March 2017**

	Notes	2017 £	2016 £
<b>Turnover</b>	4	6,592,187	6,412,593
Less: Operating expenditure	4	(5,174,368)	(5,215,840)
<b>Operating surplus</b>	4	<u>1,417,819</u>	<u>1,196,753</u>
Gain/(loss) on disposal of property, plant and equipment		8,530	(6,081)
Increase in value of investment property		-	15,500
Interest receivable and other income	9	24,116	21,870
Interest payable and similar charges	10	(705,813)	(737,948)
Gift aid		10,500	1,000
<b>Surplus for the year</b>		<u>755,152</u>	<u>491,094</u>
Actuarial gain in respect of the pension scheme	27	(266,000)	155,000
<b>Total comprehensive income for the year</b>		<u><u>489,152</u></u>	<u><u>646,094</u></u>

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

**FYNE HOMES LIMITED**

**Consolidated Statement of Changes in Capital and Reserves at 31 March 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2016	130	25,018,722	25,018,852
Total Comprehensive Income for the year	-	658,205	658,205
Share capital cancelled during the year	(7)	-	(7)
	<u>123</u>	<u>25,676,927</u>	<u>25,677,050</u>
Balance at 31 March 2017	<u>123</u>	<u>25,676,927</u>	<u>25,677,050</u>

**Consolidated Statement of Changes in Capital and Reserves at 31 March 2016**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance at 1 April 2015	140	24,336,701	24,336,841
Total Comprehensive Income for the year	-	682,021	682,021
Share capital issued during the year	6	-	6
Share capital cancelled during the year	(16)	-	(16)
	<u>130</u>	<u>25,018,722</u>	<u>25,018,852</u>
Balance at 31 March 2016	<u>130</u>	<u>25,018,722</u>	<u>25,018,852</u>

The notes form part of the financial statements.

**FYNE HOMES LIMITED**

**Association Statement of Changes in Capital and Reserves at 31 March 2017**

	<b>Share Capital £</b>	<b>Revenue Reserves £</b>	<b>Total Reserves £</b>
Balance at 1 April 2016	130	24,629,095	24,629,225
Total Comprehensive Income for the year	-	489,152	489,152
Share capital cancelled during the year	(7)	-	(7)
Balance at 31 March 2017	<u>123</u>	<u>25,118,247</u>	<u>25,118,370</u>

**Association Statement of Changes in Capital and Reserves at 31 March 2016**

	<b>Share Capital £</b>	<b>Revenue Reserves £</b>	<b>Total Reserves £</b>
Balance at 1 April 2015	140	23,983,001	23,983,141
Total Comprehensive Income for the year	-	646,094	646,094
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>24,629,095</u>	<u>24,629,225</u>

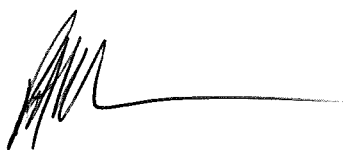
The notes form part of the financial statements.

FYNE HOMES LIMITED

Consolidated Statement of Financial Position  
As at 31 March 2017

	Notes	2017 £	2016 £
<b>Tangible fixed assets</b>			
Housing properties	12	50,394,578	47,443,234
Other fixed assets	14	2,280,086	1,667,350
		<u>52,674,664</u>	<u>49,110,584</u>
<b>Current assets</b>			
Stock	16	410,655	579,589
Debtors	17	962,765	816,781
Cash and cash equivalents	18	2,248,451	1,242,221
		<u>3,621,871</u>	<u>2,638,591</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(3,152,288)</u>	<u>(3,406,909)</u>
<b>Net current assets/(liabilities)</b>		<u>469,583</u>	<u>(768,318)</u>
<b>Total assets less current liabilities</b>		<u>53,144,247</u>	<u>48,342,266</u>
<b>Creditors: amounts falling due after more than one year</b>	20	<u>(26,643,197)</u>	<u>(22,775,414)</u>
Retirement benefit pension scheme deficit	27	<u>(824,000)</u>	<u>(548,000)</u>
<b>Net assets</b>		<u><u>25,677,050</u></u>	<u><u>25,018,852</u></u>
<b>Capital and reserves</b>			
Share capital	23a	123	130
Revenue reserve	23b	25,676,927	25,018,722
		<u>25,677,050</u>	<u>25,018,852</u>

The financial statements were authorised for issue by the Management Committee on 13 September 2017 and were signed on its behalf by:



Chairperson – P Wallace



Secretary – D Wilkinson



Vice Chairperson – J McMillan

The notes form part of these financial statements.

**FYNE HOMES LIMITED**

**Association Statement of Financial Position  
As at 31 March 2017**

	Notes	2017 £	2016 £
<b>Tangible fixed assets</b>			
Housing properties	12	50,394,578	47,443,234
Other fixed assets	14	408,162	445,233
		<u>50,802,740</u>	<u>47,888,467</u>
Investments	15	2	1
		<u>50,802,742</u>	<u>47,888,468</u>
<b>Current assets</b>			
Debtors (amounts falling due after more than one year)	17	247,626	278,885
Debtors (amounts falling due within one year)	17	1,671,523	731,068
Cash and cash equivalents	18	2,009,496	1,123,346
		<u>3,928,645</u>	<u>2,133,299</u>
<b>Creditors: amounts falling due within one year</b>	19	(2,947,917)	(2,798,333)
<b>Net current assets/(liabilities)</b>		<u>980,728</u>	<u>(665,034)</u>
<b>Total assets less current liabilities</b>		<u>51,783,470</u>	<u>47,223,434</u>
<b>Creditors: amounts falling due after more than one year</b>	20	(25,841,100)	(22,046,209)
Retirement benefit pension scheme deficit	27	(824,000)	(548,000)
<b>Net assets</b>		<u>25,118,370</u>	<u>24,629,225</u>
<b>Capital and reserves</b>			
Share capital	23a	123	130
Revenue reserve	23b	25,118,247	24,629,095
		<u>25,118,370</u>	<u>24,629,225</u>

The financial statements were authorised for issue by the Management Committee on 13 September 2017 and were signed on its behalf by:



Chairperson – P Wallace



Secretary – D Wilkinson



Vice Chairperson – J McMillan

The notes form part of these financial statements.



**FYNE HOMES LIMITED**

**Consolidated Statement of Cash Flows  
For the year ended 31 March 2017**

	Notes	2017 £	2016 £
<b>Net cash generated from operating activities</b>	24	2,081,888	3,240,182
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(4,668,804)	(3,777,009)
Purchase of shared equity housing stock		-	(29,709)
Proceeds from disposal of property, plant and equipment		69,600	159,905
Repayment of Government Grant		-	(58,988)
Grants received		2,254,769	1,292,958
Interest received		2,255	2,652
		<u>(2,342,180)</u>	<u>(2,410,191)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(644,673)	(680,654)
New secured loan		3,001,866	817,000
Repayment of borrowings		(1,090,671)	(1,192,616)
Issue of share capital		-	6
		<u>1,266,522</u>	<u>(1,056,264)</u>
<b>Net changes in cash and cash equivalents</b>		1,006,230	(226,273)
<b>Cash and cash equivalents at 1 April</b>		<u>1,242,221</u>	<u>1,468,494</u>
<b>Cash and cash equivalents at 31 March</b>		<u><u>2,248,451</u></u>	<u><u>1,242,221</u></u>

The notes form part of these financial statements.

## **FYNE HOMES LIMITED**

### **Notes to the Financial Statements For the year ended 31 March 2017**

#### **1. General Information**

The Group is registered under The Co-operative & Community Benefit Societies Act 2014. The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and Housing SORP 2014: Statement of Recommended Practice for Social Housing Providers issued in 2014.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group and Association's accounting policies (see note 3). The presentation currency is Pounds Sterling as that is the currency in which the Group and Association's transactions are denominated. The Financial Statements comprise the results of the Group and the Association and cover the year to 31 March 2017.

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 Co-operative and Community Benefit Society Limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland 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. However, please note that on transition to FRS 102 (as at 1 April 2014), an existing use value was used as deemed cost of housing properties. The accounting policies of the Association are set out below.

##### **Going concern**

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2018 and the year to 31 March 2019. 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**

###### ***Fyne Homes***

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.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 2. Accounting policies (continued)

##### Turnover (continued)

###### *Fyne Initiatives Limited and Fyne Energy Limited*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised when all of the following conditions are satisfied:

- The amount of revenue can be reliably measured;
- It is probable that the company will receive the consideration due under the transaction; and
- The costs incurred in respect of the transaction can be reliably measured.

###### *Fyne Futures*

All income is included in the Statement of Financial Activities when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- Service Level Agreement (SLA) income is credited to income in the year in which the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.
- Donations and grants are recognised when the charitable company is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met. Income received in advance of conditions being met are deferred and released once those conditions are met. Where the grant or donation allows for the recovery by the donor of any unexpended grant, a liability is recognised when repayment becomes probable.
- Any other income from charitable trading activities are recognised when the charitable company becomes entitled to the income, receipt is probable and the amount can be reliably measured.

##### 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 and other income

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

##### Interest payable and similar charges

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate 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.

Interest payable during the construction phase of the Windfarm project within Fyne Energy Limited has been capitalised.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 2. Accounting policies (continued)

##### Fixed assets - Housing properties

Housing properties are stated at cost, less accumulated depreciation. 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 Group and 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 Group and 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

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 2. Accounting policies (continued)

##### Depreciation (continued)

###### (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% straight line
Office Equipment	-	10% reducing balance
Computer and Other Equipment	-	33.33% straight line
Motor Vehicles	-	25% reducing balance
Buildings	-	2% straight line
Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	10% straight line
Land	-	Depreciation is not provided in respect of Land.

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

##### Shared equity housing units held

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Group's obligation ceases and the cost and grant are derecognised.

##### Commercial Properties

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

##### Windfarm project

All direct costs relating to the Windfarm project have been capitalised. No depreciation is charged in respect of these assets as they are still in the construction phase.

##### 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.

## **FYNE HOMES LIMITED**

### **Notes to the Financial Statements For the year ended 31 March 2017**

#### **2. Accounting policies (continued)**

##### **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 Group and Association as required to meet its liabilities during the development process. This is treated as a deferred Government capital grant and is released to income over the useful life of the assets it relates to. The accrual model requires the Group and Association to recognise income on a systematic basis over the period in which the Group and 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 Group and Association recognises the grant in income on a systematic basis over the period in which the Group and 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 Group and 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.

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 rate 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 Group and 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.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 2. Accounting policies (continued)

##### Financial Instruments (continued)

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group and 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 FRS102, 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 accordance with FRS102 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.

###### *Scottish Life 'top up' scheme and Royal London Auto Enrolment scheme*

The group operates these two defined contribution schemes. Employer contributions are charged to the Statement of Comprehensive Income on the accruals basis.

##### Financial Commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

##### Consolidation

The Association and its subsidiary undertakings comprise a group. The accounts represent the results of the Group. The exemption from preparing an Association Statement of Cash Flows has been taken.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 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:

<u>Estimate</u>	<u>Basis of estimation</u>
The valuation of investment properties	The investment properties were 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 of 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.



**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**4. Particulars of turnover, operating expenditure and operating surplus/(deficit)**

<b>Group</b>	<b>Notes</b>	<b>Turnover £</b>	<b>2017 Operating Expenditure £</b>	<b>Operating Surplus/ (Deficit) £</b>	<b>Turnover £</b>	<b>2016 Operating Expenditure £</b>	<b>Operating Surplus/ (Deficit) £</b>
Social Lettings	5a	6,272,056	(4,863,159)	1,408,897	6,003,841	(4,823,088)	1,180,753
Other Activities	5b	317,631	(320,131)	(2,500)	406,252	(408,752)	(2,500)
Fyne Initiatives Limited		239,865	(199,291)	40,574	548,581	(492,029)	56,552
Fyne Futures		528,368	(502,983)	25,385	385,213	(345,129)	40,084
Fyne Energy Limited		163,396	(4,053)	159,343	-	-	-
<b>TOTAL</b>		<b>7,521,316</b>	<b>(5,889,617)</b>	<b>1,631,699</b>	<b>7,343,887</b>	<b>(6,068,998)</b>	<b>1,274,889</b>
<b>Association</b>							
Social Lettings	5a	6,272,056	(4,854,237)	1,417,819	6,003,841	(4,807,088)	1,196,753
Other Activities	5b	320,131	(320,131)	-	408,752	(408,752)	-
<b>TOTAL</b>		<b>6,592,187</b>	<b>(5,174,368)</b>	<b>1,417,819</b>	<b>6,412,593</b>	<b>(5,215,840)</b>	<b>1,196,753</b>

**FYNE HOMES LIMITED**

Notes to the Financial Statements  
For the year ended 31 March 2017

**5a. Particulars of turnover, operating expenditure and operating surplus from social lettings**

Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2017 Total £	2016 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	6,017,787	106,897	101,992	6,226,676	6,043,112
Service charges	135,231	4,802	-	140,033	132,620
<b>Gross income from rents and service charges</b>	<u>6,153,018</u>	<u>111,699</u>	<u>101,992</u>	<u>6,366,709</u>	<u>6,175,732</u>
Less voids	(156,278)	-	-	(156,278)	(180,348)
<b>Net income from rents and service charges</b>	<u>5,996,740</u>	<u>111,699</u>	<u>101,992</u>	<u>6,210,431</u>	<u>5,995,384</u>
Grants released from deferred income	61,625	-	-	61,625	8,457
<b>Total turnover from social letting activities</b>	<u>6,058,365</u>	<u>111,699</u>	<u>101,992</u>	<u>6,272,056</u>	<u>6,003,841</u>
<b>Expenditure</b>					
Management and maintenance administration costs	(2,030,832)	(96,132)	(80,131)	(2,207,095)	(1,887,074)
Service charges	(203,940)	(4,802)	-	(208,742)	(224,608)
Planned cyclical maintenance including major repairs	(723,886)	-	-	(723,886)	(510,272)
Reactive maintenance costs	(750,934)	-	-	(750,934)	(829,356)
Bad debts – rents and service charges	(14,958)	-	-	(14,958)	(24,887)
Depreciation of social housing	(924,918)	(10,765)	(21,861)	(957,544)	(1,346,891)
<b>Operating expenditure for social letting activities</b>	<u>(4,649,468)</u>	<u>(111,699)</u>	<u>(101,992)</u>	<u>(4,863,159)</u>	<u>(4,823,088)</u>
<b>Operating surplus on letting activities, 2017</b>	<u>1,408,897</u>	<u>-</u>	<u>-</u>	<u>1,408,897</u>	<u>-</u>
<b>Operating surplus on letting activities, 2016</b>	<u>1,180,753</u>	<u>-</u>	<u>-</u>	<u>1,180,753</u>	<u>1,180,753</u>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**5a. Particulars of turnover, operating expenditure and operating surplus from social lettings**

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2017 Total £	2016 Total £
<b>Income from rent and service charges</b>					
Rent receivable net of service charges	6,017,787	106,897	101,992	6,226,676	6,043,112
Service charges	135,231	4,802	-	140,033	132,620
	<u>6,153,018</u>	<u>111,699</u>	<u>101,992</u>	<u>6,366,709</u>	<u>6,175,732</u>
<b>Gross income from rents and service charges</b>	<u>6,153,018</u>	<u>111,699</u>	<u>101,992</u>	<u>6,366,709</u>	<u>6,175,732</u>
Less voids	(156,278)	-	-	(156,278)	(180,348)
	<u>5,996,740</u>	<u>111,699</u>	<u>101,992</u>	<u>6,210,431</u>	<u>5,995,384</u>
<b>Net income from rents and service charges</b>	<u>5,996,740</u>	<u>111,699</u>	<u>101,992</u>	<u>6,210,431</u>	<u>5,995,384</u>
Grants released from deferred income	61,625	-	-	61,625	8,457
	<u>6,058,365</u>	<u>111,699</u>	<u>101,992</u>	<u>6,272,056</u>	<u>6,003,841</u>
<b>Total turnover from social letting activities</b>	<u>6,058,365</u>	<u>111,699</u>	<u>101,992</u>	<u>6,272,056</u>	<u>6,003,841</u>
<b>Expenditure</b>					
Management and maintenance administration costs	(2,021,910)	(96,132)	(80,131)	(2,198,173)	(1,871,074)
Service charges	(203,940)	(4,802)	-	(208,742)	(224,608)
Planned cyclical maintenance including major repairs	(723,886)	-	-	(723,886)	(510,272)
Reactive maintenance costs	(750,934)	-	-	(750,934)	(829,356)
Bad debts – rents and service charges	(14,958)	-	-	(14,958)	(24,887)
Depreciation of social housing	(924,918)	(10,765)	(21,861)	(957,544)	(1,346,891)
	<u>(4,640,546)</u>	<u>(111,699)</u>	<u>(101,992)</u>	<u>(4,854,237)</u>	<u>(4,807,088)</u>
<b>Operating expenditure for social letting activities</b>	<u>(4,640,546)</u>	<u>(111,699)</u>	<u>(101,992)</u>	<u>(4,854,237)</u>	<u>(4,807,088)</u>
<b>Operating surplus on letting activities, 2017</b>	<u>1,417,819</u>	<u>-</u>	<u>-</u>	<u>1,417,819</u>	<u>1,196,753</u>
<b>Operating surplus on letting activities, 2016</b>	<u>1,196,753</u>	<u>-</u>	<u>-</u>	<u>1,196,753</u>	<u>1,196,753</u>

FYNE HOMES LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

5b – Particulars of turnover, operating expenditure and operating surplus or deficit from other activities

Group	Grants from Scottish Ministers 2017 £	Other revenue grants 2017 £	Supporting people income 2017 £	Other income 2017 £	Total Turnover 2017 £	Total Turnover 2016 £	Other Operating expenditure 2017 £	Other operating expenditure 2016 £	Operating Surplus / (deficit) 2017 £	Operating Surplus / (deficit) 2016 £
Stage 3 adaptations	108,656	-	-	-	108,656	173,140	(108,656)	(173,140)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	39,302	39,302	39,847	(39,302)	(39,847)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	17,233	17,233	22,165	(19,733)	(24,665)	(2,500)	(2,500)
People and community grant	152,440	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	-	152,440	171,100	(152,440)	(171,100)	-	-
<b>Total from other activities, 2017</b>	<b>261,096</b>	<b>-</b>	<b>-</b>	<b>56,535</b>	<b>317,631</b>	<b>-</b>	<b>(320,131)</b>	<b>(2,500)</b>	<b>-</b>	<b>-</b>
<b>Total from other activities, 2016</b>	<b>344,240</b>	<b>-</b>	<b>-</b>	<b>62,012</b>	<b>406,252</b>	<b>-</b>	<b>(408,752)</b>	<b>(2,500)</b>	<b>-</b>	<b>(2,500)</b>

FYNE HOMES LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

5b. Particulars of turnover, operating expenditure and operating surplus from other activities

Association	Grants from Scottish Ministers 2017 £	Other revenue grants 2017 £	Supporting people income 2017 £	Other income 2017 £	Total Turnover 2017 £	Total Turnover 2016 £	Other Operating expenditure 2017 £	Other operating expenditure 2016 £	Operating Surplus / (deficit) 2017 £	Operating Surplus / (deficit) 2016 £
Stage 3 adaptations	108,656	-	-	-	108,656	173,140	(108,656)	(173,140)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	39,302	39,302	39,847	(39,302)	(39,847)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	19,733	19,733	24,665	(19,733)	(24,665)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and community grant	152,440	-	-	-	152,440	171,100	(152,440)	(171,100)	-	-
Other activities	-	-	-	-	-	-	-	-	-	-
<b>Total from other activities, 2017</b>	<b>261,096</b>	<b>-</b>	<b>-</b>	<b>59,035</b>	<b>320,131</b>	<b>320,131</b>	<b>(320,131)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total from other activities, 2016</b>	<b>344,240</b>	<b>-</b>	<b>-</b>	<b>64,512</b>	<b>408,752</b>	<b>408,752</b>	<b>(408,752)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**6. Directors' emoluments – Group and Association**

The directors are defined as the members of the Management Committee and the executive officers (as per page 1). No emoluments were paid to any member of the Management Committee during the year. The Group and Association considers key management personnel to be the Management Committee and executive officers of the Association only.

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Chief Executive (excluding pension contributions) amounted to:	82,603	80,927
	<u>          </u>	<u>          </u>

The Chief Executive is an ordinary member of the Association's pension scheme described in note 27. The Association's pension contribution for the Chief Executive in the year, including past service deficit payments amounted to £15,054 (2016: £15,313).

Aggregate emolument payable to key management (excluding pension contributions):	267,185	234,393
	<u>          </u>	<u>          </u>

The pension contributions paid in respect of key management in the year, including past service deficit payments was £58,339 (2016: £50,703)

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
£70,001 - £75,000	1	-
£75,001 - £80,000	-	-
£80,001 - £85,000	1	1
	<u>          </u>	<u>          </u>

Total emoluments (excluding pension contributions) to those earning more than £60,000	153,894	149,350
	<u>          </u>	<u>          </u>

Pension contributions (including past service deficit contributions) to those earning (excluding pension contributions) more than £60,000	28,013	28,225
	<u>          </u>	<u>          </u>

Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	2,226	2,523
	<u>          </u>	<u>          </u>

**7. Employee information**

**Group**

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

	<b>2017</b>	<b>2016</b>
	<b>Number</b>	<b>Number</b>
Maintenance Operatives	28	27
Administration Staff	36	38
Wardens and Cleaners	2	2
	<u>          </u>	<u>          </u>
	66	67
	<u>          </u>	<u>          </u>
The average number of persons (full time equivalent) employed by the Group during the year was:	54	61
	<u>          </u>	<u>          </u>

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 7. Employee information (continued)

	2017 £	2016 £
Staff costs (including directors' emoluments)	1,450,283	1,288,702
Social security costs	134,293	119,168
Pension costs	187,882	169,046
Defined benefit pension charge – Strathclyde Pension Fund (note 27)	(9,000)	(13,000)
SHAPS re-measurements (note 27)	3,911	(10,000)
	<u>1,767,369</u>	<u>1,553,916</u>

Included above is £122,591 (2016: £125,305) of maintenance staff costs which have been allocated to maintenance costs within note 5a.

#### Association

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

	2017 Number	2016 Number
Maintenance Operatives	6	6
Administration Staff	36	38
Wardens and Cleaners	2	2
	<u>44</u>	<u>46</u>

The average number of persons (full time equivalent) employed by the Association during the year was:

	<u>40</u>	<u>41</u>
--	-----------	-----------

	2017 £	2016 £
Staff costs (including directors' emoluments)	1,202,010	1,067,529
Social security costs	121,361	107,184
Pension costs	186,133	168,587
Defined benefit pension charge – Strathclyde Pension Fund (note 27)	(9,000)	(13,000)
SHAPS re-measurements (note 27)	3,911	(10,000)
	<u>1,504,415</u>	<u>1,320,300</u>

Included above is £122,591 (2016: £125,305) of maintenance staff costs which have been allocated to maintenance costs within note 5a.

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**8. Operating surplus**

**Group**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)		
Depreciation of other fixed assets	957,544	1,346,891
Auditor's remuneration	86,110	83,951
- In their capacity as auditor's		
- In respect of other services	23,200	21,250
- In respect of internal audit	7,411	4,162
	17,374	12,177
	<u>957,544</u>	<u>1,346,891</u>

**Association**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)		
Depreciation of other fixed assets	957,544	1,346,891
Auditor's remuneration	73,136	67,627
- In their capacity as auditor's		
- In respect of other services	12,000	12,000
- In respect of internal audit	4,947	2,400
	17,374	12,177
	<u>957,544</u>	<u>1,346,891</u>

**9. Interest receivable and other income**

**Group**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest receivable on deposits		
	2,255	2,652
	<u>2,255</u>	<u>2,652</u>

**Association**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest receivable on deposits	2,255	2,652
Interest receivable on loan to subsidiary	21,861	19,218
	<u>24,116</u>	<u>21,870</u>

**10. Interest payable and similar charges**

**Group**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
On private loans		
SHAPs deficit repayment plan – interest expense (note 27)	644,673	680,654
Defined benefit pension finance cost (note 27)	54,000	56,000
	19,000	21,000
	<u>717,673</u>	<u>757,654</u>



## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 10. Interest payable and similar charges (continued)

Association	2017 £	2016 £
On private loans	632,813	660,948
SHAPs deficit repayment plan – interest expense (note 27)	54,000	56,000
Defined benefit pension finance cost (note 27)	19,000	21,000
	<u>705,813</u>	<u>737,948</u>

#### 11. Taxation

The corporation tax charge relates to the taxable profits of Fyne Initiatives Limited.

Group	2017 £	2016 £
<b>Corporation tax</b>		
Corporation tax on profits for the year	<u>606</u>	<u>2,285</u>

The tax assessed for the year is higher than (2016: higher than) the standard rate of corporation tax in the UK (2016: 20%). The differences are explained below:

Factors affecting the tax charge for the year	2017 £	2016 £
Profit on ordinary activities before tax	1,034	9,628
United Kingdom corporation tax at 20% (2016: 20%)	207	1,926
Effect of:		
- Fixed asset differences	359	359
- Expenses not deductible for tax purposes	40	-
	<u>606</u>	<u>2,285</u>

No tax was due in respect of Fyne Homes Limited and Fyne Futures as both entities are registered charities. No tax was due in respect of Fyne Energy Limited.

#### Factors that may affect future tax charge

A reduction in the corporation tax rate to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the group's future tax charge accordingly.

#### Association

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 (2016: £nil).

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**12. Tangible fixed assets – Group and Association**

	<b>Housing Properties Held for Letting £</b>	<b>Housing Properties In Course of Construction £</b>	<b>Shared Ownership Properties Held for Letting £</b>	<b>Total £</b>
<b>Cost</b>				
At 1 April 2016	43,847,059	3,746,772	1,339,718	48,933,549
Additions in the year				
- units	14,227	2,693,208	-	2,707,435
- components	1,262,014	-	-	1,262,014
Transfers in the year	3,798,142	(3,798,142)	-	-
Disposals in the year				
- units	(62,612)	-	-	(62,612)
- components	(85,240)	-	-	(85,240)
At 31 March 2017	<u>48,773,590</u>	<u>2,641,838</u>	<u>1,339,718</u>	<u>52,755,146</u>
<b>Depreciation</b>				
At 1 April 2016	1,446,593	-	43,722	1,490,315
Charge for the year	855,125	-	21,861	876,986
Eliminated on disposal				
- units	(2,051)	-	-	(2,051)
- components	(4,682)	-	-	(4,682)
At 31 March 2017	<u>2,294,985</u>	<u>-</u>	<u>65,583</u>	<u>2,360,568</u>
<b>Net Book Value</b>				
At 31 March 2017	<u><u>46,478,605</u></u>	<u><u>2,641,838</u></u>	<u><u>1,274,135</u></u>	<u><u>50,394,578</u></u>
At 31 March 2016	<u><u>42,400,466</u></u>	<u><u>3,746,772</u></u>	<u><u>1,295,996</u></u>	<u><u>47,443,234</u></u>

The proceeds of property disposals in the year was £69,600 (2016: £159,905). These units cost £62,612 (2016: £108,757) and had accumulated depreciation of £2,051 (2016: £1,759). Government grant of £nil (2016: £58,988) is due to be repaid in respect of these disposals.

Additions to housing properties during the year included no capitalised interest (2016: £nil) and no capitalised administration costs (2016: £nil). All properties are freehold. The cost of new components capitalised in the year was £1,262,014 (2016: £1,615,726).

Components with a cost of £85,240 (2016: £584,090) and accumulated depreciation of £4,682 (2016: £21,478) were disposed of in the year.

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**13. Property Stock**

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

	Units in Management		Units under Development	
	2017	2016	2017	2016
Unimproved	2	2	-	-
New Build	790	763	50	25
Improved	682	682	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
General Needs Housing	1,474	1,447	50	25
	<hr/>	<hr/>	<hr/>	<hr/>
Shared Ownership Accommodation	47	47	-	-
Supported Housing Accommodation	30	30	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Housing Stock</b>	<b>1,551</b>	<b>1,524</b>	<b>50</b>	<b>25</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Other Property</u></b>				
Commercial	1	1	-	-
Heritable – Association's offices	4	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Other Property</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements  
For the year ended 31 March 2017

14. Tangible Fixed Assets - Other Assets - Group

	Project Kintyre Wind (Under construction) £	Heritable Property £	Land and Buildings £	Commercial Properties £	Computer and Office Equipment £	Plant and Machinery £	Motor Vehicles £	Fixtures and Fittings £	Other Equipment £	Total £
<b>Cost</b>										
At 1 April 2016	571,246	556,645	300,440	420,500	766,483	175,015	178,690	17,973	10,462	2,997,454
Additions in the year	661,451	-	-	-	37,904	-	-	-	-	699,355
Disposals in the year	-	-	-	-	-	-	(21,479)	-	-	(21,479)
At 31 March 2017	1,232,697	556,645	300,440	420,500	804,387	175,015	157,211	17,973	10,462	3,675,330
<b>Depreciation</b>										
At 1 April 2016	-	336,975	39,666	-	629,205	175,015	128,875	12,581	7,787	1,330,104
Charge for the year	-	22,265	3,309	-	45,068	-	12,326	1,797	1,345	86,110
Eliminated on disposal	-	-	-	-	-	-	(20,970)	-	-	(20,970)
At 31 March 2017	-	359,240	42,975	-	674,273	175,015	120,231	14,378	9,132	1,395,244
<b>Net Book Value</b>										
At 31 March 2017	1,232,697	197,405	257,465	420,500	130,114	-	36,980	3,595	1,330	2,280,086
At 31 March 2016	571,246	219,670	260,774	420,500	137,278	-	49,815	5,392	2,675	1,667,350

FYNE HOMES LIMITED

Notes to the Financial Statements  
For the year ended 31 March 2017

14. Tangible Fixed Assets - Other Assets – Association

	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
<b>Cost</b>							
At 1 April 2016	556,645	65,500	491,638	253,940	69,093	10,462	1,447,278
Additions in year	-	-	2,231	34,343	-	-	36,574
Disposals in year	-	-	-	-	(21,479)	-	(21,479)
At 31 March 2017	556,645	65,500	493,869	288,283	47,614	10,462	1,462,373
<b>Depreciation</b>							
At 1 April 2016	336,975	-	386,471	221,829	48,983	7,787	1,002,045
Charge for the year	22,265	-	10,740	33,885	4,901	1,345	73,136
Eliminated on disposal	-	-	-	-	(20,970)	-	(20,970)
At 31 March 2017	359,240	-	397,211	255,714	32,914	9,132	1,054,211
<b>Net Book Value</b>							
At 31 March 2017	197,405	65,500	96,658	32,569	14,700	1,330	408,162
At 31 March 2016	219,670	65,500	105,167	32,111	20,110	2,675	445,233

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 15. Investments

##### Association

	2017 £	2016 £
Investment in subsidiary undertakings	2	1

During 2005, Fyne Homes Limited acquired 1 ordinary £1 share 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 2017 was £428 (2016: £7,343). The net assets of Fyne Initiatives Limited as at 31 March 2017 was £1,109 (2016: £681).

Fyne Homes Limited controls Fyne Futures, a Scottish charity and company limited by guarantee, incorporated on 10 February 2005. Fyne Futures principal activities are focused on environmental sustainability, namely recycling, reuse, Local Produce and Car Club activities which provide employment and training opportunities. The charitable company also delivers a Carbon Reduction programme and performs wider role activities providing support to a range of community regeneration projects across the operational area. The charitable company has been involved in numerous projects during the year; these were mainly, but not exclusively Towards Zero Carbon Bute, Bute Produce and Employment Training.

The net incoming resources of Fyne Futures as at 31 March 2017 was £24,675 (2016: £28,584). The capital and reserves of Fyne Futures as at 31 March 2017 was £413,622 (2016: £388,947).

On 1 April 2016 a new subsidiary, Fyne Energy Limited, was incorporated. Fyne Homes Limited acquired 1 ordinary £1 share in Fyne Energy Limited, at par. This represents a 100% shareholding in Fyne Energy Limited, a company registered in Scotland, whose principal activities are electricity generation.

The profit on ordinary activities after taxation of Fyne Energy Limited as at 31 March 2017 was £159,343. The net assets of Fyne Energy Limited as at 31 March 2017 was £159,344.

#### 16. Stock: Shared equity housing units - Group

	£
<b>Cost</b>	
At 1 April 2016	
Disposals : 1 <sup>st</sup> tranche sales	2,018,506
Disposals : derecognised	(205,888)
	(197,814)
At 31 March 2017	<u>1,614,804</u>
<b>SHG and Other Grants</b>	
At 1 April 2016	
Received during year	1,438,917
Disposals : 1 <sup>st</sup> tranche sales	62,344
Disposals : derecognised	(99,298)
	(197,814)
At 31 March 2017	<u>1,204,149</u>
<b>Net book value</b>	
At 31 March 2017	<u>410,655</u>
At 31 March 2016	<u>579,589</u>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**16. Stock: Shared equity housing units – Group (continued)**

The stock represents the net book value (costs less grants) of 8 (2016:10) NSSE (New Supply Shared Equity) housing units whose first tranches have still to be sold at Castle Street, Rothesay. Originally there were 25 shared equity units at Castle Street, Rothesay. The first tranche of 17 of these shared equity units have now been sold and in line with the stated accounting policy the remaining cost and grant of these 17 units has been derecognised.

**17. Debtors**

<b>Group</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Rental arrears	178,596	145,294
Less: provision for bad debts	(50,000)	(50,000)
	<hr/>	<hr/>
	128,596	95,294
Amounts due from related parties	18,220	18,206
Trade debtors	20,074	13,770
Other debtors	161,980	132,507
Prepayments and accrued income	633,895	475,380
Grants receivable	-	81,624
	<hr/>	<hr/>
	962,765	816,781
	<hr/> <hr/>	<hr/> <hr/>
 <b>Association</b>	 <b>2017</b>	 <b>2016</b>
	<b>£</b>	<b>£</b>
Rental arrears	178,596	145,294
Less: provision for bad debts	(50,000)	(50,000)
	<hr/>	<hr/>
	128,596	95,294
Amounts due from subsidiary undertakings (due within 1 year)	861,147	180,246
Amounts due from related parties	18,220	18,206
Other debtors	113,755	91,684
Prepayments and accrued income	549,805	345,638
Amounts due from subsidiary undertakings (due greater than 1 year)	247,626	278,885
	<hr/>	<hr/>
	1,919,149	1,009,953
	<hr/> <hr/>	<hr/> <hr/>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**18. Cash and cash equivalents**

<b>Group</b>	<b>2017 £</b>	<b>2016 £</b>
Balances held in current accounts	1,093,211	589,140
Balances held in deposit accounts	1,155,240	653,081
	<u>2,248,451</u>	<u>1,242,221</u>

<b>Association</b>	<b>2017 £</b>	<b>2016 £</b>
Balances held in current accounts	854,256	470,265
Balances held in deposit accounts	1,155,240	653,081
	<u>2,009,496</u>	<u>1,123,346</u>

**19. Creditors - amounts falling due within one year**

<b>Group</b>	<b>2017 £</b>	<b>2016 £</b>
Bank loans	847,738	854,145
Trade creditors	44,613	309,474
Contract retentions	265,135	283,251
Accruals and deferred income	1,429,580	1,032,076
Amounts owed to related parties	5,035	-
Rent in advance	173,185	161,607
PAYE/NIC creditor	38,132	31,997
Other creditors	69,383	69,383
SHAPS past service deficit (note 27)	215,046	207,762
Deferred Government capital grants (note 21)	61,625	37,859
Corporation tax	606	2,285
Deferred income	2,210	417,070
	<u>3,152,288</u>	<u>3,406,909</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £nil in respect of pension contributions to be paid to the various pension providers (2016: £28,272).



**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**19. Creditors - amounts falling due within one year (continued)**

<b>Association</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank loans	847,738	854,145
Trade creditors	-	304,754
Contract retentions	265,135	283,251
Accruals and deferred income	854,909	644,300
Amounts owed to subsidiary undertakings	427,987	206,618
Rent in advance	173,185	161,607
PAYE/NIC creditor	32,909	28,654
Other creditors	69,383	69,383
SHAPS past service deficit (note 27)	215,046	207,762
Deferred Government capital grants (note 21)	61,625	37,859
	<u>2,947,917</u>	<u>2,798,333</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £nil in respect of pension contributions to be paid to the various pension providers (2016: £28,272).

**20. Creditors - amounts falling due after more than one year**

<b>Group</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank loans	19,543,220	17,696,065
CARES loan	300,673	-
Loan from Argyll & Bute Council	498,979	729,205
SHAPS past service deficit (note 27)	882,954	1,042,252
Deferred Government capital grants (note 21)	5,414,926	3,307,892
Deferred income	2,445	-
	<u>26,643,197</u>	<u>22,775,414</u>

<b>Association</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Bank loans	19,543,220	17,696,065
SHAPS past service deficit (note 27)	882,954	1,042,252
Deferred Government capital grants (note 21)	5,414,926	3,307,892
	<u>25,841,100</u>	<u>22,046,209</u>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**20. Creditors - amounts falling due after more than one year (continued)**

**Group and Association**

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 3.14% to 6.63%. Our earliest loan is due for repayment in December 2021 and our last loan repayment is due in 2041. The above bank loans are due as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Between one and two years	858,841	761,202
Between two and five years	5,377,496	2,665,853
In five years or more	13,306,883	14,269,010
	<u>19,543,220</u>	<u>17,696,065</u>

**Group**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Loan from Argyll and Bute Council</b>		
Between one and two years	-	729,205
Between two and five years	498,979	-
	<u>498,979</u>	<u>729,205</u>
<b>CARES loan</b>		
Between one and two years	60,135	-
Between two and five years	180,405	-
Greater than five years	60,133	-
	<u>300,673</u>	<u>-</u>

**21. Deferred Government capital grants – Group and Association**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
At 1 April 2016	3,345,751	2,122,543
Grants received in year	2,192,425	1,231,665
Released to income in year	(61,625)	(8,457)
At 31 March 2017	<u>5,476,551</u>	<u>3,345,751</u>
	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Due within one year	61,625	37,859
Between one and two years	96,318	72,499
Between two and five years	385,272	512,700
In five years or more	4,933,336	2,722,693
	<u>5,476,551</u>	<u>3,345,751</u>

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 22. Financial instruments

Group	2017 £	2016 £
<b>Financial Assets</b>		
Cash and cash equivalents	2,248,451	1,242,221
Financial assets measured at amortised cost	<u>833,438</u>	<u>541,060</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	<u>24,102,356</u>	<u>22,223,613</u>

Financial assets measured at amortised cost comprises rental arrears, accrued income, amounts due from related parties, trade debtors, other debtors and grants receivable.

Financial liabilities measured at amortised cost comprised bank loans, CARES loan, Argyll & Bute Council loan, trade creditors, contract retentions, accruals, other creditors, amounts owed to related parties and the SHAPs past service deficit.

Association	2017 £	2016 £
<b>Financial Assets</b>		
Cash and cash equivalents	2,009,496	1,123,346
Financial assets measured at amortised cost	<u>1,795,319</u>	<u>752,312</u>
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	<u>23,106,372</u>	<u>21,308,530</u>

Financial assets measured at amortised cost comprises rental arrears, accrued income, amounts due from related parties and group 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 group undertakings and the SHAPS past service deficit.

#### 23a. Share Capital – Group and Association

	2017 £	2016 £
Shares of £1 each issued and fully paid		
At 1 April 2016	130	140
Issued during year	-	6
Shares forfeited in year	(7)	(16)
At 31 March 2017	<u>123</u>	<u>130</u>

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

#### 23b. Revenue reserve

The revenue reserve represents the cumulative surpluses and deficits.

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**24. Net cash flow from operating activities**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Surplus for the year	924,205	527,021
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,043,654	1,430,842
Carrying amount of tangible fixed asset disposals	61,070	106,998
Shared equity housing unit disposed	106,590	441,089
(Increase)/decrease in debtors	(145,984)	138,591
(Decrease)/increase in creditors	(275,140)	190,244
SHAPS past service deficit liability movements	57,911	46,000
Strathclyde Pension Scheme pension liability	10,000	8,000
Taxation	606	2,285
Tax paid	(2,285)	-
<u>Adjustments for investing and financing activities:</u>		
Increase in valuation of investment properties	-	(15,500)
Proceeds from disposal of tangible fixed assets	(69,600)	(159,905)
Repayment of Government Grant	-	58,988
Interest payable	644,673	680,654
Interest received	(2,255)	(2,652)
Release of deferred Government Capital Grant	(61,625)	(8,457)
SHAPS past service deficit payments	(209,925)	(204,000)
Cancelled share capital	(7)	(16)
Net cash generated from operating activities	<u>2,081,888</u>	<u>3,240,182</u>

**25. Revenue Commitments**

At 31 March 2017 the group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows:

**Group**

	<b>2017</b>	<b>2016</b>
	<b>Premises</b>	<b>Premises</b>
	<b>£</b>	<b>£</b>
Not later than one year	29,587	20,830
Later than one year and not later than five years	69,300	38,780
Later than five years	26,550	35,400
	<u>125,437</u>	<u>95,010</u>

**Association**

	<b>2017</b>	<b>2016</b>
	<b>Premises</b>	<b>Premises</b>
	<b>£</b>	<b>£</b>
Not later than one year	23,667	13,530
Later than one year and not later than five years	61,400	35,780
Later than five years	26,550	35,400
	<u>111,617</u>	<u>84,710</u>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**26. Capital Commitments – Group and Association**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Capital expenditure which has been contracted for but has not been provided for in the financial statements	5,675,108	676,235
This is to be funded by:		
Funding from the Scottish Government	2,868,199	-
Other grants	968,741	-
Private finance	1,838,168	676,235
	<u>5,675,108</u>	<u>676,235</u>

**27. 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 1/60<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/60<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/70<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/80<sup>th</sup> accrual rate;
- Career average revalued earnings with a 1/120<sup>th</sup> 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 1/120<sup>th</sup> 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.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 27. Pensions (continued)

##### General (continued)

During the accounting period, Fyne Homes Limited paid contributions at the rate of 7.1% of pensionable salaries. Employee contributions were 5%.

In addition to these contributions, £217,344 (2016: £210,814) was paid in the year as a past service deficit contribution of which £7,419 (2016: £6,814) was for administration costs. The past service deficit contribution for 2017/18 is £215,046 (net of administration costs).

As at the Statement of Financial Position date there were 29 (2016: 27) 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.

The last formal valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616million. The valuation revealed a shortfall of assets compared to liabilities of £198million, equivalent to a past service funding level of 76%.

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 has been recognised in the Statement of Financial Position.

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 2017 by the Pensions Trust.

##### Past service deficit repayment liability

	2017 £	2016 £
Provision at start of year	1,250,014	1,408,014
Unwinding of the discount factor (interest expense)	54,000	56,000
Deficit contribution paid	(209,925)	(204,000)
Re-measurements – impact of any changes in assumptions	3,911	(10,000)
Provision at end of year	<u>1,098,000</u>	<u>1,250,014</u>
Liability split as:		
< 1 year	215,046	207,762
1-2 years	219,174	209,073
2-5 years	663,780	635,966
> 5 years	-	197,213
	<u>1,098,000</u>	<u>1,250,014</u>

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 27. Pensions (continued)

<b>Statement of Comprehensive Income Impact</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Interest expense	54,000	56,000
Re-measurements – impact of any change in assumptions	3,911	(10,000)
Assumptions	<b>2017</b>	<b>2016</b>
Rate of discount	1.06%	2.29%

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.

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 2016. As of this date the estimated employer debt for Fyne Homes Limited was £10,021,433 (2016: £7,743,174)

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%.

#### **Royal London Auto Enrolment scheme**

The group operate a defined contribution auto enrolment pension scheme. Both employee and employer contributions are 1%.

## FYNE HOMES LIMITED

### Notes to the Financial Statements For the year ended 31 March 2017

#### 27. Pensions (continued)

##### 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 2017	31 March 2016
Inflation / Pension Increase Rate	2.4%	2.1%
Salary increases	4.4%	4.1%
Discount rate	2.5%	3.4%

##### **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 2017 £000	Value at 31 March 2016 £000
Fair value of plan assets	2,604	2,067
Present value of funded liabilities	(3,428)	(2,615)
Net pension liability	<u>(824)</u>	<u>(548)</u>



**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**27. Pensions (continued)**

**Reconciliation of defined benefit obligation**

	<b>As at 31 Mar 2017 (£'000)</b>	<b>As at 31 Mar 2016 (£'000)</b>
<b>Opening Defined Benefit Obligation</b>	2,615	2,676
Current Service Cost	97	81
Interest Cost	90	83
Plan participants' contributions	24	18
Changes in financial assumptions	681	(130)
Other experience	-	(35)
Benefits Paid	(79)	(78)
	<u>3,428</u>	<u>2,615</u>
<b>Closing Defined Benefit Obligation</b>	<u><u>3,428</u></u>	<u><u>2,615</u></u>

**Reconciliation of fair value of employer assets**

	<b>As at 31 Mar 2017 (£'000)</b>	<b>As at 31 Mar 2016 (£'000)</b>
<b>Opening Fair Value of Employer Assets</b>	2,067	1,981
Interest income on plan assets	71	62
Plan participants contributions	24	18
Contributions by the Employer	106	94
Contributions in respect of Unfunded Benefits	-	-
Return on assets excluding amounts included in net interest	415	(10)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(79)	(78)
	<u>2,604</u>	<u>2,067</u>
<b>Closing Fair Value of Employer Assets</b>	<u>2,604</u>	<u>2,067</u>
<b>Net pension liability</b>	<u><u>(824)</u></u>	<u><u>(548)</u></u>

**Analysis of amount recognised in Other Comprehensive Income**

	<b>2017 £</b>	<b>2016 £</b>
Total measurements recognised in other comprehensive income	<u><u>(266,000)</u></u>	<u><u>155,000</u></u>

**FYNE HOMES LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2017**

**27. Pensions (continued)**

**Analysis of amounts included in Statement of Comprehensive Income**

	<b>As at 31 March 2017 £'000</b>	<b>As at 31 March 2016 £'000</b>
Current service cost	97	81
Contributions	(106)	(94)
Past service cost	-	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge	<u>(9)</u>	<u>(13)</u>
Net Interest cost	<u>19</u>	<u>21</u>

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Changes in assumptions at 31 March 2017:</b>	<b>Approximate % increase to Defined Benefit Obligation %</b>	<b>Approximate monetary amount £'000</b>
0.5% decrease in Real Discount Rate	10%	339
0.5% increase in the Salary Increase Rate	3%	89
0.5% increase in the Pension Increase Rate	7%	242

The expected employer's contributions for 2017/18 will be approximately £112,000.

**28. Related party transactions**

**InspirAlba Limited**

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

At the Statement of Financial Position date the Group and Association was owed £18,220 (2016: £18,206) by InspirAlba Limited. This is included in debtors.

During the year £8,000 (2016: £8,000) was charged to InspirAlba Limited for office rental costs.

**Board members**

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £13,306 (2016: £12,326). The total rent arrears relating to tenant Board members included within debtors at the year end is £99 (2016: £88).

## **FYNE HOMES LIMITED**

### **Notes to the Financial Statements For the year ended 31 March 2017**

#### **29. Legislative Provisions**

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

Fyne Futures, Fyne Initiatives Limited and Fyne Energy Limited are incorporated under the Companies Act 2006.

