



FYNE HOMES LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 Herriott (co-opted 11 July 2018)
D O Williams (resigned 30 May 2018)

Executive Officers

C Renfrew, Chief Executive
J McAlister, Technical Services Director
S Cole, Business Services Director
T Robertson, Housing Services Director
L Haemmerle, Human Resources Director (appointed 25 January 2018)

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

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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

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2018.

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 to provide design and build services to the Association and the rental of commercial property.

Fyne Energy Limited's principal activity is that of electricity generation. It is currently in the process of building three wind turbines.

Objectives and Strategy

Fyne Homes Corporate Plan identified three 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 2018 Fyne Homes Limited made a surplus of £406,062 (2017 restated: £745,652). During the year Fyne Homes Limited invested £956,496 (2017: £1,262,014) in property improvements and continues to provide quality affordable housing.

2 schemes came off site during 2017/18 providing 12 rented units at Lochgilphead High School, Phase 5, and 6 rented units at Minard.

A further 3 schemes are on site, which will provide 16 rented units at Spence Court, Dunoon, 16 rented units at Lochgilphead High School Phase 4 and 4 units at Minard, Phase 2 are all due for completion in 2018/19. The capital spend on new developments in the year was £4,515,544.

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 2018, 96.99% 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 2018

Review of business and future developments (continued)

Fyne Futures

The charitable company generated a deficit in funds of £74,517 (2017: £24,675) for the year. The net assets of the charitable company were £339,105 at 31 March 2018 (2017: £413,622) 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 £1,568 (2017 restated: £10,928). There was a distribution in the form of gift aid to Fyne Homes Limited of £10,500 (2017 restated: £1,000) in the year. 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 deficit after providing for taxation for the year to 31 March 2018 amounted to £100,182 (2017: profit of £159,343) and the net assets were £59,162 (2017: £159,344). Construction of the wind turbines has progressed as planned.

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 2016/17;
- Meeting void targets of 28 days – this was not achieved in 2017/18 as the average void period was 56.9 days (2016/17: 40 days) due to difficult to let properties;
- Achieving a rent loss target of 2% - this was not achieved in 2017/18 as the rent loss was 2.53% of total rental income including service charges (2016/17: 2.45%). However if you exclude our decant properties used during major works in 2017/18 the rental loss would be 1.94% (2016/17 1.76%);
- Our internal target of completing 95% of emergency repairs within 6 hours was achieved in 2017/18 with a completion rate of 98% (2016/17: completion rate of 99%);
- Our internal target of completing 95% of urgent repairs within 3 working days was not achieved in 2017/18 with a completion rate of 88% (2016/17: 88%) which was outwith our control as we were unable to gain access to some properties.

During 2018/19 the Association will be revising its targets.

FYNE HOMES LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

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 2016/17 overall performance was slightly below the Scottish average. The full 2016/17 report can be accessed on the Scottish Housing Association's website and the 2017/18 report will be accessible on this website when published.

Governance

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

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 Executive Committee is a committee that can meet at short notice to make decisions without having to wait until the next Management committee meeting and consists of the chair and convenors of the various sub committees.

The Management Committee meet eight times each year. The Executive Committee meet at least twice a year with one of these meetings held to approve the annual 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;

FYNE HOMES LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Statement on Internal Financial Controls (continued)

- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial controls. The results of such reviews are reported to the Audit Committee;
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (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 2018. 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 the 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.

FYNE HOMES LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Disclosure of information to the auditor

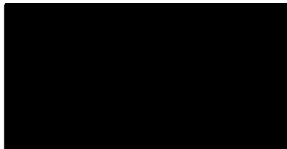
To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- 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: 12 September 2018

FYNE HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of Fyne Homes Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2018 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2018 and of the Group's and Parent Association's income and expenditure for the year then 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 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

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

FYNE HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's 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.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 4, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee are responsible for assessing the Group's and the Parent Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Group or the Parent Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

FYNE HOMES LIMITED

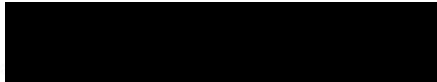
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Auditor's responsibilities for the audit of the financial statements (continued)

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

Use of our Report

This report is made solely to the Parent 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 Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 12 September 2018

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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 2018

In addition to our audit of the financial statements, we have reviewed your statement on pages 3 and 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Controls on pages 3 and 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial 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
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow
G2 6NL

Dated: 12 September 2018

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
Turnover	4	7,144,184	7,521,316
Less: Operating expenditure	4	(6,156,290)	(5,889,617)
Operating surplus	4	987,894	1,631,699
Gain on disposal of property, plant and equipment		-	8,530
Interest receivable and other income	9	423	2,255
Interest payable and similar charges	10a	(696,545)	(717,673)
Foreign exchange loss on forward contracts	10b	(93,959)	-
Surplus before taxation		197,813	924,811
Taxation	11	(789)	(606)
Surplus for the year		197,024	924,205
Actuarial gain/(loss) in respect of the pension scheme	27	322,000	(266,000)
Total comprehensive income for the year		519,024	658,205

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 2018

	Notes	2018 £	Restated 2017 £
Turnover	4	6,784,936	6,592,187
Less: Operating expenditure	4	(5,732,344)	(5,174,368)
Operating surplus	4	1,052,592	1,417,819
Gain on disposal of property, plant and equipment		-	8,530
Interest receivable and other income	9	30,585	24,116
Interest payable and similar charges	10	(687,615)	(705,813)
Distribution from subsidiary – Gift aid		10,500	1,000
Surplus for the year		406,062	745,652
Actuarial gain/(loss) in respect of the pension scheme	27	322,000	(266,000)
Total comprehensive income for the year		728,062	479,652

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
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2017	123	25,676,927	25,677,050
Total Comprehensive Income for the year	-	519,024	519,024
Share capital issued during the year	5	-	5
Share capital cancelled during the year	(11)	-	(11)
Balance as at 31 March 2018	<u>117</u>	<u>26,195,951</u>	<u>26,196,068</u>

**CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as 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)
Balance as at 31 March 2017	<u>123</u>	<u>25,676,927</u>	<u>25,677,050</u>

The notes form part of the financial statements.

FYNE HOMES LIMITED

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2017 as restated	123	25,107,747	25,107,870
Total Comprehensive Income for the year	-	728,062	728,062
Share capital issued during the year	5	-	5
Share capital cancelled during the year	(11)	-	(11)
	<u>117</u>	<u>25,835,809</u>	<u>25,835,926</u>
Balance as at 31 March 2018	<u>117</u>	<u>25,835,809</u>	<u>25,835,926</u>

ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2016 as restated	130	24,628,095	24,628,225
Total Comprehensive Income for the year	-	479,652	479,652
Share capital cancelled during the year	(7)	-	(7)
	<u>123</u>	<u>25,107,747</u>	<u>25,107,870</u>
Balance as at 31 March 2017 as restated	<u>123</u>	<u>25,107,747</u>	<u>25,107,870</u>

The notes form part of the financial statements.

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Notes	2018 £	2017 £
Tangible fixed assets			
Housing properties	12	54,825,363	50,394,578
Other fixed assets	14	6,784,572	2,280,086
		<u>61,609,935</u>	<u>52,674,664</u>
Current assets			
Stock	16	348,809	410,655
Debtors	17	1,165,155	962,765
Cash and cash equivalents	18	2,406,070	2,248,451
		<u>3,920,034</u>	<u>3,621,871</u>
Creditors: amounts falling due within one year	19	<u>(3,909,658)</u>	<u>(3,152,288)</u>
Net current assets		<u>10,376</u>	<u>469,583</u>
Total assets less current liabilities		<u>61,620,311</u>	<u>53,144,247</u>
Creditors: amounts falling due after more than one year	20	<u>(34,866,243)</u>	<u>(26,643,197)</u>
Retirement benefit pension scheme deficit	27	<u>(558,000)</u>	<u>(824,000)</u>
Net assets		<u>26,196,068</u>	<u>25,677,050</u>
Capital and reserves			
Share capital	23a	117	123
Revenue reserve	23b	26,195,951	25,676,927
		<u>26,196,068</u>	<u>25,677,050</u>

The financial statements were authorised for issue by the Management Committee on 12 September 2018 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 2018

	Notes	2018 £	Restated 2017 £
Tangible fixed assets			
Housing properties	12	54,825,363	50,394,578
Other fixed assets	14	424,966	408,162
		<u>55,250,329</u>	<u>50,802,740</u>
Investments	15	2	2
		<u>55,250,331</u>	<u>50,802,742</u>
Current assets			
Debtors (amounts falling due after more than one year)	17	214,693	247,626
Debtors (amounts falling due within one year)	17	1,236,836	1,661,023
Cash and cash equivalents	18	2,350,659	2,009,496
		<u>3,802,188</u>	<u>3,918,145</u>
Creditors: amounts falling due within one year	19	<u>(3,295,485)</u>	<u>(2,947,917)</u>
Net current assets		<u>506,703</u>	<u>970,228</u>
Total assets less current liabilities		<u>55,757,034</u>	<u>51,772,970</u>
Creditors: amounts falling due after more than one year	20	<u>(29,363,108)</u>	<u>(25,841,100)</u>
Retirement benefit pension scheme deficit	27	(558,000)	(824,000)
Net assets		<u>25,835,926</u>	<u>25,107,870</u>
Capital and reserves			
Share capital	23a	117	123
Revenue reserve	23b	25,835,809	25,107,747
		<u>25,835,926</u>	<u>25,107,870</u>

The financial statements were authorised for issue by the Management Committee on 12 September 2018 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 2018

	Notes	2018 £	2017 £
Net cash generated from operating activities	24	2,227,597	2,081,888
Cash flow from investing activities			
Purchase of property, plant and equipment		(10,081,702)	(4,668,804)
Purchase of shared equity housing stock		(2,224)	-
Proceeds from disposal of property, plant and equipment		18,500	69,600
Grants received		3,220,321	2,254,769
Interest received		423	2,255
		(6,844,682)	(2,342,180)
Cash flow from financing activities			
Interest paid		(664,545)	(644,673)
New secured loan		6,558,953	3,001,866
Repayment of borrowings		(1,119,709)	(1,090,671)
Issue of share capital		5	-
		4,774,704	1,266,522
Net changes in cash and cash equivalents		157,619	1,006,230
Cash and cash equivalents at 1 April		2,248,451	1,242,221
Cash and cash equivalents at 31 March		2,406,070	2,248,451

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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) and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and Statement of Recommended Practice for Social Housing Providers issued in 2014.

The principal accounting policies are set out below:

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The presentation currency is pound sterling and the financial statements are rounded to the nearest whole number.

The Association is a registered social landlord in Scotland and its registered number is 321. The registered address is included in the front page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

2. Accounting policies

Basis of accounting

These financial statements have been prepared under the historical cost convention subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended 31 March 2018.

Going concern

The Management Committee anticipate that a surplus will be generated by the Group and the Association in the year ended 31 March 2019 and the year ended 31 March 2020. The Group and 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 Limited

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.

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

Income is recognised 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 expenditure 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 2018

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.

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 Grant 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.

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.

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

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

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

Estimate

Basis of estimation

The valuation of investment properties

The investment properties were valued by an appropriately qualified valuer 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 2018

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

Group	Notes	Turnover £	2018 Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	2017 Operating Expenditure £	Operating Surplus/ (Deficit) £
Social Lettings	5a	6,509,320	(5,447,944)	1,061,376	6,272,056	(4,863,159)	1,408,897
Other Activities	5b	273,116	(275,616)	(2,500)	317,631	(320,131)	(2,500)
Fyne Initiatives Limited		95,347	(84,986)	10,361	239,865	(199,291)	40,574
Fyne Futures		266,401	(341,521)	(75,120)	528,368	(502,983)	25,385
Fyne Energy Limited		-	(6,223)	(6,223)	163,396	(4,053)	159,343
TOTAL		7,144,184	(6,156,290)	987,894	7,521,316	(5,889,617)	1,631,699
Association							
			2018 Operating Expenditure £	Operating Surplus £	Turnover £	2017 Operating Expenditure £	Operating Surplus £
Social Lettings	5a	6,509,320	(5,456,728)	1,052,592	6,272,056	(4,854,237)	1,417,819
Other Activities	5b	275,616	(275,616)	-	320,131	(320,131)	-
TOTAL		6,784,936	(5,732,344)	1,052,592	6,592,187	(5,174,368)	1,417,819

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,215,708	111,036	103,597	6,430,341	6,226,676
Service charges	145,714	4,889	-	150,603	140,033
Gross income from rents and service charges	6,361,422	115,925	103,597	6,580,944	6,366,709
Less voids	(166,270)	-	-	(166,270)	(156,278)
Net income from rents and service charges	6,195,152	115,925	103,597	6,414,674	6,210,431
Grants released from deferred income	94,646	-	-	94,646	61,625
Total turnover from social letting activities	6,289,798	115,925	103,597	6,509,320	6,272,056
Expenditure					
Management and maintenance administration costs	(2,087,152)	(100,271)	(81,908)	(2,269,331)	(2,207,095)
Service charges	(212,903)	(4,889)	-	(217,792)	(208,742)
Planned cyclical maintenance including major repairs	(797,075)	-	-	(797,075)	(723,886)
Reactive maintenance costs	(999,489)	-	-	(999,489)	(750,934)
Bad debts – rents and service charges	(133,096)	-	-	(133,096)	(14,958)
Depreciation of social housing	(998,707)	(10,765)	(21,689)	(1,031,161)	(957,544)
Operating expenditure for social letting activities	(5,228,422)	(115,925)	(103,597)	(5,447,944)	(4,863,159)
Operating surplus on letting activities, 2018	1,061,376	-	-	1,061,376	-
Operating surplus on letting activities, 2017	1,408,897	-	-	1,408,897	-

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	2017 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,215,708	111,036	103,597	6,430,341	6,226,676
Service charges	145,714	4,889	-	150,603	140,033
Gross income from rents and service charges	6,361,422	115,925	103,597	6,580,944	6,366,709
Less voids	(166,270)	-	-	(166,270)	(156,278)
Net income from rents and service charges	6,195,152	115,925	103,597	6,414,674	6,210,431
Grants released from deferred income	94,646	-	-	94,646	61,625
Total turnover from social letting activities	6,289,798	115,925	103,597	6,509,320	6,272,056
Expenditure					
Management and maintenance administration costs	(2,095,936)	(100,271)	(81,908)	(2,278,115)	(2,198,173)
Service charges	(212,903)	(4,889)	-	(217,792)	(208,742)
Planned cyclical maintenance including major repairs	(797,075)	-	-	(797,075)	(723,886)
Reactive maintenance costs	(999,489)	-	-	(999,489)	(750,934)
Bad debts – rents and service charges	(133,096)	-	-	(133,096)	(14,958)
Depreciation of social housing	(998,707)	(10,765)	(21,689)	(1,031,161)	(957,544)
Operating expenditure for social letting activities	(5,237,206)	(115,925)	(103,597)	(5,456,728)	(4,854,237)
Operating surplus on letting activities, 2018	1,052,592	-	-	1,052,592	-
Operating surplus on letting activities, 2017	1,417,819	-	-	-	1,417,819

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

Group	Grants from Scottish Ministers 2018 £	Other revenue grants 2018 £	Supporting people income 2018 £	Other income 2018 £	Total Turnover 2018 £	Total Turnover 2017 £	Other Operating expenditure 2018 £	Other operating expenditure 2017 £	Operating Surplus/(deficit) 2018 £	Operating Surplus/(deficit) 2017 £
Stage 3 adaptations	63,000	-	-	-	63,000	108,656	(63,000)	(108,656)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	42,241	42,241	39,302	(42,241)	(39,302)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	18,057	18,057	17,233	(20,557)	(19,733)	(2,500)	(2,500)
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and community grant	124,940	-	-	-	124,940	152,440	(124,940)	(152,440)	-	-
Other activities	-	24,878	-	-	24,878	-	(24,878)	-	-	-
Total from other activities, 2018	187,940	24,878	-	60,298	273,116	317,631	(275,616)	(320,131)	(2,500)	(2,500)
Total from other activities, 2017	261,096	-	-	56,535	317,631	317,631	(320,131)	(320,131)	(2,500)	(2,500)

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

Association	Grants from Scottish Ministers 2018 £	Other revenue grants 2018 £	Supporting people income 2018 £	Other income 2018 £	Total Turnover 2018 £	Total Turnover 2017 £	Other Operating expenditure 2018 £	Other operating expenditure 2017 £	Operating Surplus/ (deficit) 2018 £	Operating Surplus/ (deficit) 2017 £
Stage 3 adaptations	63,000	-	-	-	63,000	108,656	(63,000)	(108,656)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	42,241	42,241	39,302	(42,241)	(39,302)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	20,557	20,557	19,733	(20,557)	(19,733)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and community grant	124,940	-	-	-	124,940	152,440	(124,940)	(152,440)	-	-
Other activities	-	24,878	-	-	24,878	-	(24,878)	-	-	-
Total from other activities, 2018	187,940	24,878	-	62,798	275,616		(275,616)		-	
Total from other activities, 2017	261,096	-	-	59,035		320,131		(320,131)	-	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

6. Directors' emoluments – Group and Association

The directors are defined as the members of the Management Committee and the executive officers (as per the first page of the accounts). 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.

	2018 £	2017 £
Chief Executive (excluding pension contributions) amounted to:	<u>86,323</u>	<u>82,603</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 £16,819 (2017: £15,054).

Aggregate emoluments payable to key management (including employers national insurance but excluding pension contributions):	<u>322,395</u>	<u>299,575</u>
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The pension contributions paid in respect of key management in the year, including past service deficit payments was £64,948 (2017: £58,339)

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	1	-
£65,001 - £70,000	-	-
£70,001 - £75,000	1	1
£75,001 - £80,000	-	-
£80,001 - £85,000	-	1
£85,001 - £90,000	1	-
	<u>1</u>	<u>1</u>

Total emoluments (excluding pension contributions and NI) to those earning more than £60,000	<u>217,753</u>	<u>153,894</u>
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Pension contributions (including past service deficit contributions) to those earning (excluding pension contributions and NI) more than £60,000	<u>52,083</u>	<u>28,013</u>
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Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>2,589</u>	<u>2,226</u>
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7. Employee information
Group

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

	2018 Number	2017 Number
Maintenance Operatives	26	28
Administration Staff	41	36
Wardens and Cleaners	2	2
	<u>69</u>	<u>66</u>

The average number of persons (full time equivalent) employed by the Group during the year was:	<u>58</u>	<u>54</u>
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Employee information (continued)

	2018 £	2017 £
Staff costs (including directors' emoluments)	1,606,497	1,450,283
Social security costs	151,024	134,293
Pension costs	190,252	187,882
Defined benefit pension charge – Strathclyde Pension Fund (note 27)	35,000	(9,000)
SHAPS re-measurements (note 27)	(8,000)	3,911
	<u>1,974,773</u>	<u>1,767,369</u>

Included above is £186,483 (2017: £122,591) 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:

	2018 Number	2017 Number
Maintenance Operatives	7	6
Administration Staff	41	36
Wardens and Cleaners	2	2
	<u>50</u>	<u>44</u>

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

45	40
<u>45</u>	<u>40</u>

	2018 £	2017 £
Staff costs (including directors' emoluments)	1,366,172	1,202,010
Social security costs	136,774	121,361
Pension costs	188,440	186,133
Defined benefit pension charge – Strathclyde Pension Fund (note 27)	35,000	(9,000)
SHAPS re-measurements (note 27)	(8,000)	3,911
	<u>1,718,386</u>	<u>1,504,415</u>

Included above is £186,483 (2017: £122,591) 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 2018

8. Operating surplus

Group	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,031,161	957,544
Depreciation of other fixed assets	105,176	86,110
Auditor's remuneration		
- In their capacity as auditors	27,530	23,200
- In respect of other services	6,744	7,411
- In respect of internal audit	18,442	17,374
	<u>1,289,053</u>	<u>1,106,739</u>

Association	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,031,161	957,544
Depreciation of other fixed assets	87,199	73,136
Auditor's remuneration		
- In their capacity as auditors	13,000	12,000
- In respect of other services	3,788	4,947
- In respect of internal audit	18,442	17,374
	<u>1,253,990</u>	<u>1,165,901</u>

9. Interest receivable and other income

Group	2018 £	2017 £
Interest receivable on deposits	423	2,255
	<u>423</u>	<u>2,255</u>

Association	2018 £	2017 £
Interest receivable on deposits	423	2,255
Interest receivable on loan to subsidiary	30,162	21,861
	<u>30,585</u>	<u>24,116</u>

10a. Interest payable and similar charges

Group	2018 £	2017 £
On private loans	664,545	644,673
SHAPs deficit repayment plan – interest expense (note 27)	11,000	54,000
Defined benefit pension finance cost (note 27)	21,000	19,000
	<u>706,545</u>	<u>717,673</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10a. Interest payable and similar charges (continued)

Association	2018 £	2017 £
On private loans	655,615	632,813
SHAPs deficit repayment plan – interest expense (note 27)	11,000	54,000
Defined benefit pension finance cost (note 27)	21,000	19,000
	<u>687,615</u>	<u>705,813</u>

10b. Foreign exchange loss on forward contracts

At the year end the company had forward exchange contracts to buy €5,061,968. The fair value of these contracts (£93,959) has been included in creditors at the year end and reflected in the Statement of Comprehensive Income.

11. Taxation

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

Group	2018 £	2017 £
Corporation tax		
Corporation tax on profits for the year	<u>789</u>	<u>606</u>

The tax assessed for the year is higher than (2017: *higher than*) the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

	2018 £	Restated 2017 £
Factors affecting the tax charge for the year		
Taxable trading profits	2,357	11,534
United Kingdom corporation tax at 19% (2017: 20%)	448	2,307
Effect of:		
- Fixed asset differences	341	359
- Expenses not deductible for tax purposes	-	40
- Proposed gift aid distribution relief	-	(2,100)
	<u>789</u>	<u>606</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 2017. 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 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Tangible fixed assets – Group and Association

	Housing Properties Held for Letting £	Housing Properties In Course of Construction £	Shared Ownership Properties Held for Letting £	Total £
Cost				
At 1 April 2017	48,773,590	2,641,838	1,339,718	52,755,146
Additions in the year				
- units	-	4,515,544	-	4,515,544
- components	956,496	-	-	956,496
Transfers in the year	2,553,905	(2,553,905)	-	-
Disposals in the year				
- units	-	-	(10,613)	(10,613)
- components	(88,019)	-	-	(88,019)
At 31 March 2018	<u>52,195,972</u>	<u>4,603,477</u>	<u>1,329,105</u>	<u>58,128,554</u>
Depreciation				
At 1 April 2017	2,294,985	-	65,583	2,360,568
Charge for the year	931,938	-	21,689	953,627
Eliminated on disposal				
- units	-	-	(519)	(519)
- components	(10,485)	-	-	(10,485)
At 31 March 2018	<u>3,216,438</u>	<u>-</u>	<u>86,753</u>	<u>3,303,191</u>
Net Book Value				
At 31 March 2018	<u>48,979,534</u>	<u>4,603,477</u>	<u>1,242,352</u>	<u>54,825,363</u>
At 31 March 2017	<u>46,478,605</u>	<u>2,641,838</u>	<u>1,274,135</u>	<u>50,394,578</u>

The proceeds of property disposals in the year was £18,500 (2017: £69,600). These units cost £10,613 (2017: £62,612) and had accumulated depreciation of £519 (2017: £2,051). Government grant of £8,406 (2017: £nil) is due to be repaid in respect of these disposals.

Additions to housing properties during the year included no capitalised interest (2017: £nil) and no capitalised administration costs (2017: £nil). All properties are freehold. The cost of new components capitalised in the year was £956,496 (2017: £1,262,014).

Components with a cost of £88,019 (2017: £85,240) and accumulated depreciation of £10,485 (2017: £4,682) were disposed of in the year.

The net book value of the properties which are secured is £32,476,142.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. Property Stock

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

	Units in Management 2018	<i>Units in Management 2017</i>	Units under Development 2018	<i>Units under Development 2017</i>
Unimproved	2	2	-	-
New Build	808	790	36	50
Improved	687	682	-	-
General Needs Housing	<u>1,497</u>	<u>1,474</u>	<u>36</u>	<u>50</u>
Shared Ownership Accommodation	46	47	-	-
Supported Housing Accommodation	30	30	-	-
Total Housing Stock	<u><u>1,573</u></u>	<u><u>1,551</u></u>	<u><u>36</u></u>	<u><u>50</u></u>
<u>Other Property</u>				
Commercial	1	1	-	-
Heritable – Association's offices	4	4	-	-
Total Other Property	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible Fixed Assets - Other Assets – Group

	Kintyre Wind Project (Under construction)	Heritable Property	Land and Buildings	Commercial Properties	Computer and Office Equipment	Plant and Machinery	Motor Vehicles	Fixtures and Fittings	Other Equipment	Total
	£	£	£	£	£	£	£	£	£	£
Cost										
At 1 April 2017	1,232,697	556,645	300,440	420,500	804,387	175,015	157,211	17,973	10,462	3,675,330
Additions in the year	4,479,657	-	-	-	62,393	7,940	54,916	-	4,756	4,609,662
Disposals in the year	-	-	-	-	-	-	-	-	-	-
At 31 March 2018	<u>5,712,354</u>	<u>556,645</u>	<u>300,440</u>	<u>420,500</u>	<u>866,780</u>	<u>182,955</u>	<u>212,127</u>	<u>17,973</u>	<u>15,218</u>	<u>8,284,992</u>
Depreciation										
At 1 April 2017	-	359,240	42,975	-	674,273	175,015	120,231	14,378	9,132	1,395,244
Charge for the year	-	22,266	3,308	-	49,871	1,985	23,034	1,798	2,914	105,176
Eliminated on disposal	-	-	-	-	-	-	-	-	-	-
At 31 March 2018	<u>-</u>	<u>381,506</u>	<u>46,283</u>	<u>-</u>	<u>724,144</u>	<u>177,000</u>	<u>143,265</u>	<u>16,176</u>	<u>12,046</u>	<u>1,500,420</u>
Net Book Value										
At 31 March 2018	<u>5,712,354</u>	<u>175,139</u>	<u>254,157</u>	<u>420,500</u>	<u>142,636</u>	<u>5,955</u>	<u>68,862</u>	<u>1,797</u>	<u>3,172</u>	<u>6,784,572</u>
At 31 March 2017	<u>1,232,697</u>	<u>197,405</u>	<u>257,465</u>	<u>420,500</u>	<u>130,114</u>	<u>-</u>	<u>36,980</u>	<u>3,595</u>	<u>1,330</u>	<u>2,280,086</u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

14. Tangible Fixed Assets - Other Assets – Association

	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
Cost							
At 1 April 2017	556,645	65,500	493,869	288,283	47,614	10,462	1,462,373
Additions in year	-	-	8,536	47,795	42,916	4,756	104,003
Disposals in year	-	-	-	-	-	-	-
At 31 March 2018	556,645	65,500	502,405	336,078	90,530	15,218	1,566,376
Depreciation							
At 1 April 2017	359,240	-	397,211	255,714	32,914	9,132	1,054,211
Charge for the year	22,266	-	10,519	37,036	14,464	2,914	87,199
Eliminated on disposal	-	-	-	-	-	-	-
At 31 March 2018	381,506	-	407,730	292,750	47,378	12,046	1,141,410
Net Book Value							
At 31 March 2018	175,139	65,500	94,675	43,328	43,152	3,172	424,966
At 31 March 2017	197,405	65,500	96,658	32,569	14,700	1,330	408,162

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

15. Investments

Association	2018	2017
	£	£
Investment in subsidiary undertakings	2	2

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 the provision of design and build services to Fyne Homes Limited and the rental of commercial property.

The profit on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2018 was £1,568 (2017 restated: £10,928). The net assets of Fyne Initiatives Limited as at 31 March 2018 was £3,466 (2017 restated: £11,609).

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 deficit on ordinary activities of Fyne Futures as at 31 March 2018 was £74,157 (2017: surplus of £24,675). The capital and reserves of Fyne Futures as at 31 March 2018 was £339,105 (2017: £413,622).

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 loss on ordinary activities after taxation of Fyne Energy Limited as at 31 March 2018 was £100,182 (2017: profit of £159,343). The net assets of Fyne Energy Limited as at 31 March 2018 was £59,162 (2017: £159,344).

16. Stock: Shared equity housing units - Group

	£
Cost	
At 1 April 2017	1,614,804
Additions	2,224
Disposals : 1 st tranche sales	(131,203)
Disposals : derecognised	(70,648)
At 31 March 2018	1,415,177
SHG and Other Grants	
At 1 April 2017	1,204,149
Received during year	6,250
Disposals : 1 st tranche sales	(73,383)
Disposals : derecognised	(70,648)
At 31 March 2018	1,066,368
Net book value	
At 31 March 2018	348,809
At 31 March 2017	410,655

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

The stock represents the net book value (costs less grants) of 7 (2017:8) 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 18 of these shared equity units have now been sold and in line with the stated accounting policy the remaining cost and grant of these 18 units has been derecognised.

17. Debtors

Group	2018 £	2017 £
Rental arrears	228,120	178,596
Less: provision for bad debts	(81,595)	(50,000)
	<u>146,525</u>	<u>128,596</u>
Amounts due from related parties	14,689	18,220
Trade debtors	4,049	20,074
Other debtors	390,492	161,980
Prepayments and accrued income	609,400	633,895
Grants receivable	-	-
	<u>1,165,155</u>	<u>962,765</u>
	<u>1,165,155</u>	<u>962,765</u>
Association	2018 £	2017 £
Rental arrears	228,120	178,596
Less: provision for bad debts	(81,595)	(50,000)
	<u>146,525</u>	<u>128,596</u>
Amounts due from subsidiary undertakings (due within 1 year)	445,086	850,647
Amounts due from related parties	14,689	18,220
Other debtors	31,504	113,755
Prepayments and accrued income	599,032	549,805
Amounts due from subsidiary undertakings (due greater than 1 year)	214,693	247,626
	<u>1,451,529</u>	<u>1,908,649</u>
	<u>1,451,529</u>	<u>1,908,649</u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

18. Cash and cash equivalents

Group	2018 £	2017 £
Balances held in current accounts	350,516	1,093,211
Balances held in deposit accounts	2,055,554	1,155,240
	<u>2,406,070</u>	<u>2,248,451</u>
Association	2018 £	2017 £
Balances held in current accounts	295,105	854,256
Balances held in deposit accounts	2,055,554	1,155,240
	<u>2,350,659</u>	<u>2,009,496</u>

19. Creditors - amounts falling due within one year

Group	2018 £	2017 £
Bank loans	861,093	847,738
Trade creditors	775,812	44,613
Contract retentions	328,769	265,135
Accruals and deferred income	1,003,513	1,429,580
Amounts owed to related parties	-	5,035
Rent in advance	166,475	173,185
PAYE/NIC creditor	4,614	38,132
Other creditors	77,789	69,383
VAT Bridging loan	206,725	-
Fair value of forward contract	93,959	-
SHAPS past service deficit (note 27)	220,772	215,046
Deferred Government capital grants (note 21)	165,745	61,625
Corporation tax	789	606
Deferred income	3,603	2,210
	<u>3,909,658</u>	<u>3,152,288</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £28,249 in respect of pension contributions to be paid to the various pension providers (2017: £nil).

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

Association	2018 £	2017 £
Bank loans	861,093	847,738
Trade creditors	24,458	-
Contract retentions	328,769	265,135
Accruals and deferred income	567,421	854,909
Amounts owed to subsidiary undertakings	882,963	427,987
Rent in advance	166,475	173,185
PAYE/NIC creditor	-	32,909
Other creditors	77,789	69,383
SHAPS past service deficit (note 27)	220,772	215,046
Deferred Government capital grants (note 21)	165,745	61,625
	<u>3,295,485</u>	<u>2,947,917</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £27,964 in respect of pension contributions to be paid to the various pension providers (2017: £nil).

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

Group	2018 £	2017 £
Bank loans	20,268,649	19,543,220
CARES loan	-	300,673
Triodos loan	2,175,290	-
REIF loan	2,883,663	-
Loan from Argyll & Bute Council	441,159	498,979
SHAPS past service deficit (note 27)	664,228	882,954
Deferred Government capital grants (note 21)	8,430,231	5,414,926
Deferred income	3,023	2,445
	<u>34,866,243</u>	<u>26,643,197</u>
Association	2018 £	2017 £
Bank loans	20,268,649	19,543,220
SHAPS past service deficit (note 27)	664,228	882,954
Deferred Government capital grants (note 21)	8,430,231	5,414,926
	<u>29,363,108</u>	<u>25,841,100</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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:

	2018 £	2017 £
Between one and two years	880,653	858,841
Between two and five years	7,027,552	5,377,496
In five years or more	12,360,444	13,306,883
	<u>20,268,649</u>	<u>19,543,220</u>
Group	2018 £	2017 £
Loan from Argyll and Bute Council		
Between one and two years	-	-
Between two and five years	441,159	498,979
	<u>441,159</u>	<u>498,979</u>
CARES loan		
Between one and two years	-	60,135
Between two and five years	-	180,405
Greater than five years	-	60,133
	<u>-</u>	<u>300,673</u>
Triodos loan		
Between one and two years	712,619	-
Between two and five years	1,462,671	-
	<u>2,175,290</u>	<u>-</u>
REIF loan		
Between one and two years	-	-
Between two and five years	327,389	-
Greater than five years	2,556,274	-
	<u>2,883,663</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Deferred Government capital grants – Group and Association

	2018 £	2017 £
At 1 April 2017	5,476,551	3,345,751
Grants received in year	3,214,071	2,192,425
Released to income in year	(94,646)	(61,625)
At 31 March 2018	<u>8,595,976</u>	<u>5,476,551</u>
	2018 £	2017 £
Due within one year	165,745	61,625
Between one and two years	331,490	96,318
Between two and five years	497,235	385,272
In five years or more	7,601,506	4,933,336
	<u>8,595,976</u>	<u>5,476,551</u>

22. Financial instruments

Group	2018 £	2017 £
Financial Assets		
Cash and cash equivalents	2,406,070	2,248,451
Financial assets measured at amortised cost	<u>1,052,486</u>	<u>833,438</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	29,908,092	24,102,356
Financial liabilities measured at fair value through the SOCI	<u>93,959</u>	<u>-</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, Triodos loan, REIF loan, Argyll & Bute Council loan, trade creditors, contract retentions, accruals, other creditors, VAT bridging loan, amounts owed to related parties and the SHAPs past service deficit.

Association	2018 £	2017 £
Financial Assets		
Cash and cash equivalents	2,350,659	2,009,496
Financial assets measured at amortised cost	<u>1,344,524</u>	<u>1,784,819</u>
Financial Liabilities		
Financial liabilities measured at amortised cost	<u>23,896,138</u>	<u>23,106,372</u>

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

Financial liabilities measured at amortised cost comprises trade creditors, other creditors, contract retentions, accruals, bank loans, amounts owed to related parties and subsidiary undertakings and the SHAPs past service deficit.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

23a. Share Capital – Group and Association

	2018 £	2017 £
Shares of £1 each issued and fully paid At 1 April 2017	123	130
Issued during year	5	-
Shares forfeited in year	(11)	(7)
At 31 March 2018	<u>117</u>	<u>123</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.

24. Net cash flow from operating activities

	2018 £	2017 £
Surplus for the year	197,024	924,205
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,136,337	1,043,654
Carrying amount of tangible fixed asset disposals	10,094	61,070
Shared equity housing unit disposed	57,820	106,590
(Increase) in debtors	(202,390)	(145,984)
Increase/(decrease) in creditors	634,564	(275,140)
SHAPS past service deficit liability movements	3,000	57,911
Strathclyde Pension Scheme pension liability	56,000	10,000
Taxation	789	606
Tax paid	(606)	(2,285)
<u>Adjustments for investing and financing activities:</u>		
Proceeds from disposal of tangible fixed assets	(18,500)	(69,600)
Repayment of Government Grant	-	-
Interest payable	664,545	644,673
Interest received	(423)	(2,255)
Release of deferred Government Capital Grant	(94,646)	(61,625)
SHAPS past service deficit payments	(216,000)	(209,925)
Cancelled share capital	(11)	(7)
Net cash generated from operating activities	<u>2,227,597</u>	<u>2,081,888</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25. Revenue Commitments

At 31 March 2018 the group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2018 Premises £	2017 Premises £
Not later than one year	31,870	29,587
Later than one year and not later than five years	51,063	69,300
Later than five years	17,700	26,550
	<u>100,633</u>	<u>125,437</u>
Association	2018 Premises £	2017 Premises £
Not later than one year	24,450	23,667
Later than one year and not later than five years	48,000	61,400
Later than five years	17,700	26,550
	<u>90,150</u>	<u>111,617</u>

26. Capital Commitments – Group and Association

	2018 £	2017 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<u>5,460,437</u>	<u>5,675,108</u>
This is to be funded by:		
Funding from the Scottish Government	2,495,819	2,868,199
Other grants	745,883	968,741
Private finance	2,218,735	1,838,168
	<u>5,460,437</u>	<u>5,675,108</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

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

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

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

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

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, £222,974 (2017: £217,344) was paid in the year as a past service deficit contribution of which £6,974 (2017: £7,419) was for administration costs. The past service deficit contribution for 2018/19 is £216,087 (net of administration costs).

As at the Statement of Financial Position date there were 31 (2017: 29) active members of the Scheme employed by Fyne Homes Limited. Fyne Homes Limited continues to offer membership of the Scheme to its employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

27. Pensions (continued)

General (continued)

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.

30 September 2017 funding update

The Employer Committee has recently received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly valuation.

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation due at 30 September 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

27. Pensions (continued)

Past service deficit repayment liability	2018	2017
	£	£
Provision at start of year	1,098,000	1,250,014
Unwinding of the discount factor (interest expense)	11,000	54,000
Deficit contribution paid	(216,000)	(209,925)
Re-measurements – impact of any changes in assumptions	(8,000)	3,911
	885,000	1,098,000
Liability split as:		
< 1 year	220,772	215,046
1-2 years	224,013	219,174
2-5 years	440,215	663,780
	885,000	1,098,000
Statement of Comprehensive Income Impact	2018	2017
	£	£
Interest expense	11,000	54,000
Re-measurements – impact of any change in assumptions	(8,000)	3,911
Assumptions	2018	2017
Rate of discount	1.51%	1.06%

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

27. Pensions (continued)

Statement of Comprehensive Income Impact (continued)

Fyne Homes Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHAPS based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for Fyne Homes Limited was £7,641,700 (2017: £10,021,433).

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%.

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 2018	<i>31 March 2017</i>
Inflation / Pension Increase Rate	2.4%	2.4%
Salary increases	3.6%	4.4%
Discount rate	2.7%	2.5%

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	<i>Females</i>
Current Pensioners	21.4 years	<i>23.7 years</i>
Future Pensioners	23.4 years	<i>25.8 years</i>

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.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

27. Pensions (continued)

Scheme assets

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

	Value at 31 March 2018 £000	Value at 31 March 2017 £000
Fair value of plan assets	2,954	2,604
Present value of funded liabilities	(3,512)	(3,428)
Net pension liability	<u>(558)</u>	<u>(824)</u>

Reconciliation of defined benefit obligation

	As at 31 Mar 2018 (£'000)	As at 31 Mar 2017 (£'000)
Opening Defined Benefit Obligation	3,428	2,615
Current Service Cost	146	97
Interest Cost	87	90
Plan participants' contributions	22	24
Changes in financial assumptions	(169)	681
Other experience	95	-
Benefits Paid	(97)	(79)
Closing Defined Benefit Obligation	<u>3,512</u>	<u>3,428</u>

Reconciliation of fair value of employer assets

	As at 31 Mar 2018 (£'000)	As at 31 Mar 2017 (£'000)
Opening Fair Value of Employer Assets	2,604	2,067
Interest income on plan assets	66	71
Plan participants contributions	22	24
Contributions by the Employer	111	106
Contributions in respect of Unfunded Benefits	-	-
Return on assets excluding amounts included in net interest	248	415
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(97)	(79)
Closing Fair Value of Employer Assets	<u>2,954</u>	<u>2,604</u>
Net pension liability	<u>(558)</u>	<u>(824)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

27. Pensions (continued)

Analysis of amount recognised in Other Comprehensive Income

	2018 £	2017 £
Total measurements recognised in other comprehensive income	<u>322,000</u>	<u>(266,000)</u>

Analysis of amounts included in Statement of Comprehensive Income

	As at 31 Mar 2018 (£'000)	As at 31 Mar 2017 (£'000)
Current service cost	146	97
Contributions	(111)	(106)
Past service cost	-	-
Curtailement and Settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating charge	<u>35</u>	<u>(9)</u>
Net Interest cost	<u>21</u>	<u>19</u>

Sensitivity analysis

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

Changes in assumptions at 31 March 2018:	Approximate % increase to Defined Benefit Obligation %	Approximate monetary amount £'000
0.5% decrease in Real Discount Rate	9%	309
0.5% increase in the Salary Increase Rate	0%	11
0.5% increase in the Pension Increase Rate	8%	297

The expected employer's contributions for 2018/19 will be approximately £120,000.

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 £14,689 (2017: £18,220) by InspirAlba Limited. This is included in debtors.

During the year £8,000 (2017: £8,000) was charged to InspirAlba Limited for office rental costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

28. Related party transactions

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £13,991 (2017: £13,306). The total rent arrears relating to tenant Board members included within debtors at the year end is £152 (2017: £99).

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.

30. Transition adjustment - Association

As part of the triennial review of FRS 102, the Financial Reporting Council (FRC) issued proposed changes in the form of Financial Reporting Exposure Draft 68 (FRED 68) 'Payments by subsidiaries to their charitable parents that qualify for gift aid in respect of the accounting treatment of gift aid'. FRED 68 clarified that gift aid payments are distributions that should be recognised in equity and should not be accounted for as expenditure. FRED 68 also confirmed that these distributions should not be accrued at the year-end (unless a deed of covenant is in place), but that they will still qualify for taxation relief for the current year as long as the amount is paid within nine months of the year end.

The revised FRS 102 comes into force for accounting periods beginning on or after 1 January 2019. However the changes being introduced as a result of FRED 68 have been early adopted, as allowed, as part of the preparation of the financial statements for the year ended 31 March 2018.

The following adjustments account for the change in treatment of the gift aid distribution and reconcile the position of these financial statements to the most recent set of signed financial statements.

Restated capital and reserves as at 1 April 2016

	£
Association	
Capital and reserves as previously stated as at 1 April 2016	24,629,225
Gift aid adjustment – 2016 – gift aid accrued by Fyne Initiatives Limited at 31 March 2016	<u>(1,000)</u>
Restated capital and reserves as at 1 April 2016	<u><u>24,628,225</u></u>

Restated surplus for the year ended 31 March 2017

	£
Association	
Surplus as previously stated at 31 March 2017	489,152
Gift aid adjustment – 2017 - gift aid recognised at 31 March 2017 from Fyne Initiatives Limited but paid 2017/18	<u>(10,500)</u>
Gift aid 2017 - gift aid paid by Fyne Initiatives Limited in the year ended 31 March 2017	<u>1,000</u>
Restated surplus for year end 31 March 2017	<u><u>479,652</u></u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

30. Transition adjustment

Restated capital and reserves as at 31 March 2017

£

Association

Capital and reserves as previously stated as at 31 March 2017

25,118,370

Gift aid adjustment – 2017 – gift aid recognised at 31 March 2017 for Fyne
Initiatives Limited but paid 2017/18

(10,500)

Restated capital and reserves as at 31 March 2017

25,107,870

