

FYNE HOMES LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

FYNE HOMES LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS

Management Committee

J McMillan, Chairperson
S MacLeod, Vice Chairperson
D Wilkinson, Secretary
P Wallace
A C Harrison
M Lang
P Lingard
T McKay
L Scoullar
D Herriott
K Findlay (appointed 8 October 2019)
D Anderson (resigned 8 October 2019)
H Kirk (resigned 8 July 2020)

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

Bankers

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

Registered Office

81 Victoria Street
Rothesay
Isle of Bute
PA20 0AP

Auditor

Azets Audit Services Limited
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

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

Internal auditor (to 31 March 2020)

Scott-Moncrieff
Exchange Place 3
Sempie 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 2020

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2020.

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. The wind turbines were completed in the current year, with this now generating income for the group.

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 2020 Fyne Homes Limited made a surplus of £817,356 (2019: £722,315). During the year Fyne Homes Limited invested £1,370,150 (2019: £952,515) in property improvements and continues to provide quality affordable housing.

2 schemes are on site one at Tighnabruaich which will provide 20 rented units one at Cairndow providing 6 units and are due for completion in 20/21. The capital spend on new developments in the year was £2,272,595.

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 2020, 95.26% 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 2020

Review of business and future developments (continued)

Fyne Futures

The charitable company generated a deficit in funds of £34,596 (2019: £62,170) for the year. The net assets of the charitable company were £242,339 at 31 March 2020 (2019: £276,935) 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. Recycling Services from Argyll and Bute Council, Bute Produce, Recycling and Reuse activities and continued funding to deliver Towards Zero Carbon Bute Activity. The contract with Argyll and Bute Council has not been renewed for 2020/21.

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 loss after providing for taxation amounted to £8,512 (2019: profit of £38,571). There was a distribution in the form of gift aid to Fyne Homes Limited of £12,369 (2019: *Nil*) 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 Initiatives has net assets of £20,367 (2019: £41,428).

Fyne Energy Limited

A new subsidiary, Fyne Energy Limited, was incorporated on 1 April 2016 in order to run the Kintyre Wind project. Construction was completed in year ended 31 March 2019 and electricity is now being generated. The profit after providing for taxation for the year to 31 March 2020 amounted to £246,924 (2019: £220,064) and the net assets were £526,150 (2019: £279,226).

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 2018/19;
- Meeting void targets of 28 days – this was not achieved in 2019/20 as the average void period was 28.62% days (2018/19: 25.5 days) due to difficult to let properties;
- Achieving a rent loss target of 2% - this was achieved in 2019/20 the rent loss was 1.69% of total rental income including service charges (2018/19: 1.82%). If you exclude our decant properties used during major works in 2019/20 the rental loss would be 1.02% (2018/19: 1.18%);
- Our internal target of completing 95% of emergency repairs within 6 hours was achieved in 2019/20 with a completion rate of 97% (2018/19: completion rate of 98%); and
- Our internal target of completing 95% of urgent repairs within 3 working days was not achieved in 2019/20 with a completion rate of 84% (2018/19: 86%) which was out with our control as we were unable to gain access to some properties.

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 2018/19 overall performance was slightly below the Scottish average. The full 2018/19 report can be accessed on the Scottish Housing Association's website and the 2019/20 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;

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

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 2020. 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. The Management Committee must ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator. 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 2020**

Disclosure of information to the auditor

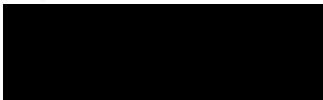
To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- 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

The appointed auditor, Scott-Moncrieff, tendered their resignation during 2019 and were replaced by Azets Audit Services. Azets Audit Services, have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

By order of the Management Committee



Chairperson

Dated: 16 September 2020

FYNE HOMES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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 2020 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 and Association Statements 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 2020 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 2019 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 2020

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 2020**

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.



Azets Audit Services Limited
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
25 Bothwell Street
Glasgow
G2 6NL

Date: 16 September 2020

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 2020

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.

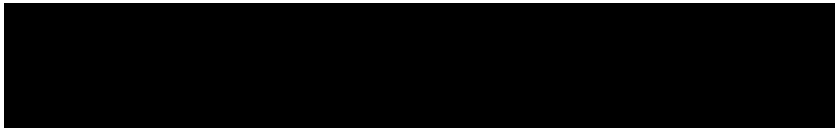
Basis of Opinion

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.



Azets Audit Services Limited
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 16 September 2020

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Turnover	4	10,003,131	8,112,638
Less: Operating expenditure	4	(7,429,067)	(6,425,134)
Operating surplus	4	2,574,064	1,687,504
Loss on disposal of property, plant and equipment		(566)	(56,340)
Increase in Fair value of investment properties	14	-	28,000
Interest payable and similar charges	10	(1,381,441)	(798,711)
Surplus before taxation		1,192,057	860,453
Taxation	11	(156,350)	-
Surplus for the year		1,035,707	860,453
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	26	-	(740,000)
Actuarial gain/(loss) on SHAPS Liability	26	1,551,000	(228,000)
Actuarial gain/(loss) on the Strathclyde Pension Fund Liability	27	311,000	(168,000)
Total comprehensive income for the year		2,897,707	(275,547)

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 2020**

	Notes	2020 £	2019 £
Turnover	4	7,516,594	7,338,698
Less: Operating expenditure	4	(6,011,267)	(5,845,716)
Operating surplus	4	1,505,327	1,492,982
Loss on disposal of property, plant and equipment		(566)	(56,340)
Interest receivable and other income	9	16,194	19,799
Interest payable and similar charges	10	(715,968)	(734,126)
Distribution from subsidiary – Gift aid		12,369	-
Surplus for the year		817,356	722,315
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	26	-	(740,000)
Actuarial gain/(loss) on SHAPS liability	26	1,551,000	(228,000)
Actuarial gain/(loss) on the Strathclyde Pension fund liability	27	311,000	(168,000)
Total comprehensive income for the year		2,679,356	(413,685)

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 2020**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2019	106	25,920,404	25,920,510
Total Comprehensive Income for the year	-	2,897,707	2,897,707
Share capital issued during the year	10	-	10
Share capital cancelled during the year	(11)	-	(11)
Balance as at 31 March 2020	<u>105</u>	<u>28,818,111</u>	<u>28,818,216</u>

**CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2018	117	26,195,951	26,196,068
Total Comprehensive Income for the year	-	(275,547)	(275,547)
Share capital issued during the year	2	-	2
Share capital cancelled during the year	(13)	-	(13)
Balance as at 31 March 2019	<u>106</u>	<u>25,920,404</u>	<u>25,920,510</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 2020**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2019	106	25,422,124	25,422,230
Total Comprehensive Income for the year	-	2,679,356	2,679,356
Share capital issued during the year	10	-	10
Share capital cancelled during the year	(11)	-	(11)
Balance as at 31 March 2020	<u>105</u>	<u>28,101,480</u>	<u>28,101,585</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Share Capital £	Revenue Reserves £	Total Reserves £
Balance as at 1 April 2018	117	25,835,809	25,835,926
Total Comprehensive Income for the year	-	(413,685)	(413,685)
Share capital issued during the year	2	-	2
Share capital cancelled during the year	(13)	-	(13)
Balance as at 31 March 2019	<u>106</u>	<u>25,422,124</u>	<u>25,422,230</u>

The notes form part of the financial statements.

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Tangible fixed assets			
Housing properties	12	60,056,862	57,836,400
Other fixed assets	14	14,715,562	15,303,258
		<u>74,772,424</u>	<u>73,139,658</u>
Current assets			
Stock	16	121,210	262,114
Debtors	17	1,523,024	1,915,822
Cash and cash equivalents	18	1,835,751	1,156,151
		<u>3,479,985</u>	<u>3,334,087</u>
Creditors: amounts falling due within one year	19	<u>(4,332,334)</u>	<u>(4,487,461)</u>
Net current liabilities		<u>(852,349)</u>	<u>(1,153,374)</u>
Total assets less current liabilities		<u>73,920,075</u>	<u>71,986,284</u>
Creditors: amounts falling due after more than one year	20	<u>(44,301,509)</u>	<u>(43,505,774)</u>
Pension – SHAPS defined benefit liability	26	(103,000)	(1,801,000)
Pension – Strathclyde Pension Fund defined benefit liability	27	(541,000)	(759,000)
Provision for liabilities	11	(156,350)	-
Net assets		<u>28,818,216</u>	<u>25,920,510</u>
Capital and reserves			
Share capital	22a	105	106
Revenue reserve	22b	28,818,111	25,920,404
		<u>28,818,216</u>	<u>25,920,510</u>

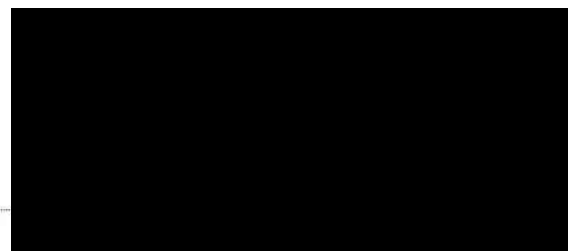
The financial statements were authorised for issue by the Management Committee on 16 September 2020 and were signed on its behalf by:



Chairperson – 



Secretary – 



Committee member

The notes form part of these financial statements.

FYNE HOMES LIMITED

ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
Tangible fixed assets			
Housing properties	12	60,056,862	57,836,400
Other fixed assets	14	407,227	435,895
		<u>60,464,089</u>	<u>58,272,295</u>
Investments	15	2	2
		<u>60,464,091</u>	<u>58,272,297</u>
Current assets			
Debtors (amounts falling due after more than one year)	17	180,000	180,000
Debtors (amounts falling due within one year)	17	1,331,778	1,744,384
Cash and cash equivalents	18	1,345,829	883,261
		<u>2,857,607</u>	<u>2,807,645</u>
Creditors: amounts falling due within one year	19	<u>(2,875,642)</u>	<u>(3,033,439)</u>
Net current liabilities		<u>(18,035)</u>	<u>(225,794)</u>
Total assets less current liabilities		<u>60,446,056</u>	<u>58,046,503</u>
Creditors: amounts falling due after more than one year	20	<u>(31,700,471)</u>	<u>(30,064,273)</u>
Pension – SHAPS defined benefit liability	26	(103,000)	(1,801,000)
Pension – Strathclyde Pension Fund defined benefit liability	27	(541,000)	(759,000)
		<u>28,101,585</u>	<u>25,422,230</u>
Net assets		<u>28,101,585</u>	<u>25,422,230</u>
Capital and reserves			
Share capital	22a	105	106
Revenue reserve	22b	28,101,480	25,422,124
		<u>28,101,585</u>	<u>25,422,230</u>

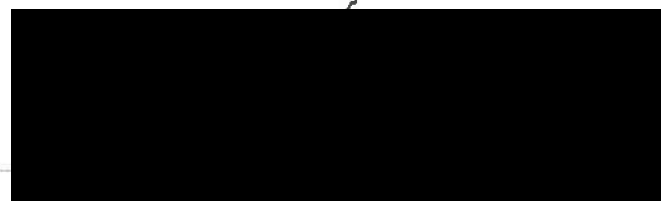
The financial statements were authorised for issue by the Management Committee on 16 September 2020 and were signed on its behalf by:



Chairperson – 



Secretary – 



Committee member

The notes form part of these financial statements.

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
Net cash generated from operating activities	23	4,116,147	2,078,507
Cash flow from investing activities			
Purchase of property, plant and equipment		(3,761,595)	(12,879,830)
Proceeds from disposal of property, plant and equipment		296,750	50,000
Repayment of government grant		-	(75,335)
Grants received		1,934,735	1,914,828
		<u>(1,530,110)</u>	<u>(10,990,337)</u>
Cash flow from financing activities			
Interest paid		(1,322,441)	(742,711)
New secured loan		1,001,502	9,349,692
Repayment of borrowings		(1,585,508)	(945,072)
Issue of share capital		10	2
		<u>(1,906,437)</u>	<u>7,661,911</u>
Net changes in cash and cash equivalents		679,600	(1,249,919)
Cash and cash equivalents at 1 April		1,156,151	2,406,070
Cash and cash equivalents at 31 March		<u>1,835,751</u>	<u>1,156,151</u>

(i) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	Other non- cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	1,156,151	679,600	-	1,835,751
	<u>1,156,151</u>	<u>679,600</u>	<u>-</u>	<u>1,835,751</u>
Borrowings				
Debt due within one year	(1,713,518)	1,585,508	(2,034,982)	(2,162,992)
Debt due after one year	(33,320,956)	(1,001,502)	2,034,982	(32,287,476)
	<u>(35,034,474)</u>	<u>584,006</u>	<u>-</u>	<u>(34,450,468)</u>
Total	<u>(33,878,323)</u>	<u>1,263,606</u>	<u>-</u>	<u>(32,614,717)</u>

The notes form part of these financial statements.

FYNE HOMES LIMITED

**ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	2019 £
Net cash inflow from operating activities	23	2,700,850	1,981,018
Cash flow from investing activities			
Purchase of property, plant and equipment		(3,723,423)	(4,329,683)
Proceeds from disposal of property, plant and equipment		296,750	50,000
Repayment of Government Grant		-	(75,335)
Grants received		1,934,735	1,914,828
Interest received		16,194	19,799
		(1,475,744)	(2,420,391)
Cash flow from financing activities			
Interest paid		(656,968)	(678,126)
New secured loan		774,666	500,000
Repayment of borrowings		(880,246)	(849,901)
Issue of share capital		10	2
		(762,538)	(1,028,025)
Net changes in cash and cash equivalents		462,568	(1,467,398)
Cash and cash equivalents at 1 April		883,261	2,350,659
Cash and cash equivalents at 31 March		1,345,829	883,261

(j) Analysis of changes in net debt

	At 1 April 2019 £	Cash flows £	Other non- cash changes £	At 31 March 2020 £
Cash and cash equivalents				
Cash	883,261	462,568	-	1,345,829
	883,261	462,568	-	1,345,829
Borrowings				
Debt due within one year	(894,882)	880,246	(955,207)	(969,843)
Debt due after one year	(19,884,959)	(774,666)	955,207	(19,704,418)
	(20,779,841)	105,580	-	(20,674,261)
Total	(19,896,580)	568,148	-	(19,328,432)

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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 2019 issued by the Scottish Housing Regulator and Statement of Recommended Practice for Social Housing Providers issued in 2018.

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

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 United Kingdom and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. The principal accounting policies are set out below.

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

A summary of the principal accounting policies is set out below.

Basis of preparation

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The effect of events relating to the year ended 31 March 2020, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2020 and of the results for the year ended on that date.

Basis of consolidated accounting policy

These financial statements consolidate those of Fyne Homes Limited and its subsidiary undertakings, Fyne Initiatives Limited, Fyne Energy Limited and Fyne Futures drawn up to 31 March 2020. Surpluses or deficits on intra-group transactions are eliminated in full.

Going concern

The Management Committee anticipate that a surplus will be generated by the Group and the Association in the year ended 31 March 2021 and the year ended 31 March 2022. 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. This assessment of going concern includes our consideration the expected impact of COVID-19 to the Group and the Association.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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.

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.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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.

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

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.

The three wind turbines have been depreciated from 1 March 2019, the first month following the takeover certificate being issued. The assets are being depreciated over their expected useful lives of 25 years.

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.

Public benefit concessionary loan

In line with FRS 102, the Association has made an accounting policy choice to recognise loans from public benefit entities that are being used to further the Association's core activities as public benefit concessionary loans meaning the loans are recognised at their principal value on initial recognition.

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.

2. Accounting policies (continued)

Financial Instruments (continued)

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.

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

The Scottish Housing Association Defined Benefits Pension Scheme and the Strathclyde Pension Fund

The Association participates in The Scottish Housing Associations' Defined Benefits Pension Scheme (SHAPS) and retirement benefits to employees of the Association are funded by the 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. The Strathclyde Pension fund is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

The amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

2. Accounting policies (continued)

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.

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 members of the Management Committee consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP.
- The amount disclosed as "operating surplus" is repetitive of activities that would normally be regarded as "operating".

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

<u>Estimate</u>	<u>Basis of estimation</u>
The valuation of investment properties	The investment properties were valued by an appropriately qualified 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 Group, 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 2020

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

Group	Notes	Turnover £	2020 Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	2019 Operating Expenditure £	Operating Surplus/ (Deficit) £
Affordable Lettings	5a	7,298,517	(5,799,850)	1,498,667	7,007,048	(5,504,061)	1,502,987
Other Activities	5b	215,577	(218,072)	(2,495)	329,150	(331,650)	(2,500)
Fyne Initiatives Limited		128,090	(117,155)	10,935	126,258	(107,178)	19,080
Fyne Futures		331,164	(384,197)	(53,033)	317,809	(380,483)	(62,674)
Fyne Energy Limited		2,029,783	(909,793)	1,119,990	332,373	(101,762)	230,611
TOTAL		10,003,131	(7,429,067)	2,574,064	8,112,628	(6,425,134)	1,687,504
Association							
Affordable Lettings	5a	7,298,517	(5,793,195)	1,505,322	7,007,048	(5,514,066)	1,492,982
Other Activities	5b	218,077	(218,072)	5	331,650	(331,650)	-
TOTAL		7,516,594	(6,011,267)	1,505,327	7,338,698	(5,845,716)	1,492,982

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

5a. Particulars of turnover, operating expenditure and operating surplus from affordable lettings						
Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2020 Total £	2019 Total £	
Income from rent and service charges	6,961,090	119,016	98,427	7,178,533	6,817,117	
Rent receivable net of service charges	152,263	4,889	-	157,152	151,048	
Service charges						
Gross income from rents and service charges	7,113,353	123,905	98,427	7,335,685	6,968,165	
charges						
Less voids	(123,794)	-	-	(123,794)	(126,862)	
Net income from rents and service charges	6,989,559	123,905	98,427	7,211,891	6,841,303	
William Woodhouse Strain Trust	6,208	-	-	6,208	-	
Grants released from deferred income	80,418	-	-	80,418	165,745	
Total turnover from affordable letting activities	7,076,185	123,905	98,427	7,298,517	7,007,048	
Expenditure						
Management and maintenance administration costs	(2,458,504)	(108,231)	(79,300)	(2,646,035)	(2,378,451)	
Service charges	(194,241)	(4,889)	-	(199,130)	(194,259)	
Planned cyclical maintenance including major repairs	(501,196)	-	-	(501,196)	(574,277)	
Reactive maintenance costs	(1,068,710)	-	-	(1,068,710)	(1,120,454)	
Bad debts – rents and service charges	(120,051)	-	-	(120,051)	(62,082)	
Depreciation of social housing	(1,234,816)	(10,785)	(19,127)	(1,264,728)	(1,174,538)	
Operating expenditure for affordable letting activities	(5,577,518)	(123,905)	(98,427)	(5,799,850)	(5,504,061)	
Operating surplus on letting activities, 2020	1,498,667	-	-	1,498,667		
Operating surplus on letting activities, 2019	1,502,987	-	-		1,502,987	

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2020 Total £	2019 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,961,090	119,016	98,427	7,178,533	6,817,117
Service charges	152,263	4,889	-	157,152	151,048
Gross income from rents and service charges	7,113,353	123,905	98,427	7,335,685	6,968,165
Less voids	(123,794)	-	-	(123,794)	(126,862)
Net income from rents and service charges	6,989,559	123,905	98,427	7,211,891	6,841,303
William Woodhouse Strain Fund	6,208	-	-	6,208	-
Grants released from deferred income	80,418	-	-	80,418	165,745
Total turnover from affordable letting activities	7,076,185	123,905	98,427	7,298,517	7,007,048
Expenditure					
Management and maintenance administration costs	(2,451,849)	(108,231)	(79,300)	(2,639,380)	(2,388,456)
Service charges	(194,241)	(4,889)	-	(199,130)	(194,259)
Planned cyclical maintenance including major repairs	(501,196)	-	-	(501,196)	(574,277)
Reactive maintenance costs	(1,068,710)	-	-	(1,068,710)	(1,120,454)
Bad debts – rents and service charges	(120,051)	-	-	(120,051)	(62,082)
Depreciation of social housing	(1,234,816)	(10,785)	(19,127)	(1,264,728)	(1,174,538)
Operating expenditure for affordable letting activities	(5,570,863)	(123,905)	(98,427)	(5,793,195)	(5,514,066)
Operating surplus on letting activities, 2020	1,505,322	-	-	1,505,322	
Operating surplus on letting activities, 2019	1,492,982	-	-		1,492,982

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

Group	Grants from Scottish Ministers 2020 £	Other revenue grants 2020 £	Supporting people income 2020 £	Other income 2020 £	Total Turnover 2020 £	Total Turnover 2019 £	Other Operating expenditure 2020 £	Other operating expenditure 2019 £	Operating Surplus/ (deficit) 2020 £	Operating Surplus/ (deficit) 2019 £
Stage 3 adaptations	62,320	-	-	-	62,320	65,901	(62,315)	(65,901)	5	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	44,426	44,426	43,771	(44,426)	(43,771)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	11,527	11,527	21,536	(14,027)	(24,036)	(2,500)	(2,500)
People and community grant	97,304	-	-	-	97,304	117,430	(97,304)	(117,430)	-	-
Other activities	-	-	-	-	-	80,512	-	(80,512)	-	-
Total from other activities, 2020	159,624	-	-	55,953	215,577		(218,072)		(2,495)	
Total from other activities, 2019	183,331	80,512	-	67,807		329,150	(331,650)			(2,500)

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

Association	Grants from Scottish Ministers 2020 £	Other revenue grants 2020 £	Supporting people income 2020 £	Other income 2020 £	Total Turnover 2020 £	Total Turnover 2019 £	Other Operating Expenditure 2020 £	Other operating expenditure 2019 £	Operating Surplus/ (deficit) 2020 £	Operating Surplus/ (deficit) 2019 £
Stage 3 adaptations	62,320	-	-	-	62,320	65,901	(62,315)	(65,901)	5	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	44,426	44,426	43,771	(44,426)	(43,771)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	14,027	14,027	24,036	(14,027)	(24,036)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and community grant	97,304	-	-	-	97,304	117,430	(97,304)	117,430	-	-
Other activities	-	-	-	-	-	80,512	-	(80,512)	-	-
Total from other activities, 2020	159,624	-	-	58,453	218,077	331,650	(218,072)	-	5	-
Total from other activities, 2019	183,331	80,512	-	67,807	331,650	331,650	(331,650)	-	-	-

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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.

	2020 £	2019 £
Chief Executive (excluding pension contributions) amounted to:	90,786	88,480

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 amounted to £8,136 (2019: £7,929).

Aggregate emoluments payable to key management (including employers national insurance but excluding pension contributions):	<u>379,050</u>	<u>370,014</u>
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The pension contributions paid in respect of key management in the year was £48,143 (2019: £48,679)

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	2	2
£65,001 - £70,000	-	-
£70,001 - £75,000	1	1
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	-	1
£90,001 - £95,000	1	-

Total emoluments (excluding pension contributions and NI) to those earning more than £60,000	<u>288,813</u>	<u>282,606</u>
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Pension contributions to those earning (excluding pension contributions and NI) more than £60,000	<u>35,743</u>	<u>34,346</u>
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Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>2,007</u>	<u>2,547</u>
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. **Employee information**
Group

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

	2020 Number	2019 Number
Maintenance Operatives	23	27
Administration Staff	41	42
Wardens and Cleaners	2	2
	<u>66</u>	<u>71</u>

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

2020	2019
<u>58</u>	<u>59</u>

	2020 £	2019 £
Staff costs (including directors' emoluments)	1,725,718	1,707,204
Social security costs	164,678	159,968
Pension costs	218,150	216,162
Defined benefit pension charge – SHAPS costs (note 26)	42,247	130,000
Defined benefit pension liability – Strathclyde Pension Fund (note 27)	74,000	17,000
	<u>2,224,793</u>	<u>2,230,334</u>

Included above is £214,004 (2019: £212,267) 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:

	2020 Number	2019 Number
Maintenance Operatives	8	8
Administration Staff	41	42
Wardens and Cleaners	2	2
	<u>51</u>	<u>52</u>

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

2020	2019
<u>48</u>	<u>48</u>

	2020 £	2019 £
Staff costs (including directors' emoluments)	1,507,668	1,462,862
Social security costs	151,473	146,435
Pension costs	212,392	212,379
Defined benefit pension charge – SHAPS (note 26)	42,247	130,000
Defined benefit pension liability – Strathclyde Pension Fund (note 27)	74,000	17,000
	<u>1,987,780</u>	<u>1,968,676</u>

Included above is £214,004 (2019: £212,267) 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 2020**

8. Operating surplus

Group	2020	2019
	£	£
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,264,728	1,174,538
Depreciation of other fixed assets	705,680	172,564
Auditor's remuneration		
- In their capacity as auditors	29,530	27,185
- In respect of other services	9,456	5,109
- In respect of internal audit	13,720	17,589
	<u><u> </u></u>	<u><u> </u></u>

Association	2020	2019
	£	£
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,264,728	1,174,538
Depreciation of other fixed assets	108,470	102,174
Auditor's remuneration		
- In their capacity as auditors	13,558	12,620
- In respect of other services	6,860	2,944
- In respect of internal audit	13,720	17,589
	<u><u> </u></u>	<u><u> </u></u>

9. Interest receivable and other income

Association	2020	2019
	£	£
Interest receivable on loan to subsidiary	16,194	19,799
	<u><u> </u></u>	<u><u> </u></u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. Interest payable and similar charges

Group	2020 £	2019 £
On private loans	1,322,441	742,111
SHAPs deficit benefit pension scheme – interest expense (note 26)	40,000	40,000
Strathclyde Pension Fund defined benefit pension finance scheme – interest expense (note 27)	19,000	16,000
	<u>1,381,441</u>	<u>798,711</u>

Association	2020 £	2019 £
On private loans	656,968	678,126
SHAPs deficit benefit pension scheme – interest expense (note 26)	40,000	40,000
Strathclyde Pension fund defined benefit pension finance cost (note 27)	19,000	16,000
	<u>715,968</u>	<u>734,126</u>

11. Taxation

Group	2020 £	2019 £
Corporation tax		
Corporation tax on surplus for the year	-	-
	<u>-</u>	<u>-</u>

No tax was due in 2020 or 2019 in respect of Fyne Homes Limited and Fyne Futures as both entities are registered charities. No tax was due in 2020 or 2019 in respect of Fyne Energy Limited due to the use of capital allowances. No tax was due in respect of Fyne Initiatives Limited as it was loss making in the year and no tax was due in 2019 due to the use of prior year tax losses.

However, there was a deferred tax charge in respect of Fyne Energy Limited of £156,350 (2019: £nil). This was fixed asset timing differences of £366,851 less losses and other deductions of £210,501.

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 (2019: £nil).

Factors that may affect future tax charge

There are no such factors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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 2019	58,287,987	2,575,911	1,329,105	62,193,003
Additions in the year				
- units	-	2,272,595	-	2,272,595
- components	1,370,150	-	-	1,370,150
Transfers in the year	44,832	(44,832)	-	-
Disposals in the year				
- units	-	-	(171,547)	(171,547)
- components	(185,621)	-	-	(185,621)
At 31 March 2020	59,517,348	4,803,676	1,157,558	65,478,580
Depreciation				
At 1 April 2019	4,247,897	-	108,706	4,356,603
Charge for the year	1,090,357	-	19,127	1,109,484
Eliminated on disposal				
- units	-	-	(13,992)	(13,992)
- components	(30,377)	-	-	(30,377)
At 31 March 2020	5,307,877	-	113,841	5,421,718
Net Book Value				
At 31 March 2020	54,209,471	4,803,675	1,043,717	60,056,862
At 31 March 2019	54,040,090	2,575,911	1,220,399	57,836,400

The proceeds of property disposals in the year was £296,750 (2019: £50,000.). These units cost £171,547 (2019: £32,827) and had accumulated depreciation of £13,992 (2019: £2,156). Government grant of £139,195 (2019: £54,000) is due to be repaid in respect of these disposals.

Additions to housing properties during the year included no capitalised interest (2019: *Enil*) and no capitalised administration costs (2019: *Enil*). All properties are freehold. The cost of new components capitalised in the year was £1,370,150 (2019: £952,515).

Components with a cost of £185,621 (2019: £118,970) and accumulated depreciation of £30,377 (2019: £16,684) were disposed of in the year.

The net book value of the properties which are secured is £39,584,975 (2019: £31,800,897). Included in housing properties held for letting is land with a carrying value of £10,769,324 (2019: £10,769,324)

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

13. Property Stock

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

	Units in Management 2020	Units in Management 2019	Units under Development 2020	Units under Development 2019
Unimproved	2	2	-	-
New Build	844	844	26	20
Improved	685	685	-	-
General Needs Housing	1,531	1,531	26	20
Shared Ownership Accommodation	40	46	-	-
Supported Housing Accommodation	30	30	-	-
Total Housing Stock	1,601	1,607	-	-
<u>Other Property</u>				
Commercial	1	1	-	-
Heritable – Association's offices	5	5	-	-
Total Other Property	6	6	-	-
<u>Group</u>				
Commercial	9	9	-	-
Heritable – Association's offices	5	5	-	-
Total	14	14	-	-

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Tangible Fixed Assets - Other Assets – Group

	Kintyre Wind Project £	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 2019	14,229,611	573,645	165,440	583,500	934,017	200,845	234,349	17,973	23,118	16,962,498
Additions in the year	-	-	-	-	56,748	38,174	23,574	-	354	118,850
Disposals in the year	-	-	-	-	-	-	(21,364)	-	-	(21,364)
At 31 March 2020	14,229,611	573,645	165,440	583,500	990,765	239,019	236,559	17,973	23,472	17,059,984
Depreciation										
At 1 April 2019	47,601	404,452	49,591	-	784,668	182,962	155,729	17,973	16,264	1,659,240
Charge for the year	571,216	21,154	3309	-	66,319	14,014	25,332	-	4,336	705,680
Eliminated on disposal	-	-	-	-	-	-	(20,498)	-	-	(20,498)
At 31 March 2020	618,817	425,606	52,900	-	850,987	196,976	160,563	17,973	20,600	2,344,422
Net Book Value										
At 31 March 2020	13,610,794	148,039	112,540	583,500	139,778	42,043	75,996	-	2,872	14,715,562
At 31 March 2019	14,182,010	169,193	115,849	583,500	149,349	17,883	78,620	-	6,854	15,303,258

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. Tangible Fixed Assets - Other Assets – Association

	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
Cost							
At 1 April 2019	573,645	65,500	503,579	402,141	97,752	23,118	1,665,735
Additions in year	-	-	859	55,889	23,574	354	80,676
Disposals in year	-	-	-	-	(4,864)	-	(4,864)
At 31 March 2020	573,645	65,500	504,438	458,030	116,462	23,472	1,741,547
Depreciation							
At 1 April 2019	404,452	-	417,315	342,145	49,664	16,264	1,229,840
Charge for the year	21,154	-	8,712	56,577	17,699	4,336	108,478
Eliminated on disposal	-	-	-	-	(3,998)	-	(3,998)
At 31 March 2020	425,606	-	426,027	398,722	63,365	20,600	1,334,320
Net Book Value							
At 31 March 2020	148,039	65,500	78,411	59,308	53,097	2,872	407,227
At 31 March 2019	169,193	65,500	86,264	59,996	48,088	6,854	435,895

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

15. Investments

Association	2020	2019
	£	£
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

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 loss on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2020 was £8,512 (2019: profit of £38,571). The net assets of Fyne Initiatives Limited as at 31 March 2020 was £20,367 (2019: £41,248).

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 2020 was £34,596 (2019: deficit of £62,170). The capital and reserves of Fyne Futures as at 31 March 2020 was £242,339 (2019: £276,935).

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

The profit on ordinary activities after taxation of Fyne Energy Limited as at 31 March 2020 was £246,924 (2019: £220,064). The net assets of Fyne Energy Limited as at 31 March 2020 was £526,150 (2019: £279,226).

16. Stock: Shared equity housing units - Group

	£
Cost	
At 1 April 2019	1,013,065
Additions	-
Disposals : 1 st tranche sales	(224,634)
Disposals : derecognised	(180,592)
	<u>607,839</u>
At 31 March 2020	
SHG and Other Grants	
At 1 April 2019	750,951
Received during year	44,716
Disposals : 1 st tranche sales	(128,446)
Disposals : derecognised	(180,592)
	<u>486,629</u>
At 31 March 2020	
Net book value	
At 31 March 2020	<u>121,210</u>
At 31 March 2019	<u>262,114</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

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

The stock represents the net book value (costs less grants) of 3 (2019:5) 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 22 (2019: 20) of these shared equity units have now been sold and in line with the stated accounting policy the remaining cost and grant of these 22 (2019: 20) units has been derecognised.

17. Debtors

Group	2020 £	2019 £
Rental arrears	334,614	271,636
Less: provision for bad debts	(151,595)	(81,595)
	<u>183,019</u>	<u>190,041</u>
Amounts due from related parties	27,216	-
Trade debtors	19,840	179,573
Other debtors	97,941	384,349
Prepayments and accrued income	1,195,008	1,161,859
	<u>1,523,024</u>	<u>1,915,822</u>
Association	2020 £	2019 £
Rental arrears	334,614	271,636
Less: provision for bad debts	(151,595)	(81,595)
	<u>183,019</u>	<u>190,041</u>
Amounts due from subsidiary undertakings (due within 1 year)	600,827	545,132
Amounts due from related parties	27,216	-
Other debtors	47,395	51,852
Prepayments and accrued income	473,321	957,359
Amounts due from subsidiary undertakings (due greater than 1 year)	180,000	180,000
	<u>1,511,778</u>	<u>1,924,384</u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. Cash and cash equivalents

Group	2020 £	2019 £
Balances held in current accounts	1,680,484	1,000,705
Balances held in deposit accounts	155,267	155,446
	<u>1,835,751</u>	<u>1,156,151</u>
Association	2020	2019
	£	£
Balances held in current accounts	1,190,562	727,815
Balances held in deposit accounts	155,267	155,446
	<u>1,345,829</u>	<u>883,261</u>

19. Creditors - amounts falling due within one year

Group	2020 £	2019 £
Bank loans	914,910	894,882
REIF loan	227,344	227,344
Triodos loan	733,788	591,292
Argyll & Bute loan	232,017	-
Trade creditors	723,332	856,916
Contract retentions	406,955	347,437
Accruals and deferred income	482,034	1,125,901
Rent in advance	160,975	167,862
PAYE/NIC creditor	42,584	46,604
Other creditors	139,192	59,794
Deferred Government capital grants (note 21)	203,323	165,745
Corporation tax	-	3,684
Deferred income	10,947	-
Public benefit concessionary loan - Scottish Government loan	54,933	-
	<u>4,332,334</u>	<u>4,487,461</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £nil in respect of pension contributions to be paid to the various pension providers (2019: £60,424).

FYNE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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

Association	2020	2019
	£	£
Bank loans	914,910	894,882
Trade creditors	250,823	50,680
Contract retentions	406,955	347,437
Accruals and deferred income	239,860	827,355
Amounts owed to subsidiary undertakings	464,517	541,108
Rent in advance	160,975	167,862
PAYE/NIC creditor	40,154	38,370
HAG repayable	139,192	-
Deferred Government capital grants (note 21)	203,323	165,745
Public benefit concessionary loan - Scottish Government loan	54,933	-
	<u>2,875,642</u>	<u>3,033,439</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £nil in respect of pension contributions to be paid to the various pension providers (2019: £44,555).

The Scottish Government Loan is a public benefit concessionary loan and is repayable with no interest charged over the next 5 years. There is no security held against this loan.

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

Group	2020	2019
	£	£
Bank loans	19,484,686	19,884,959
Triodos loan	9,474,920	10,208,708
REIF loan	3,108,138	2,881,301
Loan from Argyll & Bute Council	-	345,988
Deferred Government capital grants (note 21)	11,996,053	10,179,314
Deferred income	17,980	5,504
Public benefit concessionary loan - Scottish Government loan	219,732	-
	<u>44,301,509</u>	<u>43,505,774</u>
 Association	 2020	 2019
	£	£
Bank loans	19,484,686	19,884,959
Deferred Government capital grants (note 21)	11,996,053	10,179,314
Public benefit concessionary loan - Scottish Government loan	219,732	-
	<u>31,700,471</u>	<u>30,064,273</u>

FYNE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

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%. The above bank loans are due as follows:

	2020 £	2019 £
Between one and two years	6,195,653	910,147
Between two and five years	3,030,740	7,599,190
In five years or more	10,478,025	11,375,622
	<u>19,704,418</u>	<u>19,884,959</u>
Group	2020 £	2019 £
Loan from Argyll and Bute Council		
Between one and two years	-	345,988
	<u>-</u>	<u>345,988</u>
Triodos loan		
Between one and two years	617,611	733,788
Between two and five years	1,839,202	1,866,441
Greater than five years	7,018,107	7,608,479
	<u>9,474,920</u>	<u>10,208,708</u>
REIF loan		
Between one and two years	227,344	227,344
Between two and five years	682,032	682,032
Greater than five years	2,198,761	1,971,925
	<u>3,108,137</u>	<u>2,881,301</u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

21. Deferred Government capital grants – Group and Association

	2020 £	2019 £
At 1 April 2019	10,345,059	8,595,976
Grants received in year	1,934,735	1,914,828
Released to income in year	(80,418)	(165,745)
At 31 March 2020	<u>12,199,376</u>	<u>10,345,059</u>
	2020 £	2019 £
Due within one year	203,323	165,745
Between one and two years	203,323	331,490
Between two and five years	609,969	497,235
In five years or more	11,182,761	9,350,589
	<u>12,199,376</u>	<u>10,345,059</u>

22a. Share Capital – Group and Association

	2020 £	2019 £
Shares of £1 each issued and fully paid		
At 1 April 2019	106	117
Issued during year	10	2
Shares forfeited in year	(11)	(13)
At 31 March 2020	<u>105</u>	<u>106</u>

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

22b. Revenue reserve

The revenue reserve represents the cumulative surpluses and deficits.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

23. Net cash flow from operating activities

Group	2020 £	2019 £
Surplus for the year	1,035,707	860,453
<u>Adjustments for non-cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,970,408	1,347,102
Carrying amount of tangible fixed asset disposals	158,421	31,005
Revaluation of fixed assets	-	(28,000)
Shared equity housing unit disposed	140,904	86,695
Decrease/(increase) in debtors	392,798	(750,667)
(Decrease)/increase in creditors	(626,019)	(50,580)
SHAPS past service deficit liability movements	82,247	170,000
Strathclyde Pension Scheme pension liability	93,000	33,000
Taxation	156,350	-
Tax paid	(3,684)	(789)
<u>Adjustments for investing and financing activities:</u>		
Proceeds from disposal of tangible fixed assets	(296,750)	(50,000)
Repayment of Government Grant	-	75,335
Interest payable	1,322,441	742,711
Release of deferred Government Capital Grant	(80,418)	(165,745)
SHAPS past service deficit payments	(229,247)	(222,000)
Cancelled share capital	(11)	(13)
Net cash generated from operating activities	<u>4,116,147</u>	<u>2,078,507</u>

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

23. Net cash flow from operating activities (continued)

	2020	2019
Association	£	£
Surplus for the year	817,356	722,315
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,373,206	1,276,712
Carrying amount of tangible fixed asset disposals	158,421	31,005
Decrease/(increase) in debtors	412,606	(472,855)
Decrease in creditors	(270,334)	(75,063)
SHAPS past service deficit liability movements	82,247	170,000
Strathclyde Pension Scheme pension liability	93,000	33,000
<u>Adjustments for investing and financing activities:</u>		
Proceeds from disposal of tangible fixed assets	(296,750)	(50,000)
Repayment of Government Grant	-	75,335
Interest payable	656,968	678,126
Interest received	(16,194)	(19,799)
Release of deferred Government Capital Grant	(80,418)	(165,745)
SHAPS past service deficit payments	(229,247)	(222,000)
Cancelled share capital	(11)	(13)
Net cash generated from operating activities	<u>2,700,850</u>	<u>1,981,018</u>

24. Revenue Commitments

At 31 March 2020 the group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2020	2019
	Premises	Premises
	£	£
Not later than one year	40,870	28,730
Later than one year and not later than five years	94,557	39,517
Later than five years	35,695	8,850
	<u>171,122</u>	<u>77,097</u>
Association	2020	2019
	Premises	Premises
	£	£
Not later than one year	33,450	24,100
Later than one year and not later than five years	94,557	39,517
Later than five years	35,695	8,850
	<u>163,702</u>	<u>72,467</u>

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25. Capital Commitments – Group and Association

	2020 £	2019 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<u>1,127,575</u>	<u>2,713,668</u>
This is to be funded by:		
Funding from the Scottish Government	126,963	1,207,852
Other grants	72,000	240,000
Private finance	<u>928,612</u>	<u>1,265,816</u>
	<u>1,127,575</u>	<u>2,713,668</u>

26. Scottish Housing Association Pension Scheme (continued)

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%.

26. Scottish Housing Association Pension Scheme (continued)**General (continued)**

In addition to these contributions, £229,247 (2019: £222,000) was paid in the year.

As at the Statement of Financial Position date there were 34 (2019: 34) active members of the Scheme employed by Fyne Homes Limited. Fyne Homes Limited continues to offer membership of the Scheme to its employees.

The last triennial valuation of the Scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

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

The key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2018 are detailed below:

Investment return pre retirement	3.12% per annum
Investment return post retirement - Non-pensioners	3.12% per annum
Investment return post retirement - Pensioners	3.12% per annum
Rate of salary increases	3.35% per annum
Rate of pension increases - pension accrued pre 6 April 2005	2.00% per annum
pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5%)	1.70% per annum
Rate of price inflation	3.35% per annum

The SHAPS is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) 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 Other Comprehensive Income.

At 1 April 2018, an initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £740,000 to recognise a liability of £1,625,000 as at 1 April 2018.

FYNE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. Scottish Housing Association Pension Scheme (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	31 March 2020 £000	31 March 2019 £000
Fair value of plan assets	9,567	8,461
Present value of defined benefit obligations	<u>(9,670)</u>	<u>(10,262)</u>
Defined benefit liability to be recognised	<u>(103)</u>	<u>(1,801)</u>

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(10,262)	(9,279)
Current service cost	(141)	(123)
Expenses	(7)	(7)
Interest cost	(241)	(241)
Contribution by plan participants	(56)	(50)
Actuarial (losses)/gains due to scheme experience	(249)	80
Actuarial (losses)/gains due to changes in demographic assumption	59	(26)
Actuarial (losses)/gains due to changes in financial assumptions	1,159	(695)
Benefits paid and expenses	68	79
Defined benefit liability at the end of the period	<u>(9,670)</u>	<u>(10,262)</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	8,461	7,654
Interest income	201	201
Experience on plan assets (excluding amounts included in interest income)	582	413
Contributions by the employer	335	222
Contributions by participants	56	50
Benefits paid and expenses	<u>(68)</u>	<u>(79)</u>
Fair value of plan assets at end of period	<u>9,567</u>	<u>8,461</u>

FYNE HOMES LIMITED

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26. Scottish Housing Association Pension Scheme (continued)

Defined benefit costs recognised in Statement of Comprehensive Income

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Current service cost	141	(99)
Admin expenses	7	7
Net interest expense	40	40
	<u>188</u>	<u>(52)</u>
Defined benefit costs recognised in Statement of Comprehensive Income	188	(52)
	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost – gain)	582	413
Experience gains and losses arising on the plan liabilities – gain	(249)	80
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	59	(26)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	1,159	(695)
	<u>1,551</u>	<u>(228)</u>
Total amount recognised in other comprehensive income – (loss)	1,551	(228)

Fund allocation for employer's calculated share of assets

	31 March 2020 £'000	31 March 2019 £'000
Global Equity	1,316	1,361
Absolute Return	587	717
Distressed Opportunities	175	144
Credit Relative Value	230	147
Alternative Risk Premia	767	473
Fund of Hedge Funds	-	23
Emerging Markets Debt	340	271
Risk Sharing	303	245
Insurance-Linked Securities	257	220
Property	178	168
Infrastructure	564	355
Private Debt	190	109
Opportunistic Illiquid Credit	233	-
Corporate Bond Fund	699	593
Liquid credit	251	-
Long Lease Property	234	103
Secured Income	531	295
Over 15 Year Gifts	121	217
Liability Driven Investment	2,519	3,011
Net Current Assets	72	9
	<u>9,567</u>	<u>8,461</u>
Total Assets	9,567	8,461

FYNE HOMES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. Scottish Housing Association Pension Scheme (continued)

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2020 % per annum
Discount rate	2.37
Inflation (RPI)	2.60
Inflation (CPI)	1.60
Salary growth	2.60
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	11	354	47
Females	23	697	48
Total	34	1,051	47

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	4	38	53
Females	13	50	50
Total	17	87	51

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	8	45	69
Females	12	26	67
Total	20	72	68

26. Scottish Housing Association Pension Scheme (continued)

Employers debt on withdrawal

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 is 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 buy-out 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 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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £7,865,092 (2019: £7,641,700).

27. Pensions - other

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. For 2019/20, the employee contribution was 5% and the employer contribution was 3%. This will remain the same for 2020/21.

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.

From 1 April 2015, the scheme changed from a 1/60th annual scheme to a care 1/45th annual scheme.

FYNE HOMES LIMITED

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27. Pensions - other (continued)

Strathclyde Pension Fund

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 2020	31 March 2019
Inflation / Pension Increase Rate	1.9%	2.5%
Salary increases	3.0%	3.7%
Discount rate	2.3%	2.4%

Mortality

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

	Males	Females
Current Pensioners	20.7 years	22.9 years
Future Pensioners	22.2 years	24.6 years

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

Scheme assets

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

	Value at 31 March 2020 £000	Value at 31 March 2019 £000
Fair value of plan assets	3,094	3,180
Present value of funded liabilities	(3,635)	(3,939)
Net pension liability	<u>(541)</u>	<u>(759)</u>

FYNE HOMES LIMITED

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FOR THE YEAR ENDED 31 MARCH 2020

27. Pensions - other (continued)

Reconciliation of defined benefit obligation

	As at 31 Mar 2020 (£'000)	As at 31 Mar 2019 (£'000)
Opening Defined Benefit Obligation	3,939	3,512
Current Service Cost	167	137
Past service cost	27	-
Interest Cost	96	96
Plan participants' contributions	24	23
Changes in financial assumptions	(524)	265
Other experience	-	-
Benefits Paid	(94)	(94)
Closing Defined Benefit Obligation	3,635	3,939

Reconciliation of fair value of employer assets

	As at 31 Mar 2020 (£'000)	As at 31 Mar 2019 (£'000)
Opening Fair Value of Employer Assets	3,180	2,954
Interest income on plan assets	77	80
Plan participants contributions	24	23
Contributions by the Employer	120	120
Contributions in respect of Unfunded Benefits	-	-
Return on assets excluding amounts included in net interest	(213)	97
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(94)	(94)
Closing Fair Value of Employer Assets	3,094	3,180
Net pension liability	(541)	(759)

	Value at 31 March 2020 £000	Value at 31 March 2019 £000
Experience on plan assets (excluding amounts included in net interest cost – (loss)/gain	(213)	97
Other experience gains and losses – gain	26	-
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	141	-
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	357	(265)
Total amount recognised in other comprehensive income – gain/ (loss)	311	(168)

27. Pensions (continued)

Analysis of amounts included in Statement of Comprehensive Income

	As at 31 Mar 2020 (£'000)	As at 31 Mar 2019 (£'000)
Current service cost	167	137
Contributions	(120)	(120)
Past service cost	27	-
Curtailment and Settlements	-	-
Decrease in irrecoverable surplus	-	-
	<u>74</u>	<u>17</u>
Net Interest cost	<u>19</u>	<u>16</u>

28. Related party transactions

InspirAlba Limited

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

At the Statement of Financial Position date the Group and Association was owed £27,216 (2019: £nil) by InspirAlba Limited in respect of salary costs. This is included in debtors.

During the year £8,000 (2019: £8,000) was charged to InspirAlba Limited for office rental costs.

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £14,270 (2019: £13,584). The total rent arrears relating to tenant Board members included within debtors at the year end is £ 221 (2019: £177). There is £33 (2019: £33) of rents in advance included in creditors.

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.

