

West Highland Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2015

Registered Housing Association No. HEP163

FCA Reference No. 1691R(S)

Scottish Charity No. SC017357

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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WEST HIGHLAND HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2015

MANAGEMENT BOARD

Alexander Murray Sim	Chair
Gwyneth Neal	Secretary
Kenneth MacColl	
Elaine Robertson	
Blair Allan	
Donald Harrison	
Elaine Munro	
Douglas Mackie	Vice-chair
Councillor Robin Currie	Resigned 19 December 2014
Councillor Alistair MacDougall	
James Tolmie	
Natalia Lewis	

EXECUTIVE OFFICERS

Lesley McInnes	Chief Executive
Graeme Bruce	Operations Manager
May Tosh	Corporate Services Manager - until 31 March 2015

REGISTERED OFFICE

Crannog Lane
Oban
PA34 4HB

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
Station Road
Oban
PA34 4LL

Clydesdale Bank plc
6 Argyll Square
Oban
PA34 4AZ

Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline

Royal Bank of Scotland plc
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Co-operative Bank
206 St Vincent Street
Glasgow
G2 5FG

Santander
Customer Service Centre
Bootle
Merseyside
L30 4GB

SOLICITORS

E Thornton & Co
17/19 Lochside Street
Oban
PA34 4HP

T C Young
7 West George Street
Glasgow
G2 1BA

ACCOUNTANT

David Smith
Keppoch
Croft Road
Oban
PA34 5JN

**REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2015**

The Management Board presents its report and the Financial Statements for the year ended 31st March 2015.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.1691R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC017357.

Principal Activities

The principal activity of West Highland Housing Association Limited is the provision of high quality, well maintained, truly affordable housing to meet local needs and to assist in supporting fragile communities within its area.

Review of Business and Future Developments

Strategic

2014/15 saw West Highland Housing Association joining the Link Group. The Association consulted widely amongst its tenants and other stakeholders on the reasons for this decision. One of the main reasons was to ensure that the Association continued to provide an effective service for its tenants and owners in the future. We joined, one of the largest Housing Groups in Scotland Link Group, with the knowledge that this will ensure access to high quality services that are shared throughout a larger organisation thus making those services more affordable for our tenants.

Risk

The Board take a proactive view of risk and know that there are a number of risk areas for the organisation going forward. Some of the risk issues like banks/lending, funding and development are mitigated by being part of the Link Group structure but there are other risks in terms of our work on energy that we continue to review our approach.

Performance

Our performance in rent collection and in void management is excellent. We have improved our void management from 16 days to 8 days. We have also seen an improvement on our complaints handling although this is an area where there is still room for improvement.

In respect of repairs our tenants have told us that they still believe that this could be better and since June of 2014 we have been working with the Contractor to improve our performance. We have improved our response time for emergency repairs from 12 hours to under 9 hours but our non-emergencies have seen a slight decrease in performance from 8 to just over 9 days. Our right first time has changed very little with over 80% of our work meeting the "right first time" measure. Our reported performance shows that there remains room for improvement in this area particularly where some of the repairs requires additional parts or materials. Our work with Link Group will offer us the opportunity to consider an in house repairs service but we realise that there are costs associated for this type of service particularly due to the very rural location of some of our properties.

We published our first report card for tenants and this was sent to all of our tenants - this showed very clearly the areas that need improvement and the areas that we are doing well. Tenants were involved in the initial design of the report card but we hope to have far more feedback when we come to do this in 2015/16.

REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2015

Review of Business and Future Developments (Contd)

Tenants Views

We conducted our first independent tenants survey for some time in early 2014 and from this survey it was clear that people wanted to see an improvement in repairs and more opportunities in respect of engagement. We were able to do work during the year particularly around engagement in what people wanted in respect of maintenance work to their property and also their views in joining the Link Group.

Maintenance

We have achieved the SHQS with a small number of exceptions relating to other owner involvement and energy issues but we have achieved 98%. 2014/15 saw work undertaken for kitchens and heating undertaken in Mull, Oban and Benderloch. This has made a substantial difference to our tenants in these areas.

Development

Link completed the first phase of Dunbeg properties and we were delighted to welcome 50 new tenants to the Link Group. West Highland are managing Dunbeg on Link's behalf.

Future development will in the main be done by Link Group and this reflects the feedback received from some tenants who felt we spent more time on development work than on our management and maintenance. We will still work with some of the smaller more rural areas where the sites are going to be extremely small but will require some input in relation to the local communities.

In relation to further development we continue to work on energy as we know this is an area that rural tenants suffer a dis-advantage both in effectiveness of heat but also in cost due to being off the gas network. We know that any work we do is likely to be very costly in terms of resources so we are part of a wider network of Housing Association's who are working with the Scottish Government to try and deliver cheaper energy costs.

Service Development

Service development was a key area for some tenants in respect of their answers to the tenants survey. Welfare Reform and energy were the two issues that tenants picked as important areas for them going forward. In relation to Welfare Reform we have worked with Argyll and Bute Council and the Lottery to provide additional resources to help tenants access money and services during this time of change. The service which is independent of West Highland has been very well received.

REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2015

Management Board and Executive Officers

The members of the Management Board and the Executive Officers are listed on Page 1.

Each member of the Management Board holds one fully paid share of £1 in the Association. The Executive Officers 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 Management Board.

The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Association's Annual General Meeting.

Statement of Management Board's Responsibilities

The Co-operative & Community Benefit Societies Act 2014 requires the Management Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Board is required to:-

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

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to 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 2012. 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Board must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Board are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2015

Statement on Internal Financial Control

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

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Board'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 of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that internal financial controls are in place and are effective and that a review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. 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.

Donations

During the year the Association made charitable donations amounting to £4,755 (2014 £6,007).

GWYNETH NEAL
Secretary



10 July 2015

REPORT BY THE AUDITORS TO THE MEMBERS
WEST HIGHLAND HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 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 reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice 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 enquiry of certain members of the Management Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
10 July 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST HIGHLAND HOUSING ASSOCIATION LIMITED

We have audited the financial statements of West Highland Housing Association Limited for the year ended 31st March 2015 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Board and Auditors

As explained more fully in the Statement of Management Board's Responsibilities the Association's Management Board, are responsible for the preparation of the Financial Statements that give a true and fair view.

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

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Board's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Board's Report is inconsistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WEST HIGHLAND HOUSING ASSOCIATION LIMITED

Matters on which we are required to report by exception (contd.)

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
10 July 2015

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	2015 £	2014 £
TURNOVER	2.	4,070,455	3,714,542
Operating Costs	2.	<u>(2,971,132)</u>	<u>(2,265,471)</u>
OPERATING SURPLUS	9.	1,099,323	1,449,071
Gain On Sale Of Housing Stock	7.	-	86,803
Charitable Donation		(4,755)	(6,007)
Interest Receivable and Other Income		30,244	56,875
Interest Payable and Similar Charges	8.	<u>(567,101)</u>	<u>(589,541)</u>
		<u>(541,612)</u>	<u>(451,870)</u>
SURPLUS FOR THE YEAR		<u>557,711</u>	<u>997,201</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

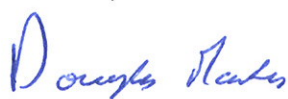
	Notes	£	2015 £	£	2014 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		78,722,103		79,359,394
Less: Social Housing Grant	11.(a)		(62,370,896)		(62,447,841)
			<u>16,351,207</u>		<u>16,911,553</u>
Other fixed assets	11.(b)		1,188,572		871,751
			<u>17,539,779</u>		<u>17,783,304</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		101		101
Shared Equity Cost	22.	1,958,378		1,762,437	
Shared Equity Grant	22.	(1,958,378)		(1,762,437)	
			<u>101</u>		<u>101</u>
CURRENT ASSETS					
Debtors	14.	392,567		1,014,257	
Development Cost of Housing Property	23.	-		265,572	
Investments	24.	2,000,000		1,000,000	
Cash at bank and in hand		4,670,728		4,597,110	
			<u>7,063,295</u>	<u>6,876,939</u>	
CREDITORS: Amounts falling due within one year	15.	(3,089,660)		(2,912,788)	
			<u>3,973,635</u>		<u>3,964,151</u>
NET CURRENT ASSETS					
			<u>3,973,635</u>		<u>3,964,151</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,513,515</u>		<u>21,747,556</u>
CREDITORS: Amounts falling due after more than one year	16.	(14,940,660)		(15,732,351)	
			<u>6,572,855</u>		<u>6,015,205</u>
NET ASSETS			<u>6,572,855</u>		<u>6,015,205</u>
CAPITAL AND RESERVES					
Share Capital	18.		116		177
Designated Reserves	19.(a)		3,407,480		3,407,480
Revenue Reserves	19.(b)		3,165,259		2,607,548
			<u>6,572,855</u>		<u>6,015,205</u>

The Financial Statements were approved by the Management Board and signed on their behalf on 10 July 2015.

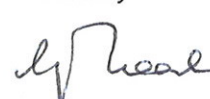
Chairperson



Vice-Chairperson



Secretary



WEST HIGHLAND HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2015

	Notes	2015	2014
		£	£
Net Cash Inflow from Operating Activities	17.	2,901,575	1,829,588
Returns on Investment and Servicing of Finance			
Interest Received	31,520	56,875	
Interest Paid	(568,471)	(589,541)	
Net Cash Outflow from Investment and Servicing of Finance		(536,951)	(532,666)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(795,597)	(1,395,857)	
Purchase of Other Fixed Assets	(21,374)	(78,265)	
Social Housing Grant Received	354,706	269,504	
Social Housing Grant Repaid	-	(104,003)	
Other Grants Received	-	-	
Proceeds on Disposal of Properties	-	214,906	
Proceeds on Disposal of Other Fixed Assets	-	-	
Net Cash Outflow from Capital Expenditure and Financial Investment		(462,265)	(1,093,715)
Net Cash Inflow before use of Liquid Resources and Financing		1,902,359	203,207
Management of Liquid Resources			
Change in short term deposits with banks		(1,000,000)	1,000,000
Financing			
Loan Advances Received	-	538,000	
Loan Redemption Payments	-	-	
Loan Principal Repayments	(828,743)	(637,910)	
Share Capital Issued	2	1	
Net Cash Outflow from Financing		(828,741)	(99,909)
Increase in Cash	17.	73,618	1,103,298

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefit Pension Scheme 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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Roof	45 years
Roughcast	20 years
Windows	30 years
Doors	20 years
Kitchen	15 years
Hot water cylinder	30 years
Bathroom	30 years
Heating system	15 years
Structure	50 years

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	Over 50 years straight line basis
Furniture and Fittings	20% reducing balance basis
Motor Vehicles	25% reducing balance basis
Biomass Boiler	Over 20 years straight line basis

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,250,234	2,185,670	1,064,564	3,242,242	2,048,212	1,194,030
Other Activities	4.	820,221	785,462	34,759	472,300	217,259	255,041
Total		4,070,455	2,971,132	1,099,323	3,714,542	2,265,471	1,449,071

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2015 Total £	2014 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	3,202,896	56,816	3,259,712	3,255,751
Gross Rents Receivable	3,202,896	56,816	3,259,712	3,255,751
Less: Rent losses from voids	9,478	-	9,478	13,509
Net Rents Receivable	3,193,418	56,816	3,250,234	3,242,242
Total Income From Social Letting	3,193,418	56,816	3,250,234	3,242,242
Expenditure on Social Letting Activities				
Service Costs	103,620	1,050	104,670	87,060
Management and maintenance administration costs	936,982	8,754	945,736	830,613
Reactive Maintenance	255,898	-	255,898	239,699
Bad Debts - Rents and Service Charges	14,494	-	14,494	(9,592)
Planned and Cyclical Maintenance, including Major Repairs	380,084	-	380,084	410,673
Depreciation of Social Housing	483,483	1,305	484,788	489,759
Operating Costs of Social Letting	2,174,561	11,109	2,185,670	2,048,212
Operating Surplus on Social Letting Activities	1,018,857	45,707	1,064,564	1,194,030
2014	1,143,367	50,663		

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Wider Role Activities	53,152	-	-	98,782	151,934	-	196,306	(44,372)	(41,797)
Factoring	-	-	-	6,374	6,374	-	6,374	-	-
Development and construction of property activities	-	-	-	503,960	503,960	-	503,960	-	-
Agency / Management services for other RSLs	-	-	-	15,602	15,602	-	15,602	-	-
Other Income	-	-	-	114,699	114,699	-	59,072	55,627	41,873
Commercial rents	-	-	-	27,652	27,652	-	4,148	23,504	-
Energy Project	-	-	-	-	-	-	-	-	254,965
Total From Other Activities	53,152	-	-	767,069	820,221	-	785,462	34,759	255,041
2014	41,354	320,339	-	110,607	472,300	-	217,259	255,041	-

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

2015	2014
£	£

No Officer of the Association received emoluments greater than £60,000.

Compensation payable to Officers for loss of Office	<u>12,000</u>	<u>-</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>59,018</u>	<u>56,483</u>

6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>19</u>
The average total number of Employees employed during the year was	<u>19</u>	<u>19</u>
Staff Costs were:	£	£
Wages and Salaries	461,072	468,256
Social Security Costs	51,274	45,496
Other Pension Costs	82,403	64,632
Temporary, Agency and Seconded Staff	77,778	-
	<u>672,527</u>	<u>578,384</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	-	214,906
Cost of Sales	-	128,103
Gain On Sale Of Housing Stock	<u>-</u>	<u>86,803</u>

8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>567,101</u>	<u>589,541</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	540,005	527,811
Auditors' Remuneration - Audit Services	12,112	11,161
Operating Lease Rentals - Other	<u>5,741</u>	<u>5,971</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2014	76,264,657	5,706,663	1,023,173	82,994,493
Additions	215,061	289,713	-	504,774
Disposals	(8,262)	(300,000)	-	(308,262)
Transferred to Other Fixed Assets (11b)	-	(350,666)	-	(350,666)
As at 31st March 2015	<u>76,471,456</u>	<u>5,345,710</u>	<u>1,023,173</u>	<u>82,840,339</u>
DEPRECIATION				
As at 1st April 2014	3,616,058	-	19,041	3,635,099
Charge for Year	482,577	-	1,305	483,882
Disposals	(745)	-	-	(745)
As at 31st March 2015	<u>4,097,890</u>	<u>-</u>	<u>20,346</u>	<u>4,118,236</u>
SOCIAL HOUSING GRANT				
As at 1st April 2014	56,333,835	5,206,603	907,403	62,447,841
Additions	34,999	194,668	-	229,667
Disposals	(6,612)	(300,000)	-	(306,612)
Schemes Completed	-	-	-	-
As at 31st March 2015	<u>56,362,222</u>	<u>5,101,271</u>	<u>907,403</u>	<u>62,370,896</u>
NET BOOK VALUE				
As at 31st March 2015	<u>16,011,344</u>	<u>244,439</u>	<u>95,424</u>	<u>16,351,207</u>
As at 31st March 2014	<u>16,314,764</u>	<u>500,060</u>	<u>96,729</u>	<u>16,911,553</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £247,561 (2014 £402,407)

All land and housing properties are freehold.

During the year, the Association transferred land to Link Group. This land, for the development of 25 homes, had a deemed cost of £300,000 which was fully HAG funded. The land was transferred to Link at £Nil proceeds.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Biomass Boiler £	Motor Vehicles £	Office Premises £	Furniture & Equipment £	Total £
COST					
As at 1st April 2014	271,224	4,150	694,516	224,578	1,194,468
Additions	14,136	-	-	7,238	21,374
Eliminated on Disposals	-	-	-	-	-
Transferred from Other Fixed Assets (11a)	350,665	-	-	-	350,665
As at 31st March 2015	636,025	4,150	694,516	231,816	1,566,507
AGGREGATE DEPRECIATION					
As at 1st April 2014	13,561	3,166	130,190	175,800	322,717
Charge for year	31,801	246	11,968	11,203	55,218
Eliminated on disposal	-	-	-	-	-
As at 31st March 2015	45,362	3,412	142,158	187,003	377,935
NET BOOK VALUE					
As at 31st March 2015	590,663	738	552,358	44,813	1,188,572
As at 31st March 2014	257,663	984	564,326	48,778	871,751

12. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,166,263</u>	<u>-</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

	2015 £	2014 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring within one year	463	-
Expiring between two and five years	<u>5,597</u>	<u>6,060</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	99,848	88,344
Less: Provision for Doubtful Debts	(31,829)	(34,584)
	<u>68,019</u>	<u>53,760</u>
Social Housing Grant Receivable	198,645	167,549
Other Debtors	71,229	760,937
Amounts Due from Group Undertakings	54,674	32,011
	<u>392,567</u>	<u>1,014,257</u>

15. CREDITORS: Amounts falling due within one year

	2015	2014
	£	£
Bank Overdrafts (secured)	-	-
Housing Loans	516,616	553,668
Trade Creditors	472,922	277,062
Rent in Advance	38,790	39,610
Social Housing Grant in Advance	156,134	-
Other Taxation and Social Security	12,732	11,200
Amounts Due to Group Undertakings	66,112	23
Other Creditors	1,483,710	1,436,390
Accruals and Deferred Income	342,644	594,835
	<u>3,089,660</u>	<u>2,912,788</u>

At the balance sheet date there were pension contributions outstanding of £8,806 (2014 £7,622)

16. CREDITORS: Amounts falling due after more than one year

	2015	2014
	£	£
Housing Loans	<u>14,940,660</u>	<u>15,732,351</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	516,616	553,668
Between one and two years	582,673	571,217
Between two and five years	1,811,963	1,812,337
In five years or more	12,546,024	13,348,797
	<u>15,457,276</u>	<u>16,286,019</u>
Less: Amount shown in Current Liabilities	516,616	553,668
	<u>14,940,660</u>	<u>15,732,351</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	1,099,323	1,449,071
Depreciation	540,005	527,811
Change in properties developed for resale	265,572	(265,572)
Change in Debtors	651,510	189,201
Change in Creditors	349,983	(64,907)
Charitable Donation	(4,755)	(6,007)
Share Capital Written Off	(63)	(9)
Net Cash Inflow from Operating Activities	<u>2,901,575</u>	<u>1,829,588</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	73,618		1,103,298	
Cash flow from management of liquid resources	(1,000,000)		(1,000,000)	
Cash flow from change in debt	828,743		99,910	
Movement in net debt during year		(97,639)		203,208
Net debt at 1st April 2014		(10,688,909)		(10,688,909)
Net debt at 31st March 2015		<u>(10,786,548)</u>		<u>(10,485,701)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	4,597,110	73,618		4,670,728
Bank Overdrafts	-	-		-
Liquid Resources	4,597,110	73,618		4,670,728
Debt: Due within one year	1,000,000	1,000,000		2,000,000
Due after more than one year	(553,668)	618,412	(581,360)	(516,616)
	(15,732,351)	210,331	581,360	(14,940,660)
Net Debt	<u>(10,688,909)</u>	<u>1,902,361</u>	<u>-</u>	<u>(8,786,548)</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	177
Issued in year	2
Cancelled in year	(63)
At 31st March 2015	<u>116</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

19. RESERVES

(a) Designated Reserves	Major	Total
	Repairs £	£
At 1st April 2014	3,407,480	3,407,480
At 31st March 2015	<u>3,407,480</u>	<u>3,407,480</u>

(b) Revenue Reserves	Total
	£
At 1st April 2014	2,607,548
Surplus for the year	557,711
At 31st March 2015	<u>3,165,259</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015 No.	2014 No.
General Needs - New Build	746	746
Shared Ownership	24	24
Supported Housing	-	-
Rent to Buy *	50	-
	<u>820</u>	<u>770</u>

* The rent to buy properties are managed by West Highland Housing Association on behalf of Link Housing Association.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Management Board are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Board is summarised as follows:

2 members are relevant local councillors

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Link Group

During the year to 31 March 2015 West Highland Housing Association:

- Collected rents on behalf of the Link Group totalling £182,083 (2014 - £Nil)
- Charged Link Group £15,602 in management charges for the collection of these rents (2014-£nil)

The Link Group owed West Highland Housing Association £100,393 in respect of development works undertaken during 2014/15.

West Highland Housing Association transferred land to the Link Group at £Nil proceeds, details of which are provided in Note 11(a) of the Financial Statements.

At the year end date the cumulative position was that West Highland Housing Association owed Link Group £66,089.

Transactions with Subsidiary Companies

Details are provided in note 22 below.

22. FIXED ASSET INVESTMENT

	2015 £	2014 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,958,378	1,762,437
Less: Grants Receivable	1,958,378	1,762,437
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2015 & 31st March 2014	<u>101</u>	<u>101</u>

In the opinion of the Management Board the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has two 100% owned subsidiaries West Highland Rural Solutions and West Highland Futures Limited. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

During the year to 31 March 2015, West Highland Housing Association incurred costs of £52,385 (2014 - £20,725) on behalf of West Highland Futures Limited, which were re-charged. At the year end, West Highland Housing Association is due £54,674 (2014 - £32,011) from West Highland Futures Limited, which includes a gift aid payment of £nil (2014 - £10,433)

No transactions took place with West Highland Rural Solutions during 2014/15.

The aggregate amount of capital and reserves and the results of West Highland Rural Solutions and West Highland Futures Limited for the year ended 31st March 2015 were as follows:

	Capital & Reserves		Profit for the year	
	2015 £	2014 £	2015 £	2014 £
West Highland Rural Solutions	<u>23</u>	<u>23</u>	<u>-</u>	<u>-</u>
West Highland Futures Limited	<u>1,100</u>	<u>663</u>	<u>437</u>	<u>642</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2015	2014
	£	£
Shared Equity Properties		
In the course of construction	-	624,651
Completed Properties Unsold	-	-
	<u>-</u>	<u>624,651</u>
Less: Grants Received from Scottish Ministers	-	(359,079)
	<u>-</u>	<u>265,572</u>

24. CURRENT ASSET INVESTMENTS

	2015	2014
	£	£
Short Term Deposits	<u>2,000,000</u>	<u>1,000,000</u>

25. CONTINGENT LIABILITIES

In connection with the development of 50 properties at Dunbeg which is being carried out in partnership with Link Housing Association, the Association has entered into a bond or financial guarantee in favour of Argyll and Bute Council for the amount of £40,000. The bond relates to an obligation imposed under the development's planning conditions for the construction of a play park area for community recreation within five years of the commencement of the development. This extended period was agreed on the understanding that although the planning condition was attached to the initial development of 50 properties, the agreement with the Council also relates to the additional planned development of a further 50 properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

West Highland Housing Association 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 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
- Defined Contribution (DC)

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. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

West Highland Housing Association Limited has elected to operate the defined contribution benefit structure for active members and new entrants from 01 April 2013.

The Trustee commissions an actuarial valuation of the Scheme every three 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 values. 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 West Highland Housing Association Limited paid contributions at the rate of 8% of pensionable salaries. Member contributions were 8%.

Housing Association Limited. The annual pensionable payroll in respect of these members was £334,485. West Highland Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

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

The Trustees have recently supplied West Highland Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2015 West Highland Housing Association Limited will be required to pay £51,957 per annum as a contribution to the past service deficit. This will represent an increase/decrease of 3% in West Highland Housing Association Limited's contribution to the past service deficit. The deficit contribution will increase each April by 3%.

As a result of Pension Scheme legislation 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 buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. At 30 September 2014 West Highland Housing Association Limited's share of the buy-out debt was calculated as £1,410,454.