



WEST HIGHLAND HOUSING ASSOCIATION LIMITED
Report and Financial Statements

For the year ended 31 March 2016

Registered Housing Association Number HEP 163
Financial Conduct Authority Number 1691R(S)
Charity Number SC017357

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INFORMATION

Registered Office

Crannog Lane, Oban, Argyll, PA34 4HB

Registration Numbers

Financial Conduct Authority number	1691RS
The Scottish Housing Regulator reference	HEP 163
Scottish Charity number	SC017357

Management Board

Douglas Mackie	Chairperson
Alexander Murray SIm	Vice Chair
Gwyneth Neal	Treasurer
Blair Allan	
Donald Harrison	
Natalia Lewis	
Kenneth MacColl	
Alistair MacDougall	
Elaine Munro	
Elaine Robertson	
James Tolmie	

Chief Executive (not a member of the committee)

Lesley McInnes

Auditor

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Accountant

David Smith, Chartered Accountant
Keppoch
Croft Road
Oban

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INFORMATION

Bankers

Santander
Corporate and Commercial
Customer Service Centre
Bootle
Merseyside

Bank of Scotland
Station Road
Oban

Clydesdale Bank
6 Argyll Square
Oban

Nationwide Building Society
Commercial Division
Caledonia House
Carnegie Avenue
Dunfermline

Royal Bank of Scotland
Corporate Banking
Glasgow & West of Scotland
Kirkstane House
139 St Vincent Street
Glasgow

Solicitors

E Thornton & Co
17 Lochside Street
Oban

T C Young
7 West George Street
Glasgow

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2016

The Management Board presents its report and audited financial statements for the year ended 31 March 2016.

Legal Status

West Highland Housing Association (the Association) is a registered non-profit making body organisation under the Co-operative and Community Benefit Societies Act 2014 No. 1681R(S). The Association is governed under its Rule Book and registered with the Financial Conduct Authority, the Scottish Housing Regulator as a Registered Social Landlord and with the Office of the Scottish Charities Regulator as a charity.

Principal Activity

Our principal activity is the provision of affordable, well maintained, high quality housing in the Oban, Lorn and island area. In doing this we support fragile communities within our local area.

Strategic Objectives

The Association plans activities around the following strategic objectives:

- An investing organisation based around property, places and people
- A challenging, listening and acting organisation to improve services and make them more personalised
- A collaborative organisation that works to develop services for people and communities and in doing this maximises opportunities for additional income

Link Partnership

We joined the Link Group in 2014 after a strategic review of the organisation. The Association took the view that there was merit in joining with a larger group in order that sizeable development could continue but also in order that the Association would benefit from the wider range of services provided by a larger partner. Over the next 3 years both Link and West Highland will be working on developing more integration between the organisations.

Operational Review

Governance

On an operational day to day basis the Association managed by a CEO who reports to the Management Board. The Board sets the strategic direction of the organisation and monitor the operational activities. The Board members are elected each year at the AGM and they serve on a voluntary basis.

The Board Meetings are approximately every 6 weeks but there is a separate Corporate Services Committee and Health and Safety Committee.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2016

Performance Management

The Association works hard to ensure the organisation has good performance through the year. Performance is about ensuring that it minimises financial loss through voids, poor property conditions and collecting rents effectively. The other part of performance that we consider is tenant satisfaction and what tenants see as important.

This year we have continued our good performance in respect of voids, rent collection and improving our properties. In addition we have made improvements to our performance in relation to our repairs work.

In respect of tenant satisfaction, we have had good feedback from our tenants in the past year about the work that we are doing – in terms of our repairs and maintenance work and also in relation to the information we provide them with.

The Association completes an Annual Return on the Housing Charter to the Scottish Housing Regulator and all the results in respect of the Charter are shown. In addition we publish a report in the Autumn that is issued to all our tenants giving them information on our performance.

Services

As part of our performance work in previous years we received feedback from tenants about our repairs and maintenance service. In Autumn 2015 we employed a cyclical plumber to do servicing work for cylinders, renewables like solar and some other work. We are delighted with the feedback we are receiving from tenants about this service and it is also helping to highlight some maintenance issues within properties that we are picking up through the planned maintenance programme.

As part of a more personalised service for tenants we have a service to help our tenants with the changes to the benefit system. This is not just about benefit claims but a more holistic service for tenants that will help in a number of ways.

We continue to look at new services and change to our existing services where we can see opportunities that will be of benefit to our tenants.

Housing

Last year we had a turnover of our housing stock of just over 10% with 76 properties being relet through Home Argyll. The largest number of these – 48 – was direct housing applications, with 20 to people with a priority need for housing and 8 transfers. We work with local communities to ensure that local people who have a housing need are on the housing list.

Maintenance

98.5% of our stock met the Scottish Housing Quality Standard. In 2015 – 16 we spent just over £1.3m on improvement work to our properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2016

Development

In 2015 – 16 we had a number of projects in progress:

Port Ellen, Islay	-	18 units
Benderloch	-	12 units
Iona	-	5 units

This work is made possible by grant from the Scottish Government and this is augmented by grant from Argyll and Bute Council. The partnership arrangements with Argyll and Bute Council have allowed us to continue development in the more rural areas with Link Group taking the more strategic development forward particularly in Oban.

Work with Communities

The Association works with a number of smaller community groups to assist them either in the provision of housing or in the provision of projects that will complement housing development. In the past year we have been working with Lochdon, Ulva, Dervaig all on Mull and in Colonsay. We are hopeful that in 2016 new affordable housing will be developed in all these areas.

Wider Role

The organisation has been successful in applications for grant finance from the People and Communities Fund. The major projects that have benefited have been Working Rite which provides a mentoring service for young people just entering the workplace environment. This is a very successful project and is viewed very positively by small employers in the area who have had help to take someone into their business.

The second project that received financial assistance was Argyll Networks which is a shared project with Fyne Homes and Dunbritton Housing Association. This project helps people deal with the new benefit environment.

Future

As part of the Link Group, West Highland Housing Association will continue to work with small community organisations in rural areas for the provision of high quality affordable housing for rent or to buy. Much of our work will be working in partnership to ensure that there is the opportunity for economic development in these areas. Link Group is taking forward the strategic development in Oban – Ganavan and Dunbeg.

For our existing tenants we intend to develop our services including capacity for in house cyclical maintenance and are exploring some form of small repairs service. Our planned maintenance work will continue investment in properties of around £750,000 per annum.

Additional services will be developed around welfare reform and providing tenancy sustainment services particularly where people are facing hardship through these reforms. The Association is part of Argyll and Bute Council's bid for lottery funding.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2016

Risk Management Strategy

The Association is developing its approach to risk management. As the Association increases in size and does more development then the risks to the organisation increases. Much of the risk comes in terms of our future financing and also through the association's work on development. However, there are other risks other than financial, for example health and safety. The Management Committee with the staff group identify the types of risks the association faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks.

Budgetary process

The Association prepares a detailed annual budget which is seen as a key element in the financial management of the Association and the monitoring of performance. Quarterly management accounts provide the management committee with a detailed breakdown of actual performance against budget, highlighting problem areas and allowing remedial action to be taken as appropriate.

In line with regulatory requirements the Association also prepares a 5 year budget and financial projections for submission to the Scottish Housing Regulator.

Financing and liquidity

The Association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the Management Board. In this way the association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association does not enter into transactions of a speculative nature. At 31 March 2016, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Financial Performance

The financial statements have been prepared under the Statement of Recommended Practice (SORP) for 2014 and the Financial Reporting Standard (FRS 102) for the first time and the comparative figures for 2015 have been restated, accordingly. Further information about these adjustments is given at note 30.

The financial statements show a surplus for the year of £713,882 (2015: £467,367)

Turnover reduced to £5,046,496 from £5,261,003 in 2015. The main reason for this reduction is that there were no sales of shared equity properties in 2016, whereas in 2015 there were sales of £503,960. The Association's core income from property rents increased by 2.9% to £3,345,848 (2015: £3,250,233), reflecting rent increases which took effect in April 2015.

Operating costs reduced to £3,808,722 from £4,235,779 in 2015. This reduction was due to the fact that there were no costs in 2016 related to shared equity sales, whereas the 2015 figure included costs of £503,960.

At 31 March 2016 the Association's reserves stood at £4,940,687 (2015: £4,226,805). The Management Board consider that these reserves are necessary to fund the cost of future major repairs and improvements to the Association's housing properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2016

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.

Information for Auditor

As far as the Management Board are aware, there is no relevant audit information of which the auditor is unaware and the Management Board 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.

Going Concern

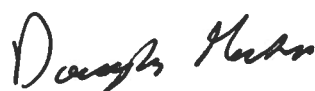
The Management Board has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements

Auditor

A resolution to re-appoint the Auditor, KPMG LLP, will be proposed at the Annual General Meeting.

This report was approved by the board on 9 August 2016 and signed on its behalf.

Chairman



WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF MANAGEMENT BOARD'S RESPONSIBILITIES in respect of the Report of the Management Board and the Financial Statements 31 March 2016

The Management Board is responsible for preparing the report of the Management Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Management Board to prepare financial statements for each financial year. Under those regulations the Management Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of its income and expenditure for that period.

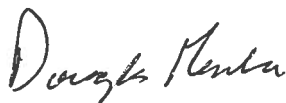
In preparing these financial statements, the Management Board is required to:

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

The Management Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). The Management Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

This statement was approved by the board on 9 August 2016 and signed on its behalf.

Chairman



WEST HIGHLAND HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

31 March 2016

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 misstatement 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 Board of Management 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 control procedures are in place and are being followed and that a general 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 2016. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the independent auditor's report on the financial statements.

This statement was approved by the board on 9 August 2016 and signed on its behalf.

Chairman



WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S 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 31 March 2016 set out on pages 12 to 38. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 69 of the Housing (Scotland) Act 2010 and to the charity's trustees, as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Management Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 8, the association's Management Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2016 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing (Scotland) Act 2010 and the Registered Social Landlords Determination of Accounting Requirements 2014, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

Under the Scottish Housing Regulator Regulatory Advice Note: Internal Financial Controls and the Regulatory Standards we are required to report to you if, in our opinion the Statement on Internal Financial Control on page 9:

- does not provide the disclosures required by the relevant Regulatory Standards for systemically important RSLs 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 materially inconsistent with the knowledge acquired by us in the course of performing our audit.

Andrew Shaw

Andrew Shaw
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Saltire Court

20 Castle Terrace

Edinburgh

EH1 2EG

Date *30 August 2016*

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2016

	Notes	£	2016 £	£	2015 £
TURNOVER	2		5,046,496		5,261,003
Operating costs	2		<u>(3,808,722)</u>		<u>(4,235,779)</u>
OPERATING SURPLUS	2		1,237,774		1,025,224
Interest receivable and other income		43,764		30,244	
Interest and financing costs		(553,656)		(567,101)	
Other finance charges		<u>(14,000)</u>		<u>(21,000)</u>	
			<u>(523,892)</u>		<u>(557,857)</u>
Surplus on ordinary activities before tax			713,882		467,367
Taxation			<u>-</u>		<u>-</u>
Total comprehensive income for the year			<u><u>713,882</u></u>		<u><u>467,367</u></u>

All amounts relate to continuing operations. Comparative figures reflect the adoption of the SORP Accounting by Registered Social Housing Providers 2014 and FRS 102.

The notes on pages 16 to 38 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 March 2016

	Notes		2016		2015
		£	£	£	£
Non-Current Assets					
Housing property - depreciated cost	11		68,472,883		66,504,099
Other non-current assets	12		<u>1,138,011</u>		<u>1,188,572</u>
			69,610,894		67,692,671
Investments					
Investment in subsidiaries	13		<u>1</u>		<u>101</u>
			69,610,895		67,692,772
Current Assets					
Receivables	14	1,001,970		392,567	
Investments		2,000,000		2,000,000	
Cash at bank and in hand		<u>3,903,405</u>		<u>4,670,728</u>	
		6,905,375		7,063,295	
Creditors: amounts falling due within one year	15		<u>3,517,676</u>		<u>3,096,760</u>
Net Current Assets			<u>3,387,699</u>		<u>3,966,535</u>
Total Assets less Current Liabilities			<u>72,998,594</u>		<u>71,659,307</u>
Creditors due after one year	16		(14,347,192)		(14,940,660)
Deferred income	17		(53,099,596)		(51,841,726)
Provisions for liabilities	18		<u>(611,000)</u>		<u>(650,000)</u>
Net Assets			<u>4,940,806</u>		<u>4,226,921</u>
Equity					
Share capital	19		119		116
Revenue reserve	20		<u>4,940,687</u>		<u>4,226,805</u>
			<u>4,940,806</u>		<u>4,226,921</u>

These financial statements were approved by the Management Board on 9 August 2016 and signed on its behalf by:

Committee Member

John E. Yehia

Committee Member

Carol Munn

Secretary

Lyndee

The notes on pages 16 to 38 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 March 2016

	Notes	2016		2015
		£	£	£
Net cash inflow from operating activities	21	1,604,927		2,739,780
Investing activities				
Acquisition and construction of properties	(3,863,436)		(473,858)	
Social Housing Grant received	1,775,848		194,668	
Other grant received	661,000		-	
Proceeds of disposal of properties	150,000		-	
Social Housing Grant repaid	(37,787)		-	
Interest received on cash	43,764		30,244	
Proceeds from disposal of investments	100		-	
Purchase of short term investment	-		(1,000,000)	
Purchase of other fixed asset	(2,944)		(21,374)	
Net cash outflow from investing		(1,273,455)		(1,270,320)
Financing activities				
Interest paid on loans	(553,656)		(567,101)	
Loan principal repayments	(545,143)		(828,743)	
Share capital issued	4		2	
Net cash inflow on financing		(1,098,795)		(1,395,842)
Decrease in cash		(767,323)		73,618
Opening cash and cash equivalents		<u>4,670,728</u>		<u>4,597,110</u>
Closing cash and cash equivalents		<u>3,903,405</u>		<u>4,670,728</u>
Cash and cash equivalents at 31 March 2016		<u>3,903,405</u>		<u>4,670,728</u>

The notes on pages 16 to 38 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2016

	Share capital	Revenue reserve	Total
Balance as at 1 April 2015	116	4,226,805	4,226,921
Issue of shares	4	-	4
Cancellation of shares	(1)	-	(1)
Surplus for financial year	-	<u>713,882</u>	<u>713,882</u>
Balance as at 31 March 2016	<u>119</u>	<u>4,940,687</u>	<u>4,940,806</u>

The notes on pages 16 to 38 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

1.1 Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for registered social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015. The principal accounting policies of the association are set out in the paragraphs below.

1.2 Turnover

Turnover is recognised in the year to which it relates. Turnover represents income from lettings and property management, revenue grants and other income together with the amounts amortised on deferred government grants, which are released to income over the expected useful life of the assets to which they relate.

1.3 Social Housing Grants

Social Housing Grants and Other Capital Grants are accounted for using the accrual method as outlined in section 24 of FRS102. Grants are treated as deferred income and recognised as income on a systematic basis over the expected useful life of the property and assets, to which it relates.

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

1.4 Non-government grants

Non-government grants are accounted for using the performance method as outlined in section 34 of FRS 102 and the SORP 2014. Non-government grants are recognised as income when the performance conditions have been met.

1.5 Pensions

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11a of FRS 102. The present value of this liability has been recognised as a provision for liability in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for a high quality corporate bond.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

1.6 Depreciation

(i) Housing properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction is 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. 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.

Component	Useful Economic Life
Structure	50 years
Roof	45 years
Render	20 years
Heating	15 years
Hot water cylinder	30 years
External doors	20 years
Windows	30 years
Bathroom	30 years
Kitchen	15 years

(ii) Other Non-current assets

The Association's assets other than land are written off at rates calculated to write off the cost of each asset less any grant received evenly over their expected useful economic lives as follows:

Office Property -	over 50 years
Furniture & equipment -	20% reducing balance
Motor vehicles	25% reducing balance

1.7 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

1.8 Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- an increase in rental income or
- a material reduction in future maintenance costs or
- a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

1.9 Stock and work in progress

Completed properties and property under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

Shared equity transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary.

1.10 Financial instruments - basic

The Association recognises basic financial instruments in accordance with Section 11 of FRS 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

1.11 Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

1.12 Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. First tranche shared ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the SORP

Disposals under shared equity schemes are accounted for in the income and expenditure account.

1.13 Lease obligations

Rentals paid under 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, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

1.14 Value added tax

The Association is VAT registered and is now included within the Link VAT Group. As the major part of the Association's income is exempt, expenditure is shown inclusive of VAT.

1.15 Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying West Highland Housing Association's accounting policies. The areas requiring a higher degree of judgement, or complexity and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Rent arrears - bad debt provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place and court action

Life cycle of components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors

Useful life of properties plant and equipment

The Association assesses the useful life of its properties plant and equipment and estimates the annual charge for depreciation based on this.

Pension provision

The Association has valued its pension deficit liability as the net present value of the currently agreed pension deficit contributions.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

2. Particulars of turnover, operating costs and operating surplus or deficit

			2016	2015
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable letting activities (note 3)	4,507,116	(3,313,490)	1,193,626	995,220
Other activities (note 4)	<u>539,380</u>	<u>(495,232)</u>	<u>44,148</u>	<u>30,004</u>
Total for 2016	<u>5,046,496</u>	<u>(3,808,722)</u>	<u>1,237,774</u>	<u>1,025,224</u>
Total for 2015	<u>5,261,003</u>	<u>(4,235,779)</u>	<u>1,025,224</u>	

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

3 Particulars of turnover, operating costs and operating surplus or deficit from affordable lettings activities

	General Needs Housing	Shared Ownership Housing	2016 Total	2015 Total
	£	£	£	£
Revenue from lettings				
Rent receivable net of service charges	<u>3,298,342</u>	<u>57,893</u>	<u>3,356,235</u>	<u>3,259,711</u>
Gross income from rent and service charges	3,298,342	57,893	3,356,235	3,259,711
Less: Rent losses from voids	<u>(10,387)</u>	<u>-</u>	<u>(10,387)</u>	<u>(9,478)</u>
Net income from rents and service charges	3,287,955	57,893	3,345,848	3,250,233
Grants released from deferred income	1,123,799	17,392	1,141,191	1,155,550
Revenue grants from Scottish Ministers	<u>20,077</u>	<u>-</u>	<u>20,077</u>	<u>34,999</u>
Total turnover from affordable letting activities	<u>4,431,831</u>	<u>75,285</u>	<u>4,507,116</u>	<u>4,440,782</u>
Expenditure on affordable letting activities				
Management and maintenance administration costs	657,965	4,961	662,926	942,350
Service costs	90,856	1,723	92,579	104,670
Planned and cyclical maintenance including major repair costs	415,709	-	415,709	411,000
Reactive maintenance costs	273,911	-	273,911	255,898
Bad debts - rents and service charges	11,851	-	11,851	14,494
Depreciation of affordable let properties	1,740,231	19,540	1,759,771	1,716,244
Loss on disposal of components	<u>96,743</u>	<u>-</u>	<u>96,743</u>	<u>906</u>
Operating costs of affordable letting activities	<u>3,287,266</u>	<u>26,224</u>	<u>3,313,490</u>	<u>3,445,562</u>
Operating surplus for affordable letting activities	<u>1,144,565</u>	<u>49,061</u>	<u>1,193,626</u>	<u>995,220</u>
Operating surplus for affordable letting activities for previous year	<u>945,567</u>	<u>49,653</u>	<u>995,220</u>	

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2016

4	Particulars of turnover, operating costs and operating surplus or deficit from other activities	Grants from Scottish Ministers £	Other income £	Total turnover £	Other operating costs £	2016 Operating surplus / (deficit) £	2015 Operating surplus / (deficit) £
	Wider role activities	169,363	-	169,363	(283,589)	(114,226)	(44,372)
	Development and construction of property activities	-	-	-	-	-	-
	Energy supply	-	27,858	27,858	(28,439)	(581)	-
	Commercial property income	-	40,110	40,110	(6,017)	34,093	23,504
	Biomass boilers	-	46,001	46,001	(31,801)	14,200	7,014
	Agency/management services for other housing associations	-	27,120	27,120	(27,120)	-	-
	Donations	-	-	-	(11,166)	(11,166)	(4,755)
	Gain on disposal of property	-	150,000	150,000	(38,138)	111,862	-
	Other income	-	78,928	78,928	(68,962)	9,966	48,613
		<u>169,363</u>	<u>370,017</u>	<u>539,380</u>	<u>(495,232)</u>	<u>44,148</u>	<u>30,004</u>
	Total from other activities for the previous year	<u>53,152</u>	<u>767,069</u>	<u>820,221</u>	<u>790,217</u>	<u>30,004</u>	

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

5 EMPLOYEE INFORMATION

	2016	2015
	£	£
Staff costs during year		
Wages and salaries	550,998	538,459
Social security costs	41,291	45,731
Other pension costs	<u>26,927</u>	<u>79,402</u>
	<u><u>619,216</u></u>	<u><u>663,592</u></u>

The average number of persons employed by the association during the year were as follows:

Full time equivalent	<u>17</u>	<u>19</u>
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6 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the Chief Executive and Operations Manager.

The number of key management personnel during the year whose total emoluments (including pension contributions) were:

	2016	2015
£60,001 to £70,000	<u>1</u>	<u>1</u>
	£	£
Emoluments payable to Chief Executive		
Emoluments excluding pension contributions	59,903	59,018
Employer's pension contributions	<u>4,792</u>	<u>4,721</u>
	<u><u>64,695</u></u>	<u><u>63,739</u></u>
 Total compensation paid to key management personnel	 <u><u>119,834</u></u>	 <u><u>118,063</u></u>

Management Board member emoluments

No member of the Management Board received any emoluments in respect of their services to the Association

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

7 SURPLUS FOR FINANCIAL YEAR

	2016 £	2015 £
Surplus is stated after charging:-		
Depreciation - tangible owned fixed assets	1,910,019	1,772,369
Remuneration of auditor for audit services	16,800	12,112
Operating lease rentals - other	8,496	5,741
Gain on sale of fixed assets	<u>(111,862)</u>	<u>-</u>

8 GAIN ON SALE OF HOUSING STOCK

	2016 £	2015 £
Sale proceeds	150,000	-
Cost of sales	<u>(38,138)</u>	<u>-</u>
Gain on sale of housing stock	<u>111,862</u>	<u>-</u>

9 INTEREST PAYABLE

	2016 £	2015 £
Loan interest payable	<u>553,656</u>	<u>567,101</u>

No interest has been capitalised.

10 TAXATION

The Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2012 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly the Association is potentially exempt from taxation in respect of income and capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties			Total £
	Complete £	Under construction £	Shared ownership £	
Cost				
As at 1 April 2015	76,336,554	5,345,710	1,023,173	82,705,437
Additions during the year	1,291,200	2,572,236	-	3,863,436
Disposals during the year	<u>(383,902)</u>	<u>-</u>	<u>(46,152)</u>	<u>(430,054)</u>
As at 31 March 2016	<u>77,243,852</u>	<u>7,917,946</u>	<u>977,021</u>	<u>86,138,819</u>
Depreciation				
As at 1 April 2015	15,822,243	-	379,095	16,201,338
Provided for year	1,740,230	-	19,540	1,759,770
Eliminated on disposals	<u>(278,557)</u>	<u>-</u>	<u>(16,615)</u>	<u>(295,172)</u>
As at 31 March 2016	<u>17,283,916</u>	<u>-</u>	<u>382,020</u>	<u>17,665,936</u>
Net Book Value				
As at 31 March 2016	<u>59,959,936</u>	<u>7,917,946</u>	<u>595,001</u>	<u>68,472,883</u>
As at 1 April 2015	<u>60,514,311</u>	<u>5,345,710</u>	<u>644,078</u>	<u>66,504,099</u>

Total works expenditure on existing housing properties amounted to £1,389,758 (2015: £536,868) of which £1,189,292 (2015: £247,561) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2015: nil).

There were no amounts capitalised, during the year, in respect of loan interest (2015: nil)

All land and buildings included above are wholly owned by the Association.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

12 NON-CURRENT ASSETS OTHER TANGIBLE FIXED ASSETS

	Office property £	Plant & equipment £	Office equipment £	Motor vehicles £	Total £
Cost					
As at 1 April 2015	694,516	636,025	231,816	4,150	1,566,507
Additions	-	-	2,944	-	2,944
As at 31 March 2016	<u>694,516</u>	<u>636,025</u>	<u>234,760</u>	<u>4,150</u>	<u>1,569,451</u>
Depreciation					
As at 1 April 2015	142,158	45,362	187,003	3,412	377,935
Charge for year	11,968	31,801	9,551	185	53,505
As at 31 March 2016	<u>154,126</u>	<u>77,163</u>	<u>196,554</u>	<u>3,597</u>	<u>431,440</u>
Net book value					
As at 31 March 2016	<u>540,390</u>	<u>558,862</u>	<u>38,206</u>	<u>553</u>	<u>1,138,011</u>
As at 1 April 2015	<u>552,358</u>	<u>590,663</u>	<u>44,813</u>	<u>738</u>	<u>1,188,572</u>

13 INVESTMENTS

	2016 £	2015 £
Shares in West Highland Rural Solutions Limited	-	100
Share in West Highland Futures Limited	<u>1</u>	<u>1</u>
	<u>1</u>	<u>101</u>

West Highland Rural Solutions Limited was a wholly owned subsidiary of the Association, which was dissolved during the year.

West Highland Futures Limited is a wholly owned subsidiary of the Association. During the year West Highland Futures Limited made a profit of £1,657 (2015: £587), which was carried forward to reserves, bringing total reserves to £2,756.

In the opinion of the Management Board the aggregate value of the assets of the subsidiaries is not less than the aggregate of the amount at which those assets are stated in the Association's Statement of Financial Position.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

14 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Arrears of rent and service charges	124,626	99,848
Bad debt provision	<u>(35,771)</u>	<u>(31,829)</u>
	88,855	68,019
Social Housing Grant	630,596	198,645
Other receivables	230,976	71,229
Amounts due from group undertakings	<u>51,543</u>	<u>54,674</u>
	<u>1,001,970</u>	<u>392,567</u>

15 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £	2015 £
Housing loans	564,941	516,616
Trade payables	389,962	472,922
Rent in advance	36,624	38,789
Social Housing Grant repayable	1,521,497	1,639,844
Other taxation and social security	13,818	12,732
Amounts due to group undertakings	206,468	66,112
Accruals and deferred income	<u>784,366</u>	<u>349,745</u>
	<u>3,517,676</u>	<u>3,096,760</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

16 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016 £	2015 £
Housing loans	14,347,192	14,940,660
Other loans	-	-
Balance as at 31 March	<u>14,347,192</u>	<u>14,940,660</u>
In respect of loans above:		
within one year	564,941	516,616
within one to two years	582,144	582,673
within two to five years	1,810,539	1,811,963
in five years or more	<u>11,954,509</u>	<u>12,546,024</u>
	14,912,133	15,457,276
Less amounts shown in current payables	<u>(564,941)</u>	<u>(516,616)</u>
	<u>14,347,192</u>	<u>14,940,660</u>

The association has a number of long term housing loans and the terms and conditions are as follows:

Bank	Interest rate	Redemption date	Type
Royal Bank of Scotland	1.24%	2041	variable
Royal Bank of Scotland	5.41%	2026	fixed
Royal Bank of Scotland	4.57%	2039	fixed
Royal Bank of Scotland	3.2%	2017	fixed
Clydesdale Bank	5.37%	2030	fixed
Clydesdale Bank	2.34%	2037	variable
Clydesdale Bank	2.14%	2037	variable
Nationwide Building Society	0.94%	2018	variable
Nationwide Building Society	0.94%	2030	variable
Nationwide Building Society	0.94%	2028	variable
Nationwide Building Society	0.94%	2031	variable
Nationwide Building Society	0.94%	2025	variable
Nationwide Building Society	0.94%	2031	variable
Nationwide Building Society	0.94%	2033	variable
Nationwide Building Society	0.94%	2038	variable
Nationwide Building Society	0.94%	2037	variable
Nationwide Building Society	1.54%	2032	variable
Nationwide Building Society	1.29%	2039	variable
Scottish Government	9.5%	2019	fixed
Scottish Government	9.5%	2020	fixed
Scottish Government	11%	2020	fixed
Scottish Government	13%	2021	fixed
Energy Trust	3.5%	2023	fixed
Energy Trust	3.5%	2021	fixed
Energy Trust	3.5%	2023	fixed

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

17	DEFERRED INCOME	2016 £	2015 £
	Social Housing Grants		
	Balance as at 1 April	51,841,726	53,102,607
	Additions in year	1,775,848	194,669
	Released as a result of property disposal	(24,184)	(300,000)
	Amortisation during year	<u>(1,154,794)</u>	<u>(1,155,550)</u>
	Balance as at 31 March	<u>52,438,596</u>	<u>51,841,726</u>
	Other Grants		
	Balance as at 1 April	-	-
	Additions in year	<u>661,000</u>	<u>-</u>
	Balance as at 31 March	<u>661,000</u>	<u>-</u>
	Total	<u><u>53,099,596</u></u>	<u><u>51,841,726</u></u>
18	PROVISION FOR LIABILITIES		
		2016 £	2015 £
	Provision for pension obligations		
	Balance as at 1 April	650,000	632,000
	Unwinding of the discount factor	14,000	21,000
	Deficit contribution paid	(51,000)	(49,000)
	Remeasurements - impact of any change in assumptions	<u>(2,000)</u>	<u>46,000</u>
	Balance as at 31 March	<u>611,000</u>	<u>650,000</u>

The pension provision relates to the Association's share of past service liabilities within the Scottish Housing Association Pension Scheme (SHAPS). The liability for past service deficit contributions has been calculated in accordance with FRS 102 paragraph 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015 – 2.22%)

A schedule of payments has been agreed between the Association and the scheme to recover the deficit over the next 12 years. Payments of £53,464 will be made in 2016/17, increasing annually, by 3%.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

19 SHARE CAPITAL

	2016 £	2015 £
Shares of £1 fully paid and issued		
As at 1 April	116	177
Issued in year	4	2
Cancelled in year	<u>(1)</u>	<u>(63)</u>
As at 31 March	<u>119</u>	<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 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.

20 RESERVES

Revenue reserve

	2016 £	2015 £
As at 1 April	4,226,805	3,759,438
Surplus for the financial year	<u>713,882</u>	<u>467,367</u>
As at 31 March	<u>4,940,687</u>	<u>4,226,805</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

21 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of surplus to net cash inflow from operating activities

	2016	2015
	£	£
Surplus on ordinary activities before tax	713,882	467,367
Depreciation	1,813,275	1,771,463
Loss on disposal of components	96,744	906
Amortisation of capital grants	(1,141,191)	(1,155,550)
Gain on disposal of properties	(111,862)	-
Change in properties developed for sale	-	265,572
Change in debtors	(609,403)	621,690
Change in creditors	372,591	213,538
Payments made towards pension deficit	(51,000)	(49,000)
Non-cash change in pension provision	12,000	67,000
Interest received	(43,764)	(30,244)
Interest paid	553,656	567,101
Share capital written off	(1)	(63)
	<u>1,604,927</u>	<u>2,739,780</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

22 PENSIONS

Defined Contribution Scheme

The Association offers all staff membership of the SHAPS Defined Contribution Scheme, with employer contribution rates of 8% of pensionable salaries.

As at the year end, there were 11 active members (2015: 11) of the Defined Contribution Scheme employed by the Association.

Defined Benefit Scheme - Past Service Liability

The company participates in the SHAPS scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions

From 1 April 2014 to 30 September 2027:	£26,304.000 per annum (payable monthly and increasing by 3% each on 1st April)
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The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

PENSIONS (continued)

Present values of provision

	2016 £	2015 £	2014 £
Present value of provision	<u>611,000</u>	<u>650,000</u>	<u>632,000</u>

Statement of comprehensive income impact

	2016 £	2015 £
Interest expense	14,000	21,000
Remeasurements - impact of any change in assumptions	(2,000)	46,000
Contributions paid in respect of future service	<u>28,927</u>	<u>33,402</u>
Costs recognised in Statement of Comprehensive Income	<u>40,927</u>	<u>100,402</u>

Assumptions

	2016	2015	2014
	% per annum	% per annum	% per annum
Rate of discount	2.29	2.22	3.42

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

23 OBLIGATIONS UNDER LEASES

The future minimum payments under non cancellable operating leases are as follows:

	2016 £	2015 £
Within one year	7,312	2,417
In two to five years	26,086	-
in over five years	310	-
	<u>33,708</u>	<u>2,417</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

24 OPERATING LEASE ARRANGEMENTS AS LESSOR

The Association leases surplus office space. These leases have terms of less than 1 year and there is no provision to change the amount. Future minimum rentals receivable under these leases are as follows:

	2016 £	2015 £
Within one year	7,804	15,562
In two to five years	-	4,252
	<u>7,804</u>	<u>19,814</u>

The Association leases biomass boilers to West Highland Futures Limited and the remaining terms of these range from 7 to 8 years. There is no provision for these amounts to change over the period of the leases. Future minimum rentals receivable under these leases are as follows:

	2016 £	2015 £
Within one year	46,001	46,001
In two to five years	184,004	184,004
in over five years	129,662	175,663
	<u>359,667</u>	<u>405,668</u>

25 CAPITAL COMMITMENTS

As at the year end the Association had capital commitments in respect of amounts contracted for but not provided for in these financial statements as follows:

	2016 £	2015 £
Contracted but not provided for	<u>4,318,382</u>	<u>1,166,263</u>

This expenditure will be funded by Social Housing Grant and by loans secured on the Association's developments

26 CONTINGENT LIABILITY

In connection with the development of 50 properties at Dunbeg, which was carried out in partnership with Link Housing Association, the Association has entered into a bond 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 playpark 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

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

27 HOUSING STOCK

The number of units in management at 31 March 2016 was as follows:-

	2016 No.	2015 No.
Property for rent	745	746
Shared ownership	23	24
Rent to buy *	50	50
	<u>818</u>	<u>820</u>

* the rent to buy properties are managed by the Association on behalf of Link Housing Association

28 RELATED PARTIES

Members of the Management Board are related parties of the Association as defined by Financial reporting Standard 102.

The related party relationships of the members of the Management Board are summarised as set out below.

Management Board members cannot use their position to their advantage and any transactions between the Association and any entity with which a Management Board member has a connection is made at arm's length and under normal commercial terms.

There are no members of the Management Board, who are tenants of the Association.

Management Board members Alistair MacDougall and Elaine Robertson are councillors with Argyll and Bute Council. Any transactions with Argyll and Bute Council are carried out at arms length, on normal commercial terms and none of the above councillors can use their position to their advantage. Councillors who are members of the Management Board declare their interests relating to relevant decisions taken by the Association

As a wholly owned subsidiary of Link Group Limited the Association is exempt from the requirements of FRS 102 to disclose details of transactions with other members of the group headed by Link Group Limited, Link House, 2C New Mart Road, Edinburgh, EH14 1RL.

29. ULTIMATE CONTROLLING PARTY

The Association's parent undertaking as at 31 March 2016 was Link Group Limited, a registered society under the Co-operative and Community Benefit Societies Act 2014, registered with the Financial Conduct Authority, registration number 1481RS. Link Group Limited exercises dominant control through its ability to control the majority of the membership of the Management Board.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2016

30. TRANSITION TO THE FINANCIAL REPORTING STANDARD

	Reconciliation of Capital and Reserves						
	Notes	At 31 March 2015 As previously stated £	At 31 March 2015 Effect of transition £	At 31 March 2015 As Restated £	At 31 March 2014 As previously stated £	At 31 March 2014 Effect of transition £	At 31 March 2014 As Restated £
Non-current Assets							
Investment	i, ii	17,539,779	50,152,892	67,692,671	17,783,304	51,486,503	69,269,807
		101	-	101	101	-	101
Current assets		7,063,295	-	7,063,295	6,876,939	-	6,876,939
Current liabilities	iv	(3,089,660)	(7,100)	(3,096,760)	(2,912,788)	(7,486)	(2,920,274)
Non-current liabilities		(14,940,660)	-	(14,940,660)	(15,732,351)	-	(15,732,351)
Deferred income	i, ii	-	(51,841,726)	(51,841,726)	-	(53,102,607)	(53,102,607)
Provision for liability	iii	-	(650,000)	(650,000)	-	(632,000)	(632,000)
		<u>6,572,855</u>	<u>(2,345,934)</u>	<u>4,226,921</u>	<u>6,015,205</u>	<u>(2,255,590)</u>	<u>3,759,615</u>
Capital and reserves	v	<u>6,572,855</u>	<u>(2,345,934)</u>	<u>4,226,921</u>	<u>6,015,205</u>	<u>(2,255,590)</u>	<u>3,759,615</u>

Reconciliation of retained surpluses for the Year Year ended 31 March 2015

	As previously stated	Effect of transition	As restated
Revenue	4,070,455	1,190,548	5,261,003
Operating costs	(2,971,132)	(1,264,647)	(4,235,779)
Charitable donation	(4,755)	4,755	-
Interest receivable	30,244	-	30,244
Interest payable	(567,101)	-	(567,101)
Other finance income/ costs	-	(21,000)	(21,000)
	<u>557,711</u>	<u>(90,344)</u>	<u>467,367</u>
Surplus	<u>557,711</u>	<u>(90,344)</u>	<u>467,367</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

30 TRANSITION TO THE FINANCIAL REPORTING STANDARD (continued)

i Capital grants and depreciation

Social Housing Grants and Other grants have been accounted for in accordance with the SORP which means that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in over the useful life of the related asset.

Consequently, property depreciation is now calculated on the gross historic cost of the asset, rather than the historic cost net of grant, resulting in a higher depreciation charge.

Non current assets have increased by £50,287,794, due to grants of £62,370,896 being transferred to deferred income, offset by an increase in property depreciation of £12,083,102.

Deferred income has increased by £51,841,726 due to grants of £62,370,896 being transferred to deferred income offset by grants released to the revenue reserve of £10,529,170.

In 2014/15, £1,155,550 grant were released from deferred income to turnover and operating costs increased by £1,232,368 due to the increased depreciation charge for the year.

ii Aids and adaptations expenditure and grant

The Association previously capitalised the cost and grant related to the provision of aids and adaptations in its housing properties. The accounting treatment has been changed such that the cost of aids and adaptations is now written off as major repairs expenditure. The related grant is now recognised as a government revenue grant. Housing property costs have been reduced by £134,902 and grant included under deferred income has been reduced by £147,417 as at 31 March 2015.

In 2015 repair costs were increased by £30,916 in respect of aids and adaptations expenditure and government revenue grants received were increased by £34,999 in respect of grant towards aids and adaptations.

iii Pension Provision

The Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with FRS 102.

This liability was not previously recognised and payments made under this agreement were written off as operating costs. the liability for deficit payments to this scheme has been discounted to its present value of £650,000 as at 31 March 2015.

Operating costs have decreased by £3,000 in 2014/15 due to the reallocation of actual pension payments of £49,000 made in the year against the provision and a charge of £46,000 to adjust the provision to reflect changes in assumptions by the pension scheme administrators.

The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income, in accordance with FRS 102 para 28.13A.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2016

30 TRANSITION TO THE FINANCIAL REPORTING STANDARD (continued)

iv Holiday pay

Under FRS 102 the Association is required to recognise the cost of short term employee benefits which have been earned but not paid as at the year end. The liability for holiday pay earned but not paid was not previously accounted for by the Association and accruals were increased by £7,095 as at 31 March 2015.

v Designated reserves

SORP 2014 requires that designated reserves are not separately disclosed in the primary financial statements, but added to the revenue reserve. Designated reserves of £3,407,480 have been added to the revenue reserve as at 31 March 2015.

vi Charitable donation

The charitable donation disclosed separately on the Income and Expenditure Account for 2015 has now been included in the Statement of Comprehensive Income, under operating costs as part of the Association's other activities.

vii Adjustments to Statement of Comprehensive Income

	2015 £	2015 £
Revenue		
Grants released from deferred income (see note i above)	1,155,550	
Government grants received (see note ii above)	<u>34,999</u>	1,190,549
Operating costs		
Depreciation (see note i above)	1,232,368	
Repairs (see note ii above)	30,916	
Pension costs transferred to provision (see note iii above)	(3,000)	
Staff costs adjustment for holiday pay (see note iv above)	<u>(391)</u>	<u>1,259,893</u>
		(69,344)
Operating surplus		
Unwinding of discount on pension deficit (see note iii above)	<u>21,000</u>	<u>21,000</u>
		<u>(90,344)</u>