



WEST HIGHLAND HOUSING ASSOCIATION LIMITED
Report and Financial Statements

For the year ended 31 March 2017

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 |
| Gwyneth Neal | Treasurer |

Blair Allan

Donald Harrison

Alistair MacDougall

Elaine Munro

Elaine Robertson

James Tolmie

Colin Davidson - co-opted 4 November 2016

Kirsty MacKenzie - appointed 18 August 2016

Jack Degnan – appointed 18 August 2016

David Sloss - co-opted 4 November 2016

Natalie Lewis – resigned 20 May 2016

Kenneth MacColl – retired 18 August 2016

Alexander Murray Sim – retired 18 August 2016

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

Internal Auditors

TIAA
53-55 Gosport Business Centre
Aerodrome Road
Gosport

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 2017

The Management Board presents its report and audited financial statements for the year ended 31 March 2017.

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.

This is our third year of being part of the Link Group and in terms of development then Link Group are doing the majority of the development in the area. West Highland have some small schemes that will complete in the next 3 years and thereafter only some small rural schemes will be done by West Highland.

Work has started in terms of policy integration with Link Housing and the other subsidiaries that are part of Link Group.

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 2017

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 working effectively. It also is about ensuring that we are listening to our tenants.

Each year the Association provides the Scottish Housing Regulator with a return on performance and in addition we publish a report for our tenants giving them information on our performance.

Over the year the indicators have mainly been steady with small positive and negative changes from the previous year.

We formally surveyed tenants this year and the results were similar to previous years but repairs continue to be a challenge although we have made good progress from previous years. This year we re-tendered our responsive repairs contract and have made certain small changes around technology that we believe will make a difference.

Services

As part of our performance work in previous years we received feedback from tenants about our repairs and maintenance service. We reported last year that we had appointed a cyclical plumber as this service was viewed positively we have also employed an additional staff member to assist with direct services to tenants.

In addition we have received further grant funding for the continuation of our work to help tenants who are impacted by changes to the benefits system. We are aware that these changes are not only about benefit but will also impact on people with tax credits so there is a need for the Association to help people through these changes.

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 85 properties being let or relet for general needs through Home Argyll, the Common Housing Register for Argyll.

We had 17 new lets available via new housing in Benderloch and Iona. In Iona in particular we worked with the local community to ensure that we were meeting local housing needs.

Maintenance

99.5% of our stock met the Scottish Housing Quality Standard. In 2016 – 17 we spent just over £963,475 (including £670,883 of costs which have been capitalised) on improvement work to our properties.

We spent the money on the following work:

- Replacement of over 60 kitchens;
- Refurbishment of over 40 bathrooms providing over bath showers;
- Servicing of over 102 solar systems, 10 gas systems and over 200 gas cylinder servicing
- Upgrading of 42 central heating systems;
- Carried out cyclical painterwork to over 179 properties

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2017

Development

In 2016 the 5 housing units in Iona were completed. This scheme received substantial support from Argyll and Bute Council and the Scottish Government. The Iona Housing Partnership did much of the work to make this scheme possible.

We also completed 12 new housing units in Benderloch again with support from both Argyll and Bute Council and the Scottish Government.

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, Jura and Colonsay. We are hopeful that work will start in this financial year to provide around 25 new affordable housing for these areas

Wider Role

The Association receives funding from the Scottish Government through the People and Communities Fund. We have two well established projects – Working Rite which provides a mentoring service for young people just entering the workplace environment and Argyll Networks which is a shared project with Fyne Homes and Dunbritton Housing Association. This project helps people deal with the new benefit environment. Both projects have received funding for over 3 years and are recognised as very successful.

We also assist organisations to apply for grant funding through Awards for All or other government funding streams.

Future

As part of the Link Group, West Highland Housing Association will continue to work in rural areas to assist in meeting the need for high quality affordable housing for rent or for purchase. Our view is that by working with local community groups the impact of investment is greater and provides further opportunities for communities.

Increasingly our work is both linked and dependent on economic development and in fragile rural communities jobs and housing are crucial in terms of their sustainability.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD 31 March 2017

Risk Management Strategy

The Association in general is risk adverse and the partnership with Link Group was part of the strategy to reduce risk and also reduce financial borrowing over a longer period of time with Link Group doing the majority of the development.

Within our present risk register we acknowledge the risks of managing stock in our remoter areas and one of our mitigating factors is to work in partnership with local communities.

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 2017, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Financial Performance

The financial statements show a surplus for the year of £790,934 (2016: £713,882)

Turnover increased to £5,241,195.

The Association's core income from property rents increased by 1% to £3,455,445 (2016: £3,345,848), reflecting rent increases which took effect in April 2016.

In addition to the surplus for the year, there was a net amount of other comprehensive income amounting to £190,536, reflecting the decrease in the value of the Association's pension scheme liabilities. The Association adopted a change in the way in which pension scheme liabilities are calculated in 2017 and this is detailed in notes 19 and 23.

At 31 March 2017 the Association's reserves stood at £5,731,742 (2016: £4,940,806).

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 2017

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 18 July 2017 and signed on its behalf.



Board Member

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 2017

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 18 July 2017 and signed on its behalf.



Board Member

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL 31 March 2017

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 2017. 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 18 July 2017 and signed on its behalf.



Board Member

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 2017 set out on pages 12 to 37. 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 2017 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 *24 July 2017*

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2017

| | Notes | £ | 2017 £ | £ | 2016 £ |
|--|-------|------------------|-----------------------|-----------------|-----------------------|
| Turnover | 2 | | 5,241,195 | | 5,046,496 |
| Operating costs | 2 | | <u>(4,024,086)</u> | | <u>(3,808,722)</u> |
| Operating surplus | 2 | | 1,217,109 | | 1,237,774 |
| Interest receivable and other income | | 40,555 | | 43,764 | |
| Interest and financing costs | | (526,266) | | (553,656) | |
| Other finance charges | | <u>(9,000)</u> | | <u>(14,000)</u> | |
| | | | <u>(494,711)</u> | | <u>(523,892)</u> |
| Surplus on ordinary activities before tax | | | 722,398 | | 713,882 |
| Taxation | | | <u>-</u> | | <u>-</u> |
| Surplus for the year | | | 722,398 | | 713,882 |
| Release of provision for pension liabilities | | 611,000 | | - | |
| Remeasurement of defined benefit pension liability | | <u>(420,464)</u> | | <u>-</u> | |
| | | | <u>190,536</u> | | <u>-</u> |
| Total comprehensive income for the year | | | <u><u>912,934</u></u> | | <u><u>713,882</u></u> |

The notes on pages 16 to 37 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION as at 31 March 2017

| | Notes | 2017 | | 2016 | |
|---|-------|--------------------|-------------------|--------------------|-------------------|
| | | £ | £ | £ | £ |
| Non-Current Assets | | | | | |
| Housing property - depreciated cost | 11 | | 70,395,304 | | 68,472,883 |
| Other non-current assets | 12 | | <u>1,110,047</u> | | <u>1,138,011</u> |
| | | | 71,505,351 | | 69,610,894 |
| Investments | | | | | |
| Investment in subsidiaries | 13 | | <u>1</u> | | <u>1</u> |
| | | | 71,505,352 | | 69,610,895 |
| Current Assets | | | | | |
| Development cost of housing property | 14 | 169,446 | | - | |
| Receivables | 15 | 771,199 | | 1,001,970 | |
| Investments | | 3,015,041 | | 2,000,000 | |
| Cash at bank and in hand | | <u>1,375,942</u> | | <u>3,903,405</u> | |
| | | <u>5,331,628</u> | | <u>6,905,375</u> | |
| Creditors: amounts falling due within one year | 16 | <u>(3,061,999)</u> | | <u>(3,517,676)</u> | |
| Net Current Assets | | | <u>2,269,629</u> | | <u>3,387,699</u> |
| Total Assets less Current Liabilities | | | <u>73,774,981</u> | | <u>72,998,594</u> |
| Creditors due after one year | 17 | | (13,811,456) | | (14,347,192) |
| Deferred income | 18 | | (53,731,783) | | (53,099,596) |
| Provisions for liabilities | 19 | | - | | (611,000) |
| Pension liability | 19 | | <u>(378,000)</u> | | <u>-</u> |
| Net Assets | | | <u>5,853,742</u> | | <u>4,940,806</u> |
| Equity | | | | | |
| Share capital | 20 | | 121 | | 119 |
| Revenue reserve | 21 | | <u>5,853,621</u> | | <u>4,940,687</u> |
| | | | <u>5,853,742</u> | | <u>4,940,806</u> |

These financial statements were approved by the Management Board on 18 July 2017 and signed on its behalf by:

Board Member



Board Member



Secretary



The notes on pages 16 to 37 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 March 2017

| | Notes | 2017 | | 2016 | |
|---|-------|-------------|-------------|-------------|-------------|
| | | £ | £ | £ | £ |
| Net cash inflow from operating activities | 22 | | 1,607,609 | | 1,604,927 |
| Investing activities | | | | | |
| Acquisition and construction of properties | | (3,884,522) | | (3,863,436) | |
| Social Housing Grant received | | 1,162,935 | | 1,775,848 | |
| Other grant received | | 636,288 | | 661,000 | |
| Proceeds of disposal of properties | | - | | 150,000 | |
| Social Housing Grant repaid | | - | | (37,787) | |
| Interest received on cash | | 40,555 | | 43,764 | |
| Proceeds from disposal of investments | | - | | 100 | |
| Purchase of short term investment | | (1,015,041) | | - | |
| Purchase of other fixed asset | | (31,145) | | (2,944) | |
| Net cash outflow from investing | | | (3,090,930) | | (1,273,455) |
| Financing activities | | | | | |
| Interest paid on loans | | (526,266) | | (553,656) | |
| Loan principal repayments | | (517,878) | | (545,143) | |
| Share capital issued | | 2 | | 4 | |
| Net cash inflow on financing | | | (1,044,142) | | (1,098,795) |
| Decrease in cash | | | (2,527,463) | | (767,323) |
| Opening cash and cash equivalents | | | 3,903,405 | | 4,670,728 |
| Closing cash and cash equivalents | | | 1,375,942 | | 3,903,405 |
| Cash and cash equivalents at 31 March 2017 | | | 1,375,942 | | 3,903,405 |

The notes on pages 16 to 37 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017

| | Share capital | Revenue reserve | Total |
|--|---------------|------------------|------------------|
| Balance as at 1 April 2016 | 119 | 4,940,687 | 4,940,806 |
| Issue of shares | 2 | - | 2 |
| Cancellation of shares | - | - | - |
| Surplus for financial year | - | 722,398 | 722,398 |
| Release of provision for pension liabilities | - | 611,000 | 611,000 |
| Remeasurement of the defined benefit pension liability | - | (420,464) | (420,464) |
| Balance as at 31 March 2017 | <u>121</u> | <u>5,853,621</u> | <u>5,853,742</u> |

The notes on pages 16 to 37 form part of the financial statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

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 participated in the Pensions Trust Scottish Housing Association Pension Scheme (SHAPS) Defined Contribution pension scheme. The scheme is now closed, with members transferring to the SHAPS Defined Contribution Scheme in April 2013.

Retirement benefits to employees are funded by contributions from all participating employers and employees in the Scheme. In respect of the defined benefit element of 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. In accordance with FRS 102, the Group's share of the scheme assets and liabilities has been separately identified and included in the Group's Statement of Financial Position and measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. West Highland Housing Association's share of the deficit is recognised in full and the movement is split between operating costs, finance items and in the Statement of Comprehensive Income as actuarial gain or loss on pension schemes.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

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 2017

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 2017

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 scheme liabilities

The SHAPS pension scheme provision is valued in these financial statements by an independent actuary. The assumptions used are reviewed by the Board of Management and considered appropriate. Assumptions include estimates of mortality, salary inflation, inflation and discount rates. There are also judgements in respect of the allocation of assets and liabilities in SHAPS as a multi employer pension scheme

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

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

| | | | 2017 | 2016 |
|--|------------------|--------------------|-------------------|-------------------|
| | Turnover | Operating Costs | Operating Surplus | Operating Surplus |
| | £ | £ | £ | £ |
| Affordable letting activities (note 3) | 4,657,574 | (3,553,913) | 1,103,661 | 1,193,626 |
| Other activities (note 4) | <u>583,621</u> | <u>(470,173)</u> | <u>113,448</u> | <u>44,148</u> |
| Total for 2017 | <u>5,241,195</u> | <u>(4,024,086)</u> | <u>1,217,109</u> | <u>1,237,774</u> |
| Total for 2016 | <u>5,046,496</u> | <u>(3,808,722)</u> | <u>1,237,774</u> | |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

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

| | General Needs Housing | Shared Ownership Housing | 2017 Total | 2016 Total |
|--|-----------------------------|--------------------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Revenue from lettings | | | | |
| Rent receivable net of service charges | <u>3,403,901</u> | <u>56,729</u> | <u>3,460,630</u> | <u>3,356,235</u> |
| Gross income from rent and service charges | 3,403,901 | 56,729 | 3,460,630 | 3,356,235 |
| Less: Rent losses from voids | <u>(5,185)</u> | <u>-</u> | <u>(5,185)</u> | <u>(10,387)</u> |
| Net income from rents and service charges | 3,398,716 | 56,729 | 3,455,445 | 3,345,848 |
| Grants released from deferred income | 1,149,644 | 17,392 | 1,167,036 | 1,141,191 |
| Revenue grants from Scottish Ministers | <u>35,093</u> | <u>-</u> | <u>35,093</u> | <u>20,077</u> |
| Total turnover from affordable letting activities | <u>4,583,453</u> | <u>74,121</u> | <u>4,657,574</u> | <u>4,507,116</u> |
| Expenditure on affordable letting activities | | | | |
| Management and maintenance administration costs | 753,097 | 4,748 | 757,845 | 662,926 |
| Service costs | 6,296 | 1,050 | 7,346 | 92,579 |
| Planned and cyclical maintenance including major repair costs | 426,380 | - | 426,380 | 415,709 |
| Reactive maintenance costs | 375,788 | - | 375,788 | 273,911 |
| Bad debts - rents and service charges | 24,453 | - | 24,453 | 11,851 |
| Depreciation of affordable let properties | 1,841,222 | 19,540 | 1,860,762 | 1,759,771 |
| Loss on disposal of components | <u>101,339</u> | <u>-</u> | <u>101,339</u> | <u>96,743</u> |
| Operating costs of affordable letting activities | <u>3,528,575</u> | <u>25,338</u> | <u>3,553,913</u> | <u>3,313,490</u> |
| Operating surplus for affordable letting activities | <u>1,054,878</u> | <u>48,783</u> | <u>1,103,661</u> | <u>1,193,626</u> |
| Operating surplus for affordable letting activities for previous year | <u>1,144,565</u> | <u>49,061</u> | <u>1,193,626</u> | |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2017

| 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 £ | 2017 Operating surplus / (deficit) £ | 2016 Operating surplus / (deficit) £ |
|---|---|----------------------|------------------------|----------------------------------|--|--|
| Wider role activities | 154,009 | 27,937 | 181,946 | (217,631) | (35,685) | (114,226) |
| Development and construction of property activities | - | - | - | - | - | - |
| Energy supply | - | 62,791 | 62,791 | (102,084) | (39,293) | (581) |
| Commercial property income | - | 41,776 | 41,776 | (6,266) | 35,510 | 34,093 |
| Biomass boilers | - | 46,001 | 46,001 | (31,801) | 14,200 | 14,200 |
| Agency/management services for other housing associations | - | 26,041 | 26,041 | (26,041) | - | - |
| Income from staff secondment | - | 69,693 | 69,693 | (69,693) | - | (11,166) |
| Donations | - | 98,999 | 98,999 | - | 98,999 | - |
| Gain on disposal of property | - | - | - | - | - | 111,862 |
| Other income | - | 56,374 | 56,374 | (16,657) | 39,717 | 9,966 |
| | <u>154,009</u> | <u>429,612</u> | <u>583,621</u> | <u>(470,173)</u> | <u>113,448</u> | <u>44,148</u> |
| Total from other activities for the previous year | <u>169,363</u> | <u>370,017</u> | <u>539,380</u> | <u>495,232</u> | <u>44,148</u> | <u>44,148</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

5 EMPLOYEE INFORMATION

| | 2017 | 2016 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Staff costs during year | | |
| Wages and salaries | 568,922 | 550,998 |
| Social security costs | 51,541 | 41,291 |
| Other pension costs | 28,680 | 26,927 |
| | <u>649,143</u> | <u>619,216</u> |

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

| | | |
|----------------------|-----------|-----------|
| Full time equivalent | <u>18</u> | <u>17</u> |
|----------------------|-----------|-----------|

6 KEY MANAGEMENT PERSONNEL

Key management personnel are defined as the Chief Executive and Operations Manager. The operations manager has been on secondment throughout the financial year and therefore his emoluments have been excluded

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

| | 2017 | 2016 |
|---|---------------|----------------|
| £60,001 to £70,000 | <u>1</u> | <u>1</u> |
| | £ | £ |
| Emoluments payable to Chief Executive | | |
| Emoluments excluding pension contributions | 61,860 | 59,903 |
| Employer's pension contributions | 4,942 | 4,792 |
| | <u>66,802</u> | <u>64,695</u> |
| Total compensation paid to key management personnel | <u>66,802</u> | <u>119,834</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 2017

| 7 | SURPLUS FOR FINANCIAL YEAR | 2017 | 2016 |
|------|--|----------------|------------------|
| | | £ | £ |
| | Surplus is stated after charging:- | | |
| | Depreciation - tangible owned fixed assets | 1,919,871 | 1,813,276 |
| | Loss on disposal of components | 101,339 | 96,744 |
| | Remuneration of auditor for audit services | 16,800 | 16,800 |
| | Operating lease rentals - other | 7,340 | 8,496 |
| | Gain on sale of fixed assets | <u>-</u> | <u>(111,862)</u> |
| | | | |
| 8 | GAIN ON SALE OF HOUSING STOCK | 2017 | 2016 |
| | | £ | £ |
| | Sale proceeds | - | 150,000 |
| | Cost of sales | <u>-</u> | <u>(38,138)</u> |
| | Gain on sale of housing stock | <u>-</u> | <u>111,862</u> |
| | | | |
| 9 | INTEREST PAYABLE | 2017 | 2016 |
| | | £ | £ |
| | Loan interest payable | <u>526,266</u> | <u>553,656</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 2017

11 NON-CURRENT ASSETS HOUSING PROPERTY

| | Letting properties | | | Total £ |
|---------------------------|--------------------|----------------------------|--------------------------|-------------------|
| | Complete £ | Under construction £ | Shared ownership £ | |
| Cost | | | | |
| As at 1 April 2016 | 77,243,852 | 7,917,946 | 977,021 | 86,138,819 |
| Additions during the year | 735,285 | 3,149,237 | - | 3,884,522 |
| Transfers during the year | 2,811,523 | (2,811,523) | - | - |
| Disposals during the year | (370,299) | - | - | (370,299) |
| As at 31 March 2017 | <u>80,420,361</u> | <u>8,255,660</u> | <u>977,021</u> | <u>89,653,042</u> |
| Depreciation | | | | |
| As at 1 April 2016 | 17,283,916 | - | 382,020 | 17,665,936 |
| Provided for year | 1,841,222 | - | 19,540 | 1,860,762 |
| Eliminated on disposals | (268,960) | - | - | (268,960) |
| As at 31 March 2017 | <u>18,856,178</u> | <u>-</u> | <u>401,560</u> | <u>19,257,738</u> |
| Net Book Value | | | | |
| As at 31 March 2017 | <u>61,564,183</u> | <u>8,255,660</u> | <u>575,461</u> | <u>70,395,304</u> |
| As at 1 April 2016 | <u>59,959,936</u> | <u>7,917,946</u> | <u>595,001</u> | <u>68,472,883</u> |

Total works expenditure on existing housing properties amounted to £735,285 (2016: £1,389,758) of which £670,883 (2016: £1,189,292) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2016: nil).

There were no amounts capitalised, during the year, in respect of loan interest (2016: 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 2017

12 NON-CURRENT ASSETS OTHER TANGIBLE FIXED ASSETS

| | Office property £ | Plant & equipment £ | Office equipment £ | Motor vehicles £ | Total £ |
|-----------------------|-------------------------|---------------------------|--------------------------|------------------------|------------------|
| Cost | | | | | |
| As at 1 April 2016 | 694,516 | 636,025 | 234,760 | 4,150 | 1,569,451 |
| Additions | - | - | 4,506 | 26,639 | 31,145 |
| As at 31 March 2017 | <u>694,516</u> | <u>636,025</u> | <u>239,266</u> | <u>30,789</u> | <u>1,600,596</u> |
| Depreciation | | | | | |
| As at 1 April 2016 | 154,126 | 77,163 | 196,554 | 3,597 | 431,440 |
| Charge for year | 11,968 | 31,801 | 8,542 | 6,798 | 59,109 |
| As at 31 March 2017 | <u>166,094</u> | <u>108,964</u> | <u>205,096</u> | <u>10,395</u> | <u>490,549</u> |
| Net book value | | | | | |
| As at 31 March 2017 | <u>528,422</u> | <u>527,061</u> | <u>34,170</u> | <u>20,394</u> | <u>1,110,047</u> |
| As at 1 April 2016 | <u>540,390</u> | <u>558,862</u> | <u>38,206</u> | <u>553</u> | <u>1,138,011</u> |

13 INVESTMENTS

| | 2017 £ | 2016 £ |
|--|-----------|-----------|
| Share in West Highland Futures Limited | <u>1</u> | <u>1</u> |
| | <u>1</u> | <u>1</u> |

West Highland Futures Limited is a wholly owned subsidiary of the Association. During the year West Highland Futures Limited made a profit of £921 (2016: £3,008), which was carried forward to reserves, bringing total reserves to £5,029.

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 2017

14 DEVELOPMENT COST OF HOUSING PROPERTY

| | 2017 £ | 2016 £ |
|---|------------------|-----------|
| Development cost of properties for sale | 441,446 | - |
| Social housing and other grant received | <u>(272,000)</u> | <u>-</u> |
| | <u>169,446</u> | <u>-</u> |

15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 £ | 2016 £ |
|-------------------------------------|-----------------|------------------|
| Arrears of rent and service charges | 140,251 | 124,626 |
| Bad debt provision | <u>(54,197)</u> | <u>(35,771)</u> |
| | 86,054 | 88,855 |
| Social Housing Grant | 160,816 | 630,596 |
| Other receivables | 341,813 | 230,976 |
| Amounts due from group undertakings | <u>182,516</u> | <u>51,543</u> |
| | <u>771,199</u> | <u>1,001,970</u> |

16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2017 £ | 2016 £ |
|------------------------------------|------------------|------------------|
| Housing loans | 582,799 | 564,941 |
| Trade payables | 370,547 | 389,962 |
| Rent in advance | 32,509 | 36,624 |
| Social Housing Grant repayable | 1,521,497 | 1,521,497 |
| Other taxation and social security | 14,214 | 13,818 |
| Amounts due to group undertakings | - | 206,468 |
| Accruals and deferred income | <u>540,433</u> | <u>784,366</u> |
| | <u>3,061,999</u> | <u>3,517,676</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

| | 2017 £ | 2016 £ |
|--|-------------------|-------------------|
| Housing loans | 13,811,456 | 14,347,192 |
| Other loans | - | - |
| Balance as at 31 March | <u>13,811,456</u> | <u>14,347,192</u> |
| In respect of loans above: | | |
| within one year | 582,799 | 564,941 |
| within one to two years | 599,256 | 582,144 |
| within two to five years | 1,921,691 | 1,810,539 |
| in five years or more | <u>11,290,509</u> | <u>11,954,509</u> |
| | 14,394,255 | 14,912,133 |
| Less amounts shown in current payables | <u>(582,799)</u> | <u>(564,941)</u> |
| | <u>13,811,456</u> | <u>14,347,192</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 | 1.12% | 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 | 3.86% | 2037 | variable |
| Clydesdale Bank | 1.89% | 2037 | variable |
| Nationwide Building Society | 0.72% | 2018 | variable |
| Nationwide Building Society | 0.72% | 2030 | variable |
| Nationwide Building Society | 0.72% | 2028 | variable |
| Nationwide Building Society | 0.72% | 2031 | variable |
| Nationwide Building Society | 0.72% | 2025 | variable |
| Nationwide Building Society | 0.72% | 2031 | variable |
| Nationwide Building Society | 0.72% | 2033 | variable |
| Nationwide Building Society | 0.72% | 2038 | variable |
| Nationwide Building Society | 0.72% | 2037 | variable |
| Nationwide Building Society | 1.32% | 2032 | variable |
| Nationwide Building Society | 1.07% | 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 2017

| 18 DEFERRED INCOME | 2017 £ | 2016 £ |
|---|--------------------|--------------------|
| Social Housing Grants | | |
| Balance as at 1 April | 52,438,596 | 51,841,726 |
| Additions in year | 1,162,935 | 1,775,848 |
| Released as a result of property disposal | - | (24,184) |
| Amortisation during year | <u>(1,153,816)</u> | <u>(1,154,794)</u> |
| Balance as at 31 March | <u>52,447,715</u> | <u>52,438,596</u> |
| Other Grants | | |
| Balance as at 1 April | 661,000 | - |
| Additions in year | 636,288 | 661,000 |
| Amortisation during year | <u>(13,220)</u> | <u>-</u> |
| Balance as at 31 March | <u>1,284,068</u> | <u>661,000</u> |
| Total | <u>53,731,783</u> | <u>53,099,596</u> |
| | | |
| 19 PROVISION FOR LIABILITIES | 2017 £ | 2016 £ |
| Provision for pension obligations | | |
| Balance as at 1 April | 611,000 | 650,000 |
| Provision released to statement of comprehensive income | (611,000) | - |
| Unwinding of the discount factor | - | 14,000 |
| Deficit contribution paid | - | (51,000) |
| Remeasurements - impact of any change in assumptions | <u>-</u> | <u>(2,000)</u> |
| Balance as at 31 March | <u>-</u> | <u>611,000</u> |

The pension provision relates to the Association's share of past service deficit liabilities within the Scottish Housing Association Pension Scheme (SHAPS), which is a multi employer scheme. In 2016, insufficient information was available to account for the liability as a defined benefit scheme, and therefore the liabilities were calculated as a defined contribution scheme, in accordance with FRS102 paragraph 28.13A.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

19 PROVISION FOR LIABILITIES (continued)

In 2017, West Highland Housing Association engaged a firm of professional actuaries to establish whether it would be possible to account for the Association's share of the SHAPS liabilities as a defined benefit scheme. The actuary has developed a methodology to calculate the Association's share of the scheme's assets and liabilities, based on information provided by the SHAPS administrator at scheme level and the deficit contributions payable by the Association. As a result, it is now possible to account for West Highland Housing Association's liabilities as a defined contribution scheme at 31 March 2017.

This change in accounting estimate does not result in a prior year adjustment, however the provision for pension liabilities of £611,000 at 31 March 2016 has been released to the statement of comprehensive income. A new pension liability, amounting to £378,000, has been established in 2017 and is disclosed in detail at note 23.

20 SHARE CAPITAL

| | 2017 £ | 2016 £ |
|------------------------------------|------------|------------|
| Shares of £1 fully paid and issued | | |
| As at 1 April | 119 | 116 |
| Issued in year | 2 | 4 |
| Cancelled in year | - | (1) |
| As at 31 March | <u>121</u> | <u>119</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.

21 RESERVES

Revenue reserve

| | 2017 £ | 2016 £ |
|--------------------------------|------------------|------------------|
| As at 1 April | 4,940,687 | 4,226,805 |
| Surplus for the financial year | <u>912,934</u> | <u>713,882</u> |
| As at 31 March | <u>5,853,621</u> | <u>4,940,687</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

22 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of surplus to net cash inflow from operating activities

| | 2017 | 2016 |
|---|------------------|------------------|
| | £ | £ |
| Surplus on ordinary activities before tax | 722,398 | 713,882 |
| Depreciation | 1,919,871 | 1,813,275 |
| Loss on disposal of components | 101,339 | 96,744 |
| Amortisation of capital grants | (1,167,036) | (1,141,191) |
| Gain on disposal of properties | - | (111,862) |
| Change in properties developed for sale | (169,446) | - |
| Change in debtors | 230,771 | (609,403) |
| Change in creditors | (473,535) | 372,591 |
| Payments made towards pension deficit | (53,464) | (51,000) |
| Pension costs less contributions payable | 11,000 | 12,000 |
| Interest received | (40,555) | (43,764) |
| Interest paid | 526,266 | 553,656 |
| Share capital written off | - | (1) |
| | <u>1,607,609</u> | <u>1,604,927</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

23 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 (2016: 11) of the Defined Contribution Scheme employed by the Association.

Defined Benefit Scheme - Past Service Liability

West Highland Housing Association participates in the Scottish Housing Association's Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

West Highland Housing Association Limited closed this scheme to all staff in March 2013 and all employees were transferred to the 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 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

| | |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 30 June 2025: | £727,217 per annum (payable monthly, increasing by 3% each 1st April) |
| From 1 April 2017 to 31 October 2026: | £1,239,033 per annum (payable monthly, increasing by 3% each 1st April) |

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Under UK pensions legislation, West Highland Housing Association is responsible for funding the Scheme benefits and for paying contributions to make up any shortfall between the assets and the liabilities of the Scheme. The Scheme's liabilities are assessed at least every three years by the Scheme's actuary. It is the Association's funding policy to annually contribute an amount agreed between the Association and the Trustees of the Scheme in accordance with UK legislative requirements if a funding deficit exists. The amount of contributions required depends on the assumptions used by the actuary and can therefore be volatile between actuarial valuations.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

23 PENSIONS - (continued)

This volatility of contribution amounts can be to the detriment of the Association's cashflows and impacts on the statement of comprehensive income. The volatility of the Scheme's liabilities against the assets held impacts on the Association's statement of financial position.

The last formal actuarial valuation of the SHAPS scheme was as at 30 September 2015.

The Scheme is a funded defined benefit arrangement. All monetary figures are shown in £000s sterling.

No assets included in the fair value of plan assets are the Association's own financial instruments or are properties occupied or used by the Association.

Principal Actuarial Assumptions

| | 2017 | 2016 |
|------------------|---|--|
| Discount rate | 2.8% | 3.8% |
| Salary increases | 3.3% | 3.1% |
| Inflation (RPI) | 3.3% | 3.1% |
| Inflation (CPI) | 2.3% | 2.1% |
| Male Mortality | 90% S1PMA;CMI 2011 F1.5%; Birth Year | 90% S1PMA;CMI 2011 F1.5% Birth Year |
| Female Mortality | 90% S1PFA;CMI 2011 F1.25% Birth Year | 90% S1PFA;CMI 2011 F1.25%; Birth Year |

Amounts recognised in Statement of Financial Position

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Fair value of scheme assets | 1,601 | 1,227 |
| Present value of benefit obligation | (1,979) | (1,511) |
| Deficit in the scheme | (378) | (284) |
| Other amounts recognised | - | - |
| Net pension liability | <u>(378)</u> | <u>(284)</u> |

Amounts recognised in Statement of Comprehensive Income

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Current service cost | - | - |
| Administration costs | 5 | 5 |
| Net interest on net defined benefit obligation | 30 | 38 |
| Costs recognised in Statement of Comprehensive Income | <u>35</u> | <u>43</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

23 PENSIONS (continued)

Changes in Defined Benefit Obligation

| | 2017 £'000 | 2016 £'000 |
|------------------------------------|---------------|---------------|
| Opening Defined Benefit Obligation | 1,511 | 1,567 |
| Interest Expense | 56 | 53 |
| Actuarial (Gains)/Losses | 462 | (66) |
| Benefits Paid | <u>(50)</u> | <u>(43)</u> |
| Closing Defined Benefit Obligation | <u>1,979</u> | <u>1,511</u> |

Change in Fair Value of scheme assets

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Opening Fair Value of Scheme Assets | 1,227 | 1,174 |
| Actual Return on Scheme Assets less Interest Income | 326 | 6 |
| Interest income | 47 | 40 |
| Employer Contributions | 53 | 52 |
| Benefits Paid | (50) | (43) |
| Administration costs | <u>(2)</u> | <u>(2)</u> |
| Closing Fair Value of Scheme Assets | <u>1,601</u> | <u>1,227</u> |

Other Comprehensive income

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Actual return on plan assets less interest income on plan assets | 326 | 6 |
| Actuarial gains / (losses) | <u>(462)</u> | <u>66</u> |
| Remeasurement gains and losses recognised in other comprehensive income | <u>(136)</u> | <u>72</u> |

The major categories of Scheme assets as a percentage of total plan assets are as follows

| | 2017 % | 2016 % |
|----------------|------------|------------|
| Equities | 35 | 37 |
| Property | 4 | 5 |
| Bonds | 35 | 32 |
| Alternatives | 24 | 24 |
| Cash and Other | <u>2</u> | <u>2</u> |
| Total | <u>100</u> | <u>100</u> |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

24 OBLIGATIONS UNDER LEASES

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

| | 2017 £ | 2016 £ |
|----------------------|---------------|---------------|
| Within one year | 7,268 | 7,312 |
| In two to five years | 18,675 | 26,086 |
| in over five years | - | 310 |
| | <u>25,943</u> | <u>33,708</u> |

25 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:

| | 2017 £ | 2016 £ |
|----------------------|--------------|--------------|
| Within one year | 9,345 | 7,804 |
| In two to five years | - | - |
| | <u>9,345</u> | <u>7,804</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:

| | 2017 £ | 2016 £ |
|----------------------|----------------|----------------|
| Within one year | 46,001 | 46,001 |
| In two to five years | 184,004 | 184,004 |
| in over five years | 83,661 | 129,662 |
| | <u>313,666</u> | <u>359,667</u> |

26 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:

| | 2017 £ | 2016 £ |
|---------------------------------|----------------|------------------|
| Contracted but not provided for | <u>992,226</u> | <u>4,318,382</u> |

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

27 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.

28 HOUSING STOCK

The number of units in management at 31 March 2017 was as follows:-

| | 2017 No. | 2016 No. |
|-------------------|-------------|-------------|
| Property for rent | 762 | 745 |
| Shared ownership | 23 | 23 |
| Rent to buy * | 50 | 50 |
| | <u>835</u> | <u>818</u> |

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

29 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.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2017

30. ULTIMATE CONTROLLING PARTY

The Association's parent undertaking as at 31 March 2017 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.

Link Group Limited's accounts can be obtained from

Registered Office
2C New Mart Road
Edinburgh
EH14 1RL

Website
www.linkhousing.org.uk

Email
linkhousing@linkhousing.org.uk