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**WEST HIGHLAND HOUSING ASSOCIATION LIMITED**  
**Report and Financial Statements**

**For the year ended 31 March 2018**

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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

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## INFORMATION

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### 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	Resigned March 2018
Blair Allan	Resigned May 2017
Donald Harrison	
Alistair MacDougall	Resigned May 2017
Elaine Munro	
Elaine Robertson	
James Tolmie	
Colin Davidson	
Kirsty MacKenzie	
Jack Degnan	
David Sloss	
Gerry Boyle	Co-opted December 2017
Torquil Telfer	Co-opted February 2018
Councillor Andrew Vennard	Appointed August 2017 as council nominee
Councillor Anne Horn	Appointed August 2017 as council nominee

### Chief Executive (not a member of the board)

Lesley McInnes

### Auditor

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### Accountant

David Smith, Chartered Accountant  
Keppoch  
Croft Road  
Oban

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## INFORMATION

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### Internal Auditor

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

CAF Bank  
25 Kings Hill Avenue  
Kings Hill  
West Malling  
Kent

### Solicitors

T C Young  
7 West George Street  
Glasgow

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2018

The Management Board presents its report and audited financial statements for the year ended 31 March 2018.

### 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.

### Mission, Objectives and Values

At the start of 2018 the Association's Board reviewed our Mission, Objectives and Values. There was some change in part to reflect that we are part of the wider Link Group whose objectives are:

- Providing Homes
- Building Communities
- Valuing People
- Working Together

### Our Mission is:

Supporting our communities by providing and maintaining quality neighbourhoods and homes for life.

### Strategic Objectives

The Association plans activities around the following strategic objectives:

Objective 1	Provision of high quality homes
Objective 2	Deliver excellent services
Objective 3	Keep the organisation safe and secure
Objective 4	Value our people
Objective 5	Promote positive partnerships

### Values

1. Approachable
2. Fair
3. Honest
4. Listening
5. Supportive
6. Collaborative and
7. We will make a difference

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2018

### 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.

### Corporate Structure

West Highland Housing Association is a subsidiary of Link Group Ltd (the Group), a Registered Social Landlord. Ultimate responsibility for the conduct and the control of the Group and its subsidiaries rest with the Link Group Board, while an Independence and Responsibilities Agreement sets out conditions for the autonomous operation of the Association within the Group.

### Financial Performance

The financial statements reflect the requirements of the Statement of Recommended Practice for registered social housing providers, the Housing SORP 2014.

The financial statements show total comprehensive income for the year of £922,437 (2017: £912,934)

Turnover decreased in the year to £5,209,281 from £5,241,195 in 2017. This is mainly due to a drop in income from other activities. In 2017 there was a donation in respect of land amounting to £98,999 and there has also been a drop in income from secondments.

The Association's core income from property rents increased by 3.9% to £3,594,973 (2017: £3,460,630), reflecting rent increases which took effect in April 2017, together with additional income from new property completions.

At 31 March 2018 the Association's reserves stood at £6,776,058 (2017: £5,853,621).

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.

### 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 2018, the association has a mix of fixed and variable rate finance, which it considers appropriate at this time. This is constantly under review and is considered alongside potential interest rate increases.

### Properties in Management

The Association had 808 properties, including 21 shared ownership together with a further 75 properties that are managed on behalf of Link. A further 151 properties are factored on behalf of owners.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD 31 March 2018

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### Operational Review

#### Governance

On an operational day to day basis the Association is managed by a CEO who reports to the Management Board. Board Meetings are held approximately every 6 weeks, in addition there is also a Corporate Services Committee and Health and Safety Committee.

The Board sets the strategic direction of the organisation and monitor the operational activities. There are twelve places for Board Members and we have one vacancy. The Council may appoint two people to the Board in the past year they have appointed two new elected members to the Board – Councillor Andrew Vennard and Councillor Anne Horne.

#### Services

##### Housing

The organisation had 75 properties available for let in 2017-18, 26 of those properties were new-build in Port Ellen, Islay and Benderloch. The other 49 were properties from existing stock that became available during the year. This represents around 6% turnover over the year. We had only two refusals for our properties in the year.

33 properties were provided to people from the Housing List, 27 from homeless and 15 to existing tenants that were able to transfer.

We began to change the way our housing service is delivered last year with an area based approach and named officer support. This is to help improve services in our areas and also provide a more personalised service.

#### Asset Management

We reviewed our asset costs for the 30 Business Plan period last year. Much of the work was done internally through inspection of our properties with an external surveyor validating our work. For the future we will be routinely inspecting a proportion of our properties each year so that we continually update and check the accuracy of our information. In addition, we will use real time information through our planned investment and maintenance costs to continually monitor and review our costs. It is the intention that our 30 year costs are as accurate as possible going forward.

We are aware that there are potentially future increases in costs due to increasing standards in relation to fire safety, meeting the new energy standard and adaptations. Our early calculations on these could mean additional costs of around £8m.

#### Maintenance

99.24% of our stock met the Scottish Housing Quality Standard. We have 6 properties that do not meet the standard due to energy issues. We will deal with these as part of a disposal programme or with our plans to meet the new Energy Efficiency Standard being introduced by the Scottish Government.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2018

### Maintenance (continued)

In 2017-18 we spent over £850,000 on major repairs and property improvements, including the following work:

- Replacement of Glenshellach biomass boiler;
- Islay – replacement of 54 external doors;
- Replacement of 40 heating systems (straddling two financial years); and
- Carried out cyclical paintwork to 179 properties.

### Development

In 2017 a further 12 housing units in Benderloch were completed and we also built 18 in Port Ellen, Islay. There was a high demand for both these developments and we are presently finalising plans for additional properties in Port Ellen. Within the Benderloch development we had four properties for sale through the Scottish Government's New Supply Shared Equity programme and all were sold shortly after the year end.

### New initiatives and business development

The Association is constantly looking at developing different services that would benefit our tenants. The Association received funding from the Scottish Government's People and Communities Fund for Argyll Networks, Healthy Options – a project that helps support our tenants to stay healthy and Working Rite a project that helps young people into work. Both these projects have excellent outcomes for the area with Working Rite providing opportunities for over 20 young people in the area.

We are working with local community groups to help provide different opportunities for small local development. This includes Port Appin, where we are in discussions to dispose of land to the community for them to take forward a number of community projects including a community playpark. This type of development is one that we believe has possibilities for other rural areas.

### Rents

Tenants are telling us via our survey work that they are concerned at housing costs generally. We know our rents are higher than other local landlords, however, our stock is substantially newer. We have started preparatory work to review our rents and we would like to move to a position where we could give tenants some form of guarantee on rents for longer than two years.

### Performance management

We measure our performance across a number of indicators and also are required to provide the Scottish Housing Regulator with information on our performance each year for the Annual Return on Charter. This year our performance information in the main has improved, the one exception is in respect of rent arrears where we have had a slight increase. We realise that this area will be under pressure as the roll out of Universal Credit continues. We are working to minimise this risk and have a new role to assist in maximising income collection.

Our repairs performance has improved both in terms of timescales and in our 'right first time' performance. Our new repairs contract started last year and we are keen to build on these positive results.

We surveyed around 20% of our tenants in respect of our services and had these results verified by Knowledge Partnership. In the main the results were good and we were delighted that 100% of tenants moving into our properties were satisfied. We have retained this as a target for next year. Around 95% tenants are satisfied with their home and again this is a good result.



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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD 31 March 2018

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### **Tenant participation**

The Association is experimenting with different opportunities for tenants and other stakeholders to participate. We piloted a meet the Chair opportunity for new Tenants and we hosted a "Brew, burger and blether" event. In addition we have had a number of small events for tenants that provides opportunities for discussion around services.

### **Risk management**

Each year the Board and the Senior Team consider the major risks facing the organisation and these risks are reviewed periodically throughout the year.

### **Component accounting**

In accordance with the SORP, West Highland Housing Association operates component accounting. The accounting treatment ensures that the major components of the Housing Association's housing stock are identified and depreciated over their economic life. The cost of any subsequent replacement of a major component is capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. The cost of these repairs will be capitalised as required by the SORP.

### **Information for auditor**

As far as the Management Board is aware, there is no relevant audit information of which the auditor is unaware and the Management Board has taken all the steps it ought to have taken to make itself aware of any relevant audit information and to ensure that the auditor is aware of any such information.

The members of the Board of Management who held office at the date of approval of this report of the Board of Management confirm that, so far as they are aware, there is no relevant audit information of which the Association's auditor is unaware; and each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that 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 24<sup>th</sup> July 2018

# 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 2018

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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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). It is responsible for such internal controls as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

The Management Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.,

This statement was approved by the board on 24 July 2018 and signed on its behalf.

  
Board Member

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL 31 March 2018

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:

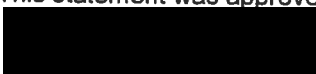
- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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 2018. 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 24 July 2018 and signed on its behalf.



Board Member

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### Opinion

We have audited the financial statements of West Highland Housing Association Limited ("the association") for the year ended 31 March 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of West Highland Housing Association as at 31 March 2018 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).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### Other information

The association's Board is responsible for the other information, which comprises the Report of the Management Board and the Management Board Statement on Internal Financial Control. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the Statement on Internal Financial Control on page 9 does not provide the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls; or
- in our opinion, the Statement on Internal Financial Controls is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## INDEPENDENT AUDITOR'S REPORT TO WEST HIGHLAND HOUSING ASSOCIATION LIMITED (continued)

### Board's responsibilities

As more fully explained in their statement set out on page 8, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal controls as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the association or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### The purpose of our audit work and to whom we owe our responsibilities

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.

### Matters on which we are required to report by exception

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.

We have nothing to report in these respects.

**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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2018

	Notes	£	2018 £	£	2017 £
<b>Turnover</b>	2		5,209,281		5,241,195
Operating costs	2		<u>(3,927,612)</u>		<u>(4,024,086)</u>
<b>Operating surplus</b>	2		1,281,669		1,217,109
Interest receivable and other income		19,048		40,555	
Interest and financing costs		(458,280)		(526,266)	
Other finance charges		<u>(10,000)</u>		<u>(9,000)</u>	
			<u>(449,232)</u>		<u>(494,711)</u>
<b>Surplus on ordinary activities before tax</b>			832,437		722,398
Taxation			<u>-</u>		<u>-</u>
<b>Surplus for the year</b>			832,437		722,398
Release of provision for pension liabilities		-		611,000	
Remeasurement of defined benefit pension liability		<u>90,000</u>		<u>(420,464)</u>	
			<u>90,000</u>		<u>190,536</u>
<b>Total comprehensive income for the year</b>			<u><u>922,437</u></u>		<u><u>912,934</u></u>

The notes on pages 16 to 36 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION as at 31 March 2018

	Notes	2018		2017	
		£	£	£	£
<b>Non-Current Assets</b>					
Housing property - depreciated cost	11		72,486,995		70,395,304
Other non-current assets	12		<u>1,414,986</u>		<u>1,110,047</u>
			73,901,981		71,505,351
<b>Investments</b>					
Investment in subsidiaries	13		<u>1</u>		<u>1</u>
			73,901,982		71,505,352
<b>Current Assets</b>					
Development cost of housing property	14	312,860		169,446	
Receivables	15	621,963		771,199	
Investments		2,025,247		3,015,041	
Cash at bank and in hand		<u>2,857,042</u>		<u>1,375,942</u>	
		5,817,112		5,331,628	
<b>Creditors: amounts falling due within one year</b>					
	16	<u>(3,237,615)</u>		<u>(3,061,999)</u>	
<b>Net Current Assets</b>			<u>2,579,497</u>		<u>2,269,629</u>
<b>Total Assets less Current Liabilities</b>			76,481,479		73,774,981
<b>Creditors due after one year</b>	17		(14,134,079)		(13,811,456)
<b>Deferred income</b>	18		(55,326,223)		(53,731,783)
<b>Pension liability</b>			<u>(245,000)</u>		<u>(378,000)</u>
<b>Net Assets</b>			<u>6,776,177</u>		<u>5,853,742</u>
<b>Equity</b>					
Share capital	19		119		121
Revenue reserve	20		<u>6,776,058</u>		<u>5,853,621</u>
			<u>6,776,177</u>		<u>5,853,742</u>

These financial statements were approved by the Management Board on 24<sup>th</sup> July 2018 and signed on its behalf by:

Board Member

Board Member

Secretary

The notes on pages 16 to 36 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS for the year ended 31 March 2018

	Notes	2018		2017	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	21		2,071,972		1,607,609
<b>Investing activities</b>					
Acquisition and construction of properties		(4,130,902)		(3,884,522)	
Social Housing Grant received		2,929,944		1,162,935	
Other grant received		-		636,288	
Proceeds of disposal of properties		209,385		-	
Social Housing Grant repaid		(132,810)		-	
Interest received on cash		19,048		40,555	
Proceeds from disposal of investments		989,794		-	
Purchase of short term investment		-		(1,015,041)	
Purchase of other fixed asset		(380,183)		(31,145)	
<b>Net cash outflow from investing</b>			(495,724)		(3,090,930)
<b>Financing activities</b>					
Interest paid on loans		(458,280)		(526,266)	
Loan advances received		955,024		-	
Loan principal repayments		(591,894)		(517,878)	
Share capital issued		2		2	
<b>Net cash inflow on financing</b>			(95,148)		(1,044,142)
<b>Increase/(Decrease) in cash</b>			1,481,100		(2,527,463)
<b>Opening cash and cash equivalents</b>			<u>1,375,942</u>		<u>3,903,405</u>
<b>Closing cash and cash equivalents</b>			<u><u>2,857,042</u></u>		<u><u>1,375,942</u></u>
<b>Cash and cash equivalents at 31 March 2018</b>			<u><u>2,857,042</u></u>		<u><u>1,375,942</u></u>

The notes on pages 16 to 36 form part of the financial statements.



## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2018

	Share capital	Revenue reserve	Total
<b>Balance as at 1 April 2017</b>	121	5,853,621	5,853,742
Issue of shares	2	-	2
Cancellation of shares	(4)	-	(4)
Surplus for financial year	-	832,437	832,437
Remeasurement of the defined benefit pension liability	-	90,000	90,000
<b>Balance as at 31 March 2018</b>	<u>119</u>	<u>6,776,058</u>	<u>6,776,177</u>

The notes on pages 16 to 36 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 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 SHAPS Defined Contribution pension scheme. Contributions are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the employees' working lives with the association

In respect of the defined benefit 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 Association's share of the scheme assets and liabilities has been separately identified and included in the 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. The 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 scheme

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 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 2018

### 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 2018

### 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 experience within the housing association sector and to expected design life for components

#### 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 liability 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 2018

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

			2018	2017
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable letting activities (note 3)	4,809,547	(3,675,370)	1,134,177	1,103,661
Other activities (note 4)	<u>399,734</u>	<u>(252,242)</u>	<u>147,492</u>	<u>113,448</u>
Total for 2018	<u>5,209,281</u>	<u>(3,927,612)</u>	<u>1,281,669</u>	<u>1,217,109</u>
Total for 2017	<u>5,241,195</u>	<u>(4,024,086)</u>	<u>1,217,109</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

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

	General Needs Housing	Shared Ownership Housing	2018 Total	2017 Total
	£	£	£	£
<b>Revenue from lettings</b>				
Rent receivable net of service charges	<u>3,539,105</u>	<u>55,868</u>	<u>3,594,973</u>	<u>3,460,630</u>
Gross income from rent and service charges	3,539,105	55,868	3,594,973	3,460,630
Less: Rent losses from voids	<u>(20,120)</u>	<u>-</u>	<u>(20,120)</u>	<u>(5,185)</u>
<b>Net income from rents and service charges</b>	3,518,985	55,868	3,574,853	3,455,445
Grants released from deferred income	1,185,302	17,392	1,202,694	1,167,036
Revenue grants from Scottish Ministers	<u>32,000</u>	<u>-</u>	<u>32,000</u>	<u>35,093</u>
<b>Total turnover from affordable letting activities</b>	<u>4,736,287</u>	<u>73,260</u>	<u>4,809,547</u>	<u>4,657,574</u>
<b>Expenditure on affordable letting activities</b>				
Management and maintenance administration costs	826,757	13,051	839,808	757,845
Service costs	1,849	-	1,849	7,346
Planned and cyclical maintenance including major repair costs	485,595	-	485,595	426,380
Reactive maintenance costs	353,237	-	353,237	375,788
Bad debts - rents and service charges	30,873	-	30,873	24,453
Depreciation of affordable let properties	1,877,554	18,472	1,896,026	1,860,762
Loss on disposal of components	<u>67,982</u>	<u>-</u>	<u>67,982</u>	<u>101,339</u>
<b>Operating costs of affordable letting activities</b>	<u>3,643,847</u>	<u>31,523</u>	<u>3,675,370</u>	<u>3,553,913</u>
<b>Operating surplus for affordable letting activities</b>	<u>1,092,440</u>	<u>41,737</u>	<u>1,134,177</u>	<u>1,103,661</u>
<b>Operating surplus for affordable letting activities for previous year</b>	<u>1,054,878</u>	<u>48,783</u>	<u>1,103,661</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2018

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 £	2018 Operating surplus / (deficit) £	2017 Operating surplus / (deficit) £
Wider role activities	111,673	9,999	121,672	(164,800)	(43,128)	(35,685)
Energy supply	-	54,085	54,085	(41,515)	12,570	(39,293)
Commercial property income	-	38,515	38,515	(5,777)	32,738	35,510
Biomass boilers	-	46,001	46,001	(31,801)	14,200	14,200
Agency/management services for other housing associations	-	30,000	30,000	(30,000)	-	-
Income from staff secondment	-	46,800	46,800	(46,800)	-	-
Donations	-	-	-	(15,446)	(15,446)	98,999
Gain on disposal of property	-	-	-	134,182	134,182	-
Other income	-	62,661	62,661	(50,285)	12,376	39,717
	<u>111,673</u>	<u>288,061</u>	<u>399,734</u>	<u>(252,242)</u>	<u>147,492</u>	<u>113,448</u>
Total from other activities for the previous year	<u>154,009</u>	<u>429,612</u>	<u>583,621</u>	<u>470,173</u>	<u>113,448</u>	<u>113,448</u>



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 5 EMPLOYEE INFORMATION

	2018	2017
	£	£
Staff costs during year		
Wages and salaries	558,730	568,922
Social security costs	49,442	51,541
Other pension costs	<u>34,240</u>	<u>28,680</u>
	<u>642,412</u>	<u>649,143</u>
The average number of persons employed by the Association during the year were as follows:		
Full time equivalent	<u>18</u>	<u>18</u>

### 6 KEY MANAGEMENT PERSONNEL

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

Aggregate emoluments payable to employees with emoluments greater than £60,000 (excluding pension contributions) were:

	2018	2017
Emoluments (excluding pension contributions)	<u>64,253</u>	<u>61,860</u>
Total emoluments	<u>69,389</u>	<u>66,802</u>
The number of key management personnel whose emoluments exceed £60,000 are shown within the following band		
£60,001 to £70,000	<u>1</u>	<u>1</u>
	£	£
<b>Emoluments payable to Chief Executive</b>		
Emoluments excluding pension contributions	64,253	61,860
Employer's pension contributions	<u>5,136</u>	<u>4,942</u>
	<u>69,389</u>	<u>66,802</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 2018

7	<b>SURPLUS FOR FINANCIAL YEAR</b>	<b>2018</b>	<b>2017</b>
		£	£
	Surplus is stated after charging:-		
	Depreciation - tangible owned fixed assets	1,970,855	1,919,872
	Loss on disposal of components	67,982	101,339
	Remuneration of auditor for audit services	11,376	16,063
	Operating lease rentals - other	7,268	7,340
	Loss on disposal of other tangible fixed assets	415	-
	Gain on disposal of housing property	<u>(134,182)</u>	<u>-</u>
8	<b>GAIN ON SALE OF HOUSING STOCK</b>	<b>2018</b>	<b>2017</b>
		£	£
	Sale proceeds	209,385	-
	Cost of sales	<u>(75,203)</u>	<u>-</u>
	Gain on sale of housing stock	<u>134,182</u>	<u>-</u>
9	<b>INTEREST PAYABLE</b>	<b>2018</b>	<b>2017</b>
		£	£
	Loan interest payable	<u>458,280</u>	<u>526,266</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 2018

### 11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties			Total £
	Complete £	Under construction £	Shared ownership £	
<b>Cost</b>				
As at 1 April 2017	80,420,361	8,255,660	977,021	89,653,042
Additions during the year	313,599	3,817,303	-	4,130,902
Transfers during the year	4,232,692	(4,232,692)	-	-
Disposals during the year	(226,185)	-	(82,595)	(308,780)
As at 31 March 2018	<u>84,740,467</u>	<u>7,840,271</u>	<u>894,426</u>	<u>93,475,164</u>
<b>Depreciation</b>				
As at 1 April 2017	18,856,178	-	401,560	19,257,738
Provided for year	1,877,554	-	18,472	1,896,026
Eliminated on disposals	(128,564)	-	(37,031)	(165,595)
As at 31 March 2018	<u>20,605,168</u>	<u>-</u>	<u>383,001</u>	<u>20,988,169</u>
<b>Net Book Value</b>				
As at 31 March 2018	<u>64,135,299</u>	<u>7,840,271</u>	<u>511,425</u>	<u>72,486,995</u>
As at 1 April 2017	<u>61,564,183</u>	<u>8,255,660</u>	<u>575,461</u>	<u>70,395,304</u>

Total works expenditure on existing housing properties amounted to £552,850 (2017: £735,285) of which £288,691 (2017: £670,883) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2017: nil).

There were no amounts capitalised, during the year, in respect of loan interest (2017: 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 2018

### 12 NON-CURRENT ASSETS OTHER TANGIBLE FIXED ASSETS

	Office property £	Plant & equipment £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
As at 1 April 2017	694,516	636,025	239,266	30,789	1,600,596
Additions	-	378,708	1,475	-	380,183
Disposals	-	-	-	(4,150)	(4,150)
As at 31 March 2018	<u>694,516</u>	<u>1,014,733</u>	<u>240,741</u>	<u>26,639</u>	<u>1,976,629</u>
<b>Depreciation</b>					
As at 1 April 2017	166,094	108,964	205,096	10,395	490,549
Disposals	-	-	-	(3,735)	(3,735)
Charge for year	<u>11,968</u>	<u>50,737</u>	<u>7,129</u>	<u>4,995</u>	<u>74,829</u>
As at 31 March 2018	<u>178,062</u>	<u>159,701</u>	<u>212,225</u>	<u>11,655</u>	<u>561,643</u>
<b>Net book value</b>					
As at 31 March 2018	<u>516,454</u>	<u>855,032</u>	<u>28,516</u>	<u>14,984</u>	<u>1,414,986</u>
As at 1 April 2017	<u>528,422</u>	<u>527,061</u>	<u>34,170</u>	<u>20,394</u>	<u>1,110,047</u>

### 13 INVESTMENTS

	2018 £	2017 £
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 loss of £(1,349) (2017: profit £921), which was carried forward to reserves, bringing total reserves to £3,679.

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 2018

### 14 DEVELOPMENT COST OF HOUSING PROPERTY

	2018 £	2017 £
Development cost of properties for sale	584,860	441,446
Social housing and other grant received	<u>(272,000)</u>	<u>(272,000)</u>
	<u>312,860</u>	<u>169,446</u>

### 15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Arrears of rent and service charges	169,361	140,251
Bad debt provision	<u>(84,371)</u>	<u>(54,197)</u>
	84,990	86,054
Social Housing Grant	90,931	160,816
Other receivables	147,678	341,813
Amounts due from group undertakings	<u>298,364</u>	<u>182,516</u>
	<u>621,963</u>	<u>771,199</u>

### 16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Housing loans	623,306	582,799
Trade payables	359,516	370,547
Rent in advance	28,974	32,509
Social Housing Grant repayable	1,823,475	1,521,497
Other taxation and social security	13,933	14,214
Amounts due to group undertakings	-	-
Accruals and deferred income	<u>388,411</u>	<u>540,433</u>
	<u>3,237,615</u>	<u>3,061,999</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2018 £	2017 £
Housing loans	<u>14,134,079</u>	<u>13,811,456</u>
In respect of loans above:		
within one year	623,306	582,799
within one to two years	624,291	599,256
within two to five years	2,016,357	1,921,691
in five years or more	<u>11,493,431</u>	<u>11,290,509</u>
	14,757,385	14,394,255
Less amounts shown in current payables	<u>(623,306)</u>	<u>(582,799)</u>
	<u>14,134,079</u>	<u>13,811,456</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	1.46%	2041	variable
Royal Bank of Scotland	5.41%	2026	fixed
Royal Bank of Scotland	4.57%	2039	fixed
Royal Bank of Scotland	0.8%	2037	variable
Clydesdale Bank	5.37%	2030	fixed
Clydesdale Bank	2.27%	2037	variable
Clydesdale Bank	2.23%	2037	variable
Nationwide Building Society	0.87%	2018	variable
Nationwide Building Society	0.87%	2030	variable
Nationwide Building Society	0.87%	2028	variable
Nationwide Building Society	0.87%	2031	variable
Nationwide Building Society	0.87%	2025	variable
Nationwide Building Society	0.87%	2031	variable
Nationwide Building Society	0.87%	2033	variable
Nationwide Building Society	0.87%	2038	variable
Nationwide Building Society	0.87%	2037	variable
Nationwide Building Society	1.47%	2032	variable
Nationwide Building Society	1.22%	2039	variable
Energy Trust	3.5%	2023	fixed
Energy Trust	3.5%	2021	fixed
Energy Trust	3.5%	2023	fixed
Argyll and Bute Council	2.88%	2042	fixed

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 18 DEFERRED INCOME

	2018 £	2017 £
<b>Social Housing Grants</b>		
Balance as at 1 April	52,447,715	52,438,596
Additions in year	2,929,944	1,162,935
Released as a result of property disposal	(66,982)	-
Amortisation during year	<u>(1,242,576)</u>	<u>(1,153,816)</u>
Balance as at 31 March	<u>54,068,101</u>	<u>52,447,715</u>
<b>Other Grants</b>		
Balance as at 1 April	1,284,068	661,000
Additions in year	-	636,288
Amortisation during year	<u>(25,946)</u>	<u>(13,220)</u>
Balance as at 31 March	<u>1,258,122</u>	<u>1,284,068</u>
<b>Total</b>	<u><u>55,326,223</u></u>	<u><u>53,731,783</u></u>

### 19 SHARE CAPITAL

	2018 £	2017 £
<b>Shares of £1 fully paid and issued</b>		
As at 1 April	121	119
Issued in year	2	2
Cancelled in year	<u>(4)</u>	<u>-</u>
As at 31 March	<u><u>119</u></u>	<u><u>121</u></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.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 20 RESERVES

Revenue reserve

	2018 £	2017 £
As at 1 April	5,853,621	4,940,687
Surplus for the financial year	832,437	722,398
Other comprehensive income for the financial year	90,000	190,536
As at 31 March	<u>6,776,058</u>	<u>5,853,621</u>

### 21 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of surplus to net cash inflow from operating activities

	2018 £	2017 £
Surplus on ordinary activities before tax	832,437	722,398
Depreciation	1,970,855	1,919,872
Loss on disposal of components	67,982	101,339
Amortisation of capital grants	(1,202,694)	(1,167,036)
Gain on disposal of properties	(134,182)	-
Loss on disposal of other fixed assets	415	-
Change in properties developed for sale	(143,414)	(169,446)
Decrease in debtors	149,236	230,771
Change in creditors	135,109	(473,535)
Payments made towards pension deficit	(53,000)	(51,465)
Pension costs less contributions payable	10,000	9,000
Interest received	(19,048)	(40,555)
Interest paid	458,280	526,266
Share capital written off	(4)	-
	<u>2,071,972</u>	<u>1,607,609</u>



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 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 17 active members (2017: 11) of the Defined Contribution Scheme employed by the Association. Employer contributions during the year amounted £34,240 (2017: £28,680)

#### Defined Benefit Scheme - Past Service Liability

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.

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 benefit scheme as from 31 March 2017. 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)

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 22 PENSIONS - (continued)

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.

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

	2018	2017
Discount rate	2.7%	2.8%
Salary increases	2.2%	3.3%
Inflation (RPI)	3.2%	3.3%
Inflation (CPI)	2.2%	2.3%
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

	2018 £'000	2017 £'000
Fair value of scheme assets	1,675	1,601
Present value of benefit obligation	<u>(1,920)</u>	<u>(1,979)</u>
Deficit in the scheme	(245)	(378)
Other amounts recognised	-	-
Net pension liability	<u><u>(245)</u></u>	<u><u>(378)</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 22 PENSIONS (continued)

#### Amounts recognised in Statement of Comprehensive Income

	2018 £'000	2017 £'000
Administration costs	2	2
Net interest on net defined benefit obligation	10	9
Costs recognised in Statement of Comprehensive Income	12	11

#### Changes in Defined Benefit Obligation

	2018 £'000	2017 £'000
Opening Defined Benefit Obligation	1,979	1,511
Interest Expense	55	56
Actuarial (Gains)/Losses	(59)	462
Benefits Paid	(55)	(50)
Closing Defined Benefit Obligation	1,920	1,979

#### Change in Fair Value of scheme assets

	2018 £'000	2017 £'000
Opening Fair Value of Scheme Assets	1,601	1,227
Actual Return on Scheme Assets less Interest Income	31	326
Interest income	45	47
Employer Contributions	55	53
Benefits Paid	(55)	(50)
Administration costs	(2)	(2)
Closing Fair Value of Scheme Assets	1,675	1,601

#### Other Comprehensive income

	2018 £'000	2017 £'000
Actual return on plan assets less interest income on plan assets	31	326
Actuarial gains / (losses)	59	(462)
Remeasurement gains and losses recognised in other comprehensive income	90	(136)

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 22 PENSIONS (continued)

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

	2018 %	2017 %
Equities	18	35
Property	4	4
Bonds	44	35
Alternatives	32	24
Cash and Other	2	2
Total	<u>100</u>	<u>100</u>

### 23 OBLIGATIONS UNDER LEASES

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

	2018 £	2017 £
Within one year	7,268	7,268
In two to five years	10,477	18,675
in over five years	-	-
	<u>17,745</u>	<u>25,943</u>

### 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:

	2018 £	2017 £
Within one year	9,345	9,345
In two to five years	-	-
	<u>9,345</u>	<u>9,345</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:

	2018 £	2017 £
Within one year	46,001	46,001
In two to five years	184,004	184,004
in over five years	37,660	83,661
	<u>267,665</u>	<u>313,666</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 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:

	2018 £	2017 £
Contracted but not provided for	<u>2,127,683</u>	<u>992,226</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.

### 27 HOUSING STOCK

The number of units in management at 31 March 2018 was as follows:-

	2018 No.	2017 No.
Property for rent	787	762
Shared ownership	21	23
Rent to buy *	<u>75</u>	<u>75</u>
	<u>883</u>	<u>860</u>

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2018

### 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 arm's 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 2018 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](http://www.linkhousing.org.uk)  
Email  
[linkhousing@linkhousing.org.uk](mailto:linkhousing@linkhousing.org.uk)

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2018

Rental income	2018		2017	
	£	£	£	£
Rent	3,446,611		3,286,540	
Shared ownership rents	55,868		56,729	
Other rents	<u>92,494</u>		<u>117,361</u>	
		3,594,973		3,460,630
Voids		<u>(20,120)</u>		<u>(5,185)</u>
		3,574,853		3,455,445
Government grant released		1,202,694		1,167,036
Revenue grant		<u>32,000</u>		<u>35,093</u>
		<u>4,809,547</u>		<u>4,657,574</u>
<b>Other Income</b>				
Factoring income	6,545		6,516	
Commercial property income	38,515		41,776	
Wider role grant income	121,672		181,946	
Shared equity sales	-		-	
Other income	<u>233,002</u>		<u>353,383</u>	
		<u>399,734</u>		<u>583,621</u>
<b>Turnover</b>		<u><u>5,209,281</u></u>		<u><u>5,241,195</u></u>
<b>Direct property costs</b>				
Reactive repairs	326,096		307,267	
Cyclical repairs	221,436		151,164	
Major repairs	264,159		292,592	
Void repairs	27,142		51,145	
Service costs	1,849		7,346	
Bad debts	30,873		24,453	
Legal fees	2,024		1,135	
Insurance	65,953		64,491	
Property depreciation	1,896,026		1,860,762	
Loss on component disposal	<u>67,982</u>		<u>101,339</u>	
		<u><u>2,903,540</u></u>		<u><u>2,861,694</u></u>
<b>Other attributed costs</b>				
LIFT cost of sales		-		-
Cost of property disposals		(134,182)		-
Wider role expenses		132,622		120,186
Donations		15,446		5,351
Energy supply costs		<u>41,515</u>		<u>102,084</u>
		<u><u>55,401</u></u>		<u><u>227,621</u></u>

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2018

Administration costs	2018		2017	
	£	£	£	£
Staff salaries	608,172		620,463	
Staff pension	34,240		28,680	
Recruitment and relocation	3,276		2,448	
Training and library	13,749		5,642	
Motor and travel expenses	15,814		16,089	
Committee and directors expenses	4,379		1,745	
Affiliation fees and subscriptions	26,761		21,702	
Postage and stationery	12,903		12,991	
Telephone	6,820		6,084	
Equipment rental	7,268		7,340	
Computer and IT costs	27,565		22,412	
Advertising and promotion	11,179		16,236	
Rent and rates	4,230		2,451	
Insurance	10,066		9,616	
Heat and light	10,542		7,976	
Repairs	9,377		5,162	
Cleaning	612		604	
Accountancy fees	10,900		12,900	
Payroll service	1,043		1,135	
Audit fee	11,376		16,063	
Internal audit fees	1,992		9,213	
Consultancy fees	31,837		24,084	
Legal fees	11,309		8,659	
Bank charges	13,655		12,067	
Sundry expenses	4,363		3,899	
Loss on disposal	415		-	
Depreciation	74,828		59,110	
	<u>968,671</u>		<u>934,771</u>	
Development overhead	<u>-</u>		<u>-</u>	
		<u>968,671</u>		<u>934,771</u>
Total operating costs		<u>3,927,612</u>		<u>4,024,086</u>
Operating surplus for year		<u>1,281,669</u>		<u>1,217,109</u>