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

For the year ended 31 March 2019

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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

## 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	Chair
James Tolmie	Vice-chair
Donald Harrison	Secretary
Gerry Boyle	
Jack Degnan	
Kirsteen MacKenzie	
Elaine Robertson	
David Sloss	
Torquil Telfer	
David Bittleston	appointed 28 September 2018
Mark Feinmann	appointed 28 September 2018
Linda Houston	appointed 28 September 2018
Colin Davidson	resigned 9 August 2018
Elaine Munro	resigned 9 August 2018
Councillor Andrew Vennard	council nominee
Councillor Anne Horn	council nominee

### Chief Executive (not a member of the Management Board)

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 Auditor

Scott Moncrieff  
25 Bothwell Street  
Glasgow

### 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 2019

The Management Board presents its report and audited financial statements for the year ended 31 March 2019.

### 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
- We will make a difference

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2019

### 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 £664,088 (2018: £922,437). There was a small drop in the operating surplus for the year but the drop in total comprehensive income is the result of the remeasurement of the pension liability.

Turnover increased in the year to £5,717,047 from £5,209,281 in 2018. The increase is partly due to the annual increase in rents from April 2018 but the main difference was the inclusion of income from the sale of shared equity properties amounting to £362,960.

The Association's core income from property rents increased by 3.9% to £3,715,038 from £3,574,853, reflecting rent increases, which took effect in April 2018.

At 31 March 2019 the Association's reserves stood at £7,440,146 (2018: £6,776,058).

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 2019, 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.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD 31 March 2019

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### Properties in Management

The Association had 807 properties, including 20 shared ownership together with a further 83 properties that are managed on behalf of Link. A further 151 properties are factored on behalf of owners.

### Houses Under Construction

As at 31 March 2019 the Association has houses under construction at:

- Lochdon, Mull – 14 properties: 6 for affordable rent and 8 for new supply shared equity
- Barcaldine – 10 properties: 6 social rent and 4 shared equity
- Port Ellen, Islay - 8 properties: 2 social rent and 6 shared equity

These schemes will complete over the following two financial years.

### 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 and there is a separate Corporate Services Committee and Health and Safety Committee.

The Board sets the strategic direction of the organisation and monitors the operational activities. There are 12 places for Board Members and this year we have 3 co-optees, and 9 Board Members. The Council may appoint 2 people to the Board and they have appointed elected members to the Board - Councillor Andrew Vennard and Councillor Anne Horn.

#### Services

#### Housing

The organisation had 65 properties available for let in 2018 – 19. All of these were from our existing stock as we had no new build last year.

32 properties were provided to people from the Housing List, 24 from homeless and 9 to existing tenants that were able to transfer.

Last year we changed the way we delivered housing services to reflect a more personalised service and we continue to develop this. This year we have invested in IT and phone technology providing people with a more flexible service.

#### Asset Management

Last year we fully reviewed our asset cost base and we had a robust plan for 30 years that invested significant amounts in our stock. In this year we have to respond to new legislation covering fire legislation and we have some early information covering about new energy standards. Our present view is that this will add a significant sum to our plans and we are presently re-working our costs to demonstrate that we can include this work and retain our commitment to stock improvements.

We received significant assistance from the Scottish Government to assist us with installation of new heating systems through the decarbonisation funds. This will help us install renewable systems in Taynuilt and Oban over the next year.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2019

### Maintenance

Around 96% of our stock met the Scottish Housing Quality Standard. This shows a slight decrease in compliance from last year this is due to the way we are dealing with the energy efficiency standards. In the following year we are projecting an increase in compliance.

In 2018 – 19 we spent nearly £1m on the following work:

- Repairs and voids
- Cyclical maintenance – external painterwork to 193 houses
- Planned and major repairs work

### Development

We had no new properties in 2018 -19 but as noted above we have started a number of new development schemes that will be off site in 2019 – 20 and 2020 – 21

### 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 but our stock is substantially newer. Our rent increase for this year focussed on those rents that were not at the correct points level. By 2021 all our rents will be on the correct points for the property.

### Performance Management

We measure our performance across a number of measures and also are required to provide the Scottish Housing Regulator with information on our performance each year for the Annual Return on the Charter.

Rent arrears are increasing in part due to the roll out of universal credit. We continue to support tenants to ensure people can retain their property and our tenancy sustainment figure for people being in their property for longer than a year is over 93%. We continue to intervene as early as possible and we did not evict any tenant last year and only had one abandonment.

Our emergency repair performance has improved in terms of timescales, however, our Right First Time and Appointments Kept had a minor deterioration in the year. We continue to work with our repairs contractor to embed improvements and the service delivered to our customers .

We surveyed around one fifth 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 98% of tenants moving into our properties were satisfied. This was not as good as last year but we retain a target of 100% for future years. Around 92% tenants are satisfied with their home and again this is a good result.



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD 31 March 2019

### **Tenant Participation**

The Association is experimenting with different opportunities for tenants and other stakeholders to participate. We completed two major consultations in 2018 -19 one in respect of our proposed 3 year maintenance programme and one in respect of our rents moving to the points rent for each property. We had a good response from people in respect of both these consultations and work has been progressed on the basis of this.

### **Risk Management**

Each year the Board and the Senior Management 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 23 July 2019

## 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 2019

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 23 July 2019 and signed on its behalf.

Board Member

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## MANAGEMENT BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL 31 March 2019

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 2019. 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 23 July 2019 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 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows 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 the association's affairs as at 31 March 2019 and of the income and expenditure of the association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.
- 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) Regulation 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

The association's Board have prepared the financial statements on the going concern basis as it does not intend to liquidate the association or to cease its operations, and as it has concluded that the association's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the association's Board's conclusions, we considered the inherent risks to the association's business model, including the impact of Brexit, and analysed how those risks might affect the association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the association will continue in operation.

### Other information

The association's Board is responsible for the other information, which comprises the Report of the Management Board, Statement of Management Board's Responsibilities and 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 any form of assurance conclusion thereon.

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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#### Other information (continued)

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. Based solely on that work, we have not identified material misstatements in the other information.

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 Management Board 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 Management Board Statement on Internal Financial Control is materially inconsistent with the knowledge acquired by us in the course of performing our audit.

We have nothing to report in these respects.

#### 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 its 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.

#### 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 control as they determine 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 they either intend to liquidate the association or to cease operations, or have 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).

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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#### **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, in respect of the reporting on corporate governance, on terms that have been agreed. 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, in respect of the reporting on corporate governance, those matters we have agreed to state to it in our 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 for our audit work, for this report, or for the opinions we have formed.

**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 1 August 2019

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2019

	Notes	£	2019 £	£	2018 £
<b>Turnover</b>	2		5,717,047		5,209,281
Operating costs	2		<u>(4,442,480)</u>		<u>(3,927,612)</u>
<b>Operating surplus</b>	2		1,274,567		1,281,669
Interest receivable and other income		31,779		19,048	
Interest and financing costs		(504,258)		(458,280)	
Other finance charges		<u>(11,000)</u>		<u>(10,000)</u>	
			<u>(483,479)</u>		<u>(449,232)</u>
<b>Surplus on ordinary activities before tax</b>			791,088		832,437
Taxation			<u>-</u>		<u>-</u>
<b>Surplus for the year</b>			791,088		832,437
Remeasurement of defined benefit pension liability			<u>(127,000)</u>		<u>90,000</u>
<b>Total comprehensive income for the year</b>			<u><u>664,088</u></u>		<u><u>922,437</u></u>

The notes on pages 17 to 38 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION as at 31 March 2019

	Notes	£	2019 £	£	2018 £
<b>Non-Current Assets</b>					
Housing property - depreciated cost	11		67,412,919		72,486,995
Other non-current assets	12		<u>1,355,805</u>		<u>1,414,986</u>
			68,768,724		73,901,981
<b>Investments</b>					
Investment in subsidiaries	13		<u>1</u>		<u>1</u>
			68,768,725		73,901,982
<b>Current Assets</b>					
Development cost of housing property	14	568,061		312,860	
Receivables	15	1,300,587		621,963	
Investments		4,041,173		2,025,247	
Cash at bank and in hand		<u>2,535,725</u>		<u>2,857,042</u>	
		8,445,546		5,817,112	
<b>Creditors: amounts falling due within one year</b>					
	16	<u>(4,073,622)</u>		<u>(3,237,615)</u>	
<b>Net Current Assets</b>					
			<u>4,371,924</u>	<u>2,579,497</u>	
<b>Total Assets less Current Liabilities</b>					
			73,140,649	76,481,479	
<b>Creditors due after one year</b>					
	17		(14,620,134)		(14,134,079)
<b>Deferred income</b>					
	18		(50,752,254)		(55,326,223)
<b>Pension liability</b>					
			<u>(328,000)</u>		<u>(245,000)</u>
<b>Net Assets</b>					
			<u>7,440,261</u>	<u>6,776,177</u>	
<b>Equity</b>					
Share capital	19		115		119
Revenue reserve	20		<u>7,440,146</u>		<u>6,776,058</u>
			<u>7,440,261</u>		<u>6,776,177</u>

These financial statements were approved by the Management Board on 23 July 2019 and signed on its behalf by:

Board Member

Board Member

Secretary

The notes on pages 17 to 38 form part of the financial statements.



## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF CASH FLOWS for the year ended 31 March 2019

	Notes	2019		2018	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	21		1,863,190		2,071,972
<b>Investing activities</b>					
Acquisition and construction of properties		(1,319,496)		(4,130,902)	
Social Housing Grant received		1,034,702		2,929,944	
Other grant received		72,000		-	
Proceeds of disposal of properties		46,727		209,385	
Social Housing Grant repaid		(17,888)		(132,810)	
Interest received on cash		31,779		19,048	
Proceeds from disposal of investments		-		989,794	
Purchase of short term investment		(2,015,926)		-	
Purchase of other fixed asset		(16,216)		(380,183)	
<b>Net cash outflow from investing</b>			(2,184,318)		(495,724)
<b>Financing activities</b>					
Interest paid on loans		(504,258)		(458,280)	
Loan advances received		1,164,800		955,024	
Loan principal repayments		(660,733)		(591,894)	
Share capital issued		2		2	
<b>Net cash inflow on financing</b>			(189)		(95,148)
<b>(Decrease)/Increase in cash</b>			(321,317)		1,481,100
<b>Opening cash and cash equivalents</b>			<u>2,857,042</u>		<u>1,375,942</u>
<b>Closing cash and cash equivalents</b>			<u>2,535,725</u>		<u>2,857,042</u>
<b>Cash and cash equivalents at 31 March 2019</b>			<u>2,535,725</u>		<u>2,857,042</u>

The notes on pages 17 to 38 form part of the financial statements.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2019

	Share capital	Revenue reserve	Total
<b>Balance as at 1 April 2018</b>	119	6,776,058	6,776,177
Issue of shares	2	-	2
Cancellation of shares	(6)	-	(6)
Surplus for financial year	-	791,088	791,088
Remeasurement of the defined benefit pension liability	-	(127,000)	(127,000)
<b>Balance as at 31 March 2019</b>	<u>115</u>	<u>7,440,146</u>	<u>7,440,261</u>

The notes on pages 17 to 38 form part of the financial statements.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 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..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 2019

### 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 2019

### 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 Association, 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 2019

### 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 2019

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

			2019	2018
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable letting activities (note 3)	4,997,783	(3,810,570)	1,187,213	1,134,177
Other activities (note 4)	<u>719,264</u>	<u>(631,910)</u>	<u>87,354</u>	<u>147,492</u>
Total for 2019	<u>5,717,047</u>	<u>(4,442,480)</u>	<u>1,274,567</u>	<u>1,281,669</u>
Total for 2018	<u>5,209,281</u>	<u>(3,927,612)</u>	<u>1,281,669</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

<b>3</b>	<b>Particulars of turnover, operating costs and operating surplus or deficit from affordable lettings activities</b>			
	<b>General Needs Housing</b>	<b>Shared Ownership Housing</b>	<b>2019 Total</b>	<b>2018 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>Revenue from lettings</b>			
Rent receivable net of service charges	<u>3,688,036</u>	<u>54,168</u>	<u>3,742,204</u>	<u>3,594,973</u>
Gross income from rent and service charges	3,688,036	54,168	3,742,204	3,594,973
Less: Rent losses from voids	<u>(27,166)</u>	<u>-</u>	<u>(27,166)</u>	<u>(20,120)</u>
<b>Net income from rents and service charges</b>	3,660,870	54,168	3,715,038	3,574,853
Grants released from deferred income	1,228,081	6,664	1,234,745	1,202,694
Revenue grants from Scottish Ministers	<u>48,000</u>	<u>-</u>	<u>48,000</u>	<u>32,000</u>
<b>Total turnover from affordable letting activities</b>	<u>4,936,951</u>	<u>60,832</u>	<u>4,997,783</u>	<u>4,809,547</u>
	<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	923,203	13,531	936,734	839,808
Service costs	9,455	-	9,455	1,849
Planned and cyclical maintenance including major repair costs	494,556	-	494,556	485,595
Reactive maintenance costs	390,097	-	390,097	353,237
Bad debts - rents and service charges	22,784	-	22,784	30,873
Depreciation of affordable let properties	1,929,030	17,617	1,946,647	1,896,026
Loss on disposal of components	<u>10,297</u>	<u>-</u>	<u>10,297</u>	<u>67,982</u>
<b>Operating costs of affordable letting activities</b>	<u>3,779,422</u>	<u>31,148</u>	<u>3,810,570</u>	<u>3,675,370</u>
<b>Operating surplus for affordable letting activities</b>	<u>1,157,529</u>	<u>29,684</u>	<u>1,187,213</u>	<u>1,134,177</u>
<b>Operating surplus for affordable letting activities for previous year</b>	<u>1,092,440</u>	<u>41,737</u>	<u>1,134,177</u>	



## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

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 £	2019 Operating surplus / (deficit) £	2018 Operating surplus / (deficit) £
Wider role activities	78,952	-	78,952	(113,716)	(34,764)	(43,128)
Development and construction of property activities	-	362,960	362,960	(315,609)	47,351	-
Energy supply	-	65,185	65,185	(56,135)	9,050	12,570
Commercial property income	-	36,682	36,682	(5,502)	31,180	32,738
Biomass boilers	-	38,761	38,761	(31,801)	6,960	14,200
Agency/management services for other housing associations	-	31,911	31,911	(31,911)	-	-
Donations	-	-	-	(10,561)	(10,561)	(15,446)
Gain on disposal of property	-	-	-	38,138	38,138	134,182
Other income	-	104,813	104,813	(104,813)	-	12,376
	<u>78,952</u>	<u>640,312</u>	<u>719,264</u>	<u>(631,910)</u>	<u>87,354</u>	<u>147,492</u>
Total from other activities for the previous year	<u>111,673</u>	<u>288,061</u>	<u>399,734</u>	<u>252,242</u>	<u>147,492</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 5 EMPLOYEE INFORMATION

	2019 £	2018 £
Staff costs during year		
Wages and salaries	600,937	558,730
Social security costs	54,044	49,442
Other pension costs	<u>36,312</u>	<u>34,240</u>
	<u>691,293</u>	<u>642,412</u>

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

Full time equivalent	<u>19</u>	<u>18</u>
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### 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:

	2019	2018
Emoluments (excluding pension contributions)	<u>65,955</u>	<u>64,253</u>
Total emoluments	<u>71,227</u>	<u>69,389</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>
	£	£

#### Emoluments payable to Chief Executive

Emoluments excluding pension contributions	65,955	64,253
Employer's pension contributions	<u>5,272</u>	<u>5,136</u>
	<u>71,227</u>	<u>69,389</u>

Total emoluments paid to key management personnel	<u>132,308</u>	<u>128,893</u>
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#### 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 2019

7	<b>SURPLUS FOR FINANCIAL YEAR</b>	<b>2019</b>	<b>2018</b>
		£	£
	Surplus is stated after charging:-		
	Depreciation - tangible owned fixed assets	2,022,044	1,970,856
	Loss on disposal of components	10,297	67,982
	Remuneration of auditor for audit services	11,446	11,376
	Operating lease rentals - other	7,050	7,268
	Loss on disposal of other tangible fixed assets	-	415
	Gain on disposal of housing property	<u>(38,138)</u>	<u>(134,182)</u>
8	<b>GAIN ON SALE OF HOUSING STOCK</b>	<b>2019</b>	<b>2018</b>
		£	£
	Sale proceeds	46,727	209,385
	Cost of sales	<u>8,589</u>	<u>75,203</u>
	Gain on sale of housing stock	<u>38,138</u>	<u>134,182</u>
9	<b>INTEREST PAYABLE</b>	<b>2019</b>	<b>2018</b>
		£	£
	Loan interest payable	<u>504,258</u>	<u>458,280</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 2019

### 11 NON-CURRENT ASSETS HOUSING PROPERTY

	Letting properties			Total £
	Complete £	Under construction £	Shared ownership £	
<b>Cost</b>				
As at 1 April 2018	84,740,467	7,840,271	894,426	93,475,164
Additions during the year	103,530	1,215,966	-	1,319,496
Disposals during the year	<u>(30,427)</u>	<u>(4,428,039)</u>	<u>(18,082)</u>	<u>(4,476,548)</u>
As at 31 March 2019	<u>84,813,570</u>	<u>4,628,198</u>	<u>876,344</u>	<u>90,318,112</u>
<b>Depreciation</b>				
As at 1 April 2018	20,605,168	-	383,001	20,988,169
Provided for year	1,929,030	-	17,617	1,946,647
Eliminated on disposals	<u>(20,130)</u>	<u>-</u>	<u>(9,493)</u>	<u>(29,623)</u>
As at 31 March 2019	<u>22,514,068</u>	<u>-</u>	<u>391,125</u>	<u>22,905,193</u>
<b>Net Book Value</b>				
As at 31 March 2019	<u>62,299,502</u>	<u>4,628,198</u>	<u>485,219</u>	<u>67,412,919</u>
As at 1 April 2018	<u>64,135,299</u>	<u>7,840,271</u>	<u>511,425</u>	<u>72,486,995</u>

Total works expenditure on existing housing properties amounted to £103,350 (2018: £552,850) of which £78,612 (2018: £288,691) was capitalised in respect of component replacements. There were no amounts capitalised in respect of improvements (2018: nil).

There were no amounts capitalised, during the year, in respect of loan interest (2018: 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 2019

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

	Office property £	Plant & equipment £	Office equipment £	Motor vehicles £	Total £
Cost					
As at 1 April 2018	694,516	1,014,733	240,741	26,639	1,976,629
Additions	-	-	16,216	-	16,216
As at 31 March 2019	<u>694,516</u>	<u>1,014,733</u>	<u>256,957</u>	<u>26,639</u>	<u>1,992,845</u>
Depreciation					
As at 1 April 2018	178,062	159,701	212,225	11,655	561,643
Charge for year	11,968	50,737	8,946	3,746	75,397
As at 31 March 2019	<u>190,030</u>	<u>210,438</u>	<u>221,171</u>	<u>15,401</u>	<u>637,040</u>
<b>Net book value</b>					
As at 31 March 2019	<u>504,486</u>	<u>804,295</u>	<u>35,786</u>	<u>11,238</u>	<u>1,355,805</u>
As at 1 April 2018	<u>516,454</u>	<u>855,032</u>	<u>28,516</u>	<u>14,984</u>	<u>1,414,986</u>

**13 INVESTMENTS**

	2019 £	2018 £
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 £1,842 (2018: loss of £1,349), which was carried forward to reserves, bringing total reserves to £5,521.

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 2019

### 14 DEVELOPMENT COST OF HOUSING PROPERTY

	2019 £	2018 £
Development cost of properties for sale	2,098,971	584,860
Social housing and other grant received	<u>(1,530,910)</u>	<u>(272,000)</u>
	<u>568,061</u>	<u>312,860</u>

### 15 RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Arrears of rent and service charges	172,894	169,361
Bad debt provision	<u>(97,379)</u>	<u>(84,371)</u>
	75,515	84,990
Social Housing Grant	472,378	90,931
Other receivables	522,071	147,678
Amounts due from group undertakings	<u>230,623</u>	<u>298,364</u>
	<u>1,300,587</u>	<u>621,963</u>

### 16 PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Housing loans	641,318	623,306
Trade payables	1,030,539	359,516
Rent in advance	37,830	28,974
Social Housing Grant repayable	1,841,363	1,823,475
Other taxation and social security	14,460	13,933
Accruals and deferred income	<u>508,112</u>	<u>388,411</u>
	<u>4,073,622</u>	<u>3,237,615</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

17 PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR	2019 £	2018 £
Housing loans	<u>14,620,134</u>	<u>14,134,079</u>
In respect of loans above:		
within one year	641,318	623,306
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>11,979,486</u>	<u>11,613,132</u>
	15,261,452	14,757,385
Less amounts shown in current payables	<u>(641,318)</u>	<u>(623,306)</u>
	<u>14,620,134</u>	<u>14,134,079</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	1.6%	2041	variable
Royal Bank of Scotland	5.41%	2026	fixed
Royal Bank of Scotland	4.57%	2039	fixed
Royal Bank of Scotland	1.2%	2037	variable
Clydesdale Bank	5.37%	2030	fixed
Clydesdale Bank	2.67%	2037	variable
Clydesdale Bank	2.39%	2037	variable
Nationwide Building Society	1.26%	2018	variable
Nationwide Building Society	1.26%	2030	variable
Nationwide Building Society	1.26%	2028	variable
Nationwide Building Society	1.26%	2031	variable
Nationwide Building Society	1.26%	2025	variable
Nationwide Building Society	1.26%	2031	variable
Nationwide Building Society	1.26%	2033	variable
Nationwide Building Society	1.26%	2038	variable
Nationwide Building Society	1.26%	2037	variable
Nationwide Building Society	1.86%	2032	variable
Nationwide Building Society	1.61%	2039	variable
Energy Trust	3.5%	2023	fixed
Energy Trust	3.5%	2021	fixed
Energy Trust	3.5%	2023	fixed
CAF Bank	2.6%	2042	variable
Argyll and Bute Council	2.88%	2042	fixed

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 18 DEFERRED INCOME

	2019 £	2018 £
<b>Social Housing Grants</b>		
Balance as at 1 April	54,068,101	52,447,715
Additions in year	1,034,702	2,929,944
Released as a result of land and property disposal	(4,436,535)	(66,982)
Amortisation during year	<u>(1,218,190)</u>	<u>(1,242,576)</u>
Balance as at 31 March	<u>49,448,078</u>	<u>54,068,101</u>
<b>Other Grants</b>		
Balance as at 1 April	1,258,122	1,284,068
Additions in year	72,000	-
Amortisation during year	<u>(25,946)</u>	<u>(25,946)</u>
Balance as at 31 March	<u>1,304,176</u>	<u>1,258,122</u>
<b>Total</b>	<u><u>50,752,254</u></u>	<u><u>55,326,223</u></u>

### 19 SHARE CAPITAL

	2019 £	2018 £
Shares of £1 fully paid and issued		
As at 1 April	119	121
Issued in year	2	2
Cancelled in year	<u>(6)</u>	<u>(4)</u>
As at 31 March	<u><u>115</u></u>	<u><u>119</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 2019

### 20 RESERVES

Revenue reserve

	2019 £	2018 £
As at 1 April	6,776,058	5,853,621
Surplus for the financial year	791,088	832,437
Other comprehensive income for the financial year	<u>(127,000)</u>	<u>90,000</u>
As at 31 March	<u><u>7,440,146</u></u>	<u><u>6,776,058</u></u>

### 21 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of surplus to net cash inflow from operating activities

	2019 £	2018 £
Surplus on ordinary activities before tax	791,088	832,437
Depreciation	2,022,044	1,970,855
Loss on disposal of components	10,297	67,982
Amortisation of capital grants	(1,234,744)	(1,202,694)
Gain on disposal of properties	(38,138)	(134,182)
Loss on disposal of other fixed assets	-	415
Change in properties developed for sale	(255,201)	(143,414)
Change in debtors	(678,624)	149,236
Change in creditors	817,995	135,109
Payments made towards pension deficit	(57,000)	(53,000)
Pension costs less contributions payable	13,000	10,000
Interest received	(31,779)	(19,048)
Interest paid	504,258	458,280
Share capital written off	<u>(6)</u>	<u>(4)</u>
	<u><u>1,863,190</u></u>	<u><u>2,071,972</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 22 PENSIONS

#### Defined Contribution Scheme

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

As at the year end, there were 17 active members (2018: 17) of the Defined Contribution Scheme employed by the Association. Employer contributions during the year amounted £36,3120 (2018: £34,240)

#### Defined Benefit Scheme - Past Service Liability

West Highland Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2015. This valuation revealed a deficit of £198m. A Recovery Plan has been put in place to eliminate the deficit which runs to 28 February 2022 for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore West Highland Housing 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.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus at the accounting period start and end dates.

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.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 22 PENSIONS - (continued)

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

	2019	2018
Discount rate	2.55%	2.7%
Salary increases	2.35%	2.2%
Inflation (RPI)	3.35%	3.2%
Allowance for cash commutation)	75% of maximum allowance	75% of maximum allowance
<b>Mortality Assumptions</b>		
	Life expectancy at the age of	
	65	
Male retiring in 2019)	21.7 years	
Female retiring in 2019	23.4 years	
Male retiring in 2039	23.1 years	
Female retiring in 2039	24.7 years	r

#### Amounts recognised in Statement of Financial Position

	2019 £'000	2018 £'000
Fair value of scheme assets	1,841	1,675
Present value of benefit obligation	<u>(2,169)</u>	<u>(1,920)</u>
Deficit in the scheme	(328)	(245)
Other amounts recognised	-	-
Net pension liability	<u><u>(328)</u></u>	<u><u>(245)</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 22 PENSIONS (continued)

#### Amounts recognised in Statement of Comprehensive Income

	2019 £'000	2018 £'000
Administration costs	2	2
Net interest on net defined benefit obligation	11	10
Costs recognised in Statement of Comprehensive Income	<u>13</u>	<u>12</u>

#### Changes in Defined Benefit Obligation

	2018 £'000	2018 £'000
Opening Defined Benefit Obligation	1,920	1,979
Interest Expense	60	55
Actuarial (Gains)/Losses	278	(59)
Benefits Paid	(89)	(55)
Closing Defined Benefit Obligation	<u>2,169</u>	<u>1,920</u>

#### Change in Fair Value of scheme assets

	2019 £'000	2018 £'000
Opening Fair Value of Scheme Assets	1,675	1,601
Actual Return on Scheme Assets less Interest Income	151	31
Interest income	47	45
Employer Contributions	57	55
Benefits Paid	(89)	(55)
Administration costs	-	(2)
Closing Fair Value of Scheme Assets	<u>1,841</u>	<u>1,675</u>

#### Other Comprehensive income

	2019 £'000	2018 £'000
Actual return on plan assets less interest income on plan assets	151	31
Actuarial gains / (losses)	(278)	59
Remeasurement gains and losses recognised in other comprehensive income	<u>(127)</u>	<u>90</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 22 PENSIONS (continued)

	2019	2018
	£'000	£'000
Actual return on plan assets less interest income on plan assets	151	31
Actuarial gains / (losses)	<u>(278)</u>	<u>59</u>
Remeasurement gains and losses recognised in other comprehensive income	<u>(127)</u>	<u>90</u>

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

	2019	2018
Global Equity	296	319
Absolute Return	156	210
Distressed Oppurtunities	31	8
Credit Relative Value	32	-
Alternative Risk Permia	103	67
Fund of Hedge Funds	5	51
Emerging Market Debt	59	61
Risk Sharing	53	16
Insurance linked securities	48	48
Property	37	70
Infrastructure	77	32
Private Debt	24	16
Corporate Bond Fund	129	124
Long Lease Property	22	-
Secured Income	64	65
Over 15 Year Gilts	47	57
Index Linked All Stock Gilts	-	-
Liability Driven Investments	656	624
Net Current Assets	<u>2</u>	<u>3</u>
Total	<u>1,841</u>	<u>1,771</u>

### 23 OBLIGATIONS UNDER LEASES

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

	2019	2018
	£	£
Within one year	4,834	7,268
In two to five years	5,876	10,477
in over five years	-	-
	<u>10,710</u>	<u>17,745</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2019

### 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:

	2019 £	2018 £
Within one year	9,345	9,345
In two to five years	-	-
	9,345	9,345

The Association leases biomass boilers to West Highland Futures Limited. 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:

	2019 £	2018 £
Within one year	46,001	46,001
In two to five years	175,663	184,004
in over five years	-	37,660
	221,664	267,665

### 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:

	2019 £	2018 £
Contracted but not provided for	1,693,554	2,127,683

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 2019

### 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 2019 was as follows:-

	2019 No.	2018 No.
Property for rent	787	787
Shared ownership	20	21
Property for rent managed for Link Housing Association	33	25
Rent to buy *	50	50
	<u>890</u>	<u>883</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 2019

### 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 Anne Horn, Andrew Vennard 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 2019 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)