

BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN  
EILEIN SGITHEANAICH LTD  
LOCHALSH AND SKYE HOUSING ASSOCIATION

# **REPORT AND FINANCIAL STATEMENTS**

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FOR THE YEAR ENDED 31 MARCH 2011

SCOTTISH CHARITY NO. SC038019  
REGISTERED HOUSING ASSOCIATION NO. 324  
FSA REGISTRATION NO. 2132 RS

MORRISON HOUSE, BAYFIELD, PORTREE, ISLE OF SKYE, IV51 9EW  
TELEPHONE: 01478 612035    FAX: 01478 613377    EMAIL: INFO@LSHA.CO.UK  
[www.LSHA.co.uk](http://www.LSHA.co.uk)

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

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**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**REPORT OF THE MANAGEMENT COMMITTEE  
For the year ended 31 March 2011**

The Management Committee, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2011. Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited is also known as Lochalsh & Skye Housing Association and is referred to throughout this report as "the Association".

**Legal Status**

The Association is constituted under its Rule Book and is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965 with the Financial Services Authority No. 2132 RS and is registered with the Scottish Housing Regulator (Communities Scotland to 31 March 2008) No. 324. The Association gained charitable status on 3 April 2007 as Scottish Charity No. SC038019

**Registered Office:**

Morrison House  
Bayfield  
PORTREE  
Isle of Skye  
IV51 9EW

**Auditors:**

Baker Tilly UK Audit LLP  
Breckenridge House  
274 Sauchiehall Street  
GLASGOW  
G2 3EH

**Bankers:**

Royal Bank of Scotland  
Bank Street  
PORTREE  
Isle of Skye  
IV51 9BX

**Solicitors:**

George Street Law  
4 George Street  
DINGWALL  
Ross-shire  
IV15 9SA

Macleod & MacCallum  
28 Queensgate  
INVERNESS  
IV1 1YN

**Advisors:**

**Management Accountant: -**

Kenneth G Goddard CPFA  
Easter Woodside  
Kinloss  
FORRES  
IV36 3UA

**Internal Auditor:**

TIAA Ltd, Business Support Centre  
53-55 Gosport Business Centre  
Aerodrome Road, Gosport  
Hants  
PO13 0FQ

**Principal Activities**

The principal activities of the Association are the development, management and maintenance of housing in Skye and Lochalsh for people in housing need.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**REPORT OF THE MANAGEMENT COMMITTEE  
for the year ended 31 MARCH 2011**

**Business Review**

In the period under review, the Association has continued to expand and has been actively involved in a range of partnerships which have contributed towards achieving its aims and objectives. The members of the Management Committee are of the opinion that the state of affairs of the Association is satisfactory.

Key aspects of the period under review are detailed below:

- The Management Committee has been consistently well attended and has used the Business and Internal Management Plan as a tool towards achieving key targets and for reviewing internal policy, practice and procedure.
- The Association has established Strategic Objectives that support its key Strategic Aims.
- The Association has continued to develop new build properties throughout Skye and Lochalsh and £5,933,807 was spent on developing new properties including Shared Equity properties. Grant funded expenditure amounted to £2,390,442 and the remaining costs were met from shared equity sales and by raising private finance.
- As the Agent of the Highland Council the Association arranged the expenditure of £199,635 of grants on Care and Repair Projects for elderly and disabled clients throughout the area.
- The Association has continued to act as the Agent for The Scottish Government in the delivery of Rural Home Ownership Grants for applicants wishing to build or purchase their own homes.

**Relationships with other charities and organisations**

The Association is represented on the Boards of the following organisations:

Highland Housing Alliance - non charitable company, Company No. SC279579

The Highlands Small Communities Housing Trust - Charity No. SC027544, Company No. 182862

Highland Housing & Community Care Trust - Charity No. SC027941, Company No. 186046

The Association has a charitable non-registered subsidiary trading company:

North West Highland Community Enterprises Ltd - Company No. SC319435

**Surplus for the year and Reserves**

The Association has made a surplus of £225,578 (2009/10 - £447,284). The Association has transferred £86,082 to designated reserves (2009/10 - £425,122). Designated reserves total £1,166,406 (2009/10 - £1,080,324) at the year end. These have been built up in order to meet future major repairs expenditure and to maintain property condition and value.

Revenue reserves are maintained at one third of operating expenditure, excluding the cost of sales of Shared Equity properties, with any surplus or deficit transferred to or from the major repairs reserve. The Association held revenue reserves of £694,305 at 31 March 2011 (31 March 2010 - £554,809).

No material uncertainties that may cast significant doubt about the Association continuing as a going concern have been identified by the Management Committee.

**Change in Fixed Assets**

Details of fixed assets are set out in Note 10 of the attached accounts.

**Future Developments**

- The Association will continue to expand over the next period and has identified new development opportunities throughout Skye and Lochalsh.
- The Association will continue to invest in its existing housing stock through a programme of repairs, maintenance and major refurbishment.
- The ongoing review of policies and procedures will be maintained to ensure that the governance and accountability of the Association is in accordance with best practice.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**REPORT OF THE MANAGEMENT COMMITTEE  
for the year ended 31 MARCH 2011**

**Management Committee and Executive Officer**

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer holds no interest in the Association's share capital and, although not having the legal status of Director, acts as an Executive within the authority delegated by the Management Committee. Members of the Management Committee are elected by the members at a General Meeting unless they are co-opted.

The members of the Management Committee from 1 April 2010 to the date of this report were as follows:

Mr I MacLean	Chairperson
Mr T Harvey	Vice Chairperson
Mr D MacKenzie	Treasurer
Mr G Wight	- resigned February 2011
Miss Isabel Moore	
Mrs P Walsh	
Ms J MacPherson	
Mr D W Brown	
Mr R Johnston	
Mrs S Crowe	- elected 28 June 2010

**Co-opted members**

Mr H Fraser	- resigned January 2011
Mr G Wight	- co-opted February 2011

**Company Secretary**

Mrs L MacIntosh

**Executive Officer**

The Executive Officer of the Association at 1 April 2010 to the date of this report was as follows:

Mr L MacDonald	Chief Executive
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**Statement of Management Committee's Responsibilities**

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.
- Prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee confirms that the financial statements comply with the above requirements.

**REPORT OF THE MANAGEMENT COMMITTEE**  
for the year ended 31 MARCH 2011

**Statement of Management Committee's Responsibilities (continued)**

The Management Committee must in determining how amounts are presented within items in the Income and Expenditure Account and Balance Sheet, have regard to the substance of the reported transactions or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the Management Committee are aware:

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

**Statement of Internal Financial Control and Financial Reporting**

The Management Committee is required to report on the effectiveness of the Association's system of internal financial control which are designed to provide reasonable assurance with respect to:-

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

The Management Committee is responsible for the Association's system of financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that:-

- formal policies and procedures are in place governing the preparation of budgets and cashflows, accounting requirements, the maintenance of bank accounts, the designation of budget holders, the investment of surpluses and the procurement of loan finance;
- experienced and suitably qualified employees take responsibility for important business functions and regular appraisal procedures have been established to maintain standards of performance;
- budget and cashflow forecasts are prepared which allow the Management Committee to monitor the key business risks and progress towards achievement of financial targets; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Management Committee receive reports from management, from internal and external 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 weakness identified through internal or external audit reports;
- an internal auditor has been appointed in accordance with the requirements of Guidance Note 97/06. An audit plan was set and completed for the year. The results of the work confirm that the Association has satisfactory procedures for managing its finances.

The Management Committee has reviewed the effectiveness of the Association's systems of internal financial control for the accounting year ended 31 March 2011 and until 13 June 2011 when the financial statements were approved. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**Credit Payment Policy**

The Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is thirty days.

**Maintenance Policies**

The Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs would be charged to the Income and Expenditure account.

In addition, the Association has a long-term programme of major repairs to cover for works which have become necessary since the original development was completed, including works required by subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The cost of these repairs would be charged to the Income and Expenditure account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice 'Accounting by registered social landlords 2008' ("SORP").

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**REPORT OF THE MANAGEMENT COMMITTEE  
for the year ended 31 MARCH 2011**

**Treasury Management**

The Association operates in accordance with its Treasury Management Policy which covers all of its funding or borrowing from external sources and the lending or investment of surplus balances. It also deals with the internal movement of surplus funds between accounts.

The Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2011, the Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

**Employee Involvement and Health & Safety**

The Association encourages employee involvement in all major initiatives and in maintaining Health & Safety standards in all areas.


**Schedule 7 of the Housing (Scotland) Act 2001  
Guidance on Payments, Benefits and Corporate Accountability**

The amount spent on promoting the Association in the year was £5,498 (2009/10 - £1,284).

**Auditors**

Baker Tilly UK Audit LLP have agreed to offer themselves for re-appointment as auditors of the Association.

By the order of the Management Committee



Mrs L MacIntosh  
Secretary

Registered Office  
Morrison House  
Bayfield  
PORTREE  
Isle of Skye  
IV519EW

Date: 13 June 2011

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited**

We have audited the financial statements of Lochalsh and Skye Housing Association Limited for the year ended 31 March 2011 on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Committee's Responsibilities Statement set out on pages 3 to 4, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Dated: *20/6/11* .....

**REPORT OF THE AUDITORS ON CORPORATE GOVERNANCE MATTERS**  
**To the Management Committee of**  
**Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited**

In addition to our audit of the financial statements we have reviewed the management committee's statement on page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within S.F.H.A.'s publication "Raising Standards in Housing".

**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Control on page four has provided the disclosures required by the section on Internal Financial Control within S.F.H.A.'s publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our work on the Financial Statements.

*Baker Tilly UK Audit LLP*

BAKER TILLY UK AUDIT LLP  
Statutory Auditor  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

Dated: ..... *20/6/11* .....

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**INCOME AND EXPENDITURE ACCOUNT  
for the Year Ended 31 March 2011**

		31/03/2011	31/03/2010
	Notes	£	£
<b>TURNOVER</b>	2	9,453,039	3,534,293
Operating costs	2	9,091,499	2,970,284
		361,540	564,009
<b>OPERATING SURPLUS</b>	2		
Profit on sale of fixed assets		33,842	-
Interest receivable & other income		682	4,526
Interest payable & similar charges	5	(170,486)	(121,251)
		225,578	447,284
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	6		
Corporation Tax on Surplus on Ordinary Activities	7	-	-
		225,578	447,284
<b>SURPLUS FOR THE YEAR</b>		225,578	447,284

All amounts relate to continuing activities.

All recognised surpluses and deficits have been included in the Income and Expenditure Account.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**BALANCE SHEET  
As at 31 March 2011**

		31/03/2011		31/03/2010	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
<b>Housing properties:</b>					
Depreciated costs	10a		58,108,626		54,144,219
Less: Social Housing Grant			(44,555,081)		(43,670,851)
Less: Other public grants			(2,419,368)		(2,138,903)
			<u>11,134,177</u>		<u>8,334,465</u>
<b>Other tangible fixed assets</b>	10b		710,450		678,531
			<u>11,844,627</u>		<u>9,012,996</u>
<b>Fixed Asset Investments:</b>					
Shared equity cost	11	409,000		409,000	
Shared equity grant		(409,000)		(409,000)	
		<u>-</u>		<u>-</u>	
Investments in subsidiaries	11	1		1	
			1		1
			<u>11,844,628</u>		<u>9,012,997</u>
<b>CURRENT ASSETS:</b>					
Debtors	12	804,858		1,845,676	
Stock	13	518,768		3,197,202	
Cash at bank		1,139,046		39,736	
		<u>2,462,672</u>		<u>5,082,614</u>	
<b>CREDITORS:</b>					
Amounts falling due within one year	14	<u>1,120,641</u>		<u>3,623,540</u>	
<b>NET CURRENT ASSETS:</b>			1,342,031		1,459,074
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>					
			<u>13,186,659</u>		<u>10,472,071</u>
<b>CREDITORS:</b>					
Amounts falling due after more than one year	15		(11,325,766)		(8,836,759)
<b>NET ASSETS:</b>			<u>1,860,893</u>		<u>1,635,312</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	17		182		179
Designated reserves	18		1,166,406		1,080,324
Revenue reserves	18		694,305		554,809
			<u>1,860,893</u>		<u>1,635,312</u>

These financial statements were approved and authorised for issue by the Management Committee on 13 June 2011 and signed on their behalf by:

  
P. Wals

Committee Member

Committee Member



Secretary

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**CASH FLOW STATEMENT  
for the Year Ended 31 March 2011**

	Notes	31/03/2011		31/03/2010	
		£	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	1		1,798,823		2,151,209
<b>Returns on Investments and Servicing of Finance</b>					
Interest received & other income		682		4,526	
Interest paid		(170,486)		(121,251)	
<b>Net Cash Outflow from Returns on Investments and Servicing Finance</b>			(169,804)		(116,725)
<b>Taxation</b>					
Corporation tax paid		-		-	
Grant received		-		-	
<b>Net Cash Flow on Taxation</b>			-		
<b>Capital Expenditure and Financial Investment</b>					
Cash paid for construction and purchase of housing		(4,251,159)		(11,100,620)	
Purchase of other fixed assets		(94,781)		(13,846)	
Proceeds from sale of fixed assets		87,750		-	
SHG repayments		(61,867)		-	
SHG and other grants received		1,226,562		8,371,945	
<b>Net Cash Outflow from Capital expenditure</b>			(3,093,495)		(2,742,521)
<b>Net Cash Outflow before Financing</b>			(1,464,476)		(708,037)
<b>Financing</b>					
Issue of share capital		5		4	
Loan advances received		2,787,266		90,000	
Loan redemption payments		(219,450)		(225,559)	
<b>Net Cash Inflow/ (Outflow) from Financing</b>			2,567,821		(135,555)
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>			<u>1,103,345</u>		<u>(843,592)</u>

NOTES TO THE CASH FLOW STATEMENT  
for the Year Ended 31 March 2011

1 Reconciliation of Operating Surplus to  
Net Cash Inflow from Operating Activities

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
Operating surplus	361,540	564,009
Write down of fixed assets	44,134	-
Depreciation	251,571	192,252
Decrease / (increase) in debtors	1,040,818	(795,223)
(Decrease) / Increase in creditors	(2,577,672)	885,979
Decrease / (increase) in stock	2,678,434	1,304,199
Share capital cancelled	(2)	(7)
	<u>1,798,823</u>	<u>2,151,209</u>

2 Reconciliation of Net Cash Flow to  
Movement in Net Debt

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
(Increase)/Decrease in cash at bank	(1,099,310)	935,789
(Decrease) in bank overdrafts	(4,035)	(92,197)
Loan advances received	2,787,266	90,000
Loan redemption payments	(219,450)	(225,559)
	<u>1,464,471</u>	<u>708,033</u>
Net debt at 1 April 2010	9,030,549	8,322,516
Net debt at 31 March 2011	<u>10,495,020</u>	<u>9,030,549</u>

3 Analysis of Changes in Net Debt

	At <u>01.04.10</u> £	Cash <u>Flows</u> £	At <u>31.03.11</u> £
Cash and Bank and in Hand	39,736	1,099,310	1,139,046
Bank Overdraft	(12,852)	4,035	(8,817)
	<u>26,884</u>	<u>1,103,345</u>	<u>1,130,229</u>
Debt due within one year	(220,674)	(78,809)	(299,483)
Debt due after one year	(8,836,759)	(2,489,007)	(11,325,766)
	<u>(9,030,549)</u>	<u>(1,464,471)</u>	<u>(10,495,020)</u>
Total	<u>(9,030,549)</u>	<u>(1,464,471)</u>	<u>(10,495,020)</u>

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**1 ACCOUNTING POLICIES**

**A. Basis of Accounting**

The principal accounting policies of the association are set out in paragraphs B to U below. These financial statements are prepared under the historical cost convention, applicable Accounting Standards and The Statement of Recommended Practice (SORP) - Accounting by Registered Social Landlords 2008 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

**B. Basis of Consolidation**

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Ltd and its non registered subsidiary (North West Highland Community Enterprises Ltd) comprise a group. The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The accounts represent the results of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Ltd and not of the group.

**C. Turnover**

Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from Scottish Ministers and first tranche sales of shared equity and shared ownership properties.

**D. Social Housing Grants**

Social Housing Grants (SHG), previously referred to as Housing Association Grants (HAG), are made by Scottish Ministers (via Communities Scotland to 31.3.08) and are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of SHG is calculated on the qualifying cost (note 10) of the scheme in accordance with instructions issued from time to time by the Scottish Government (Communities Scotland to 31.3.08). SHG and other grants are repayable under certain circumstances. These include the disposal of properties to which the grants relate. The amount of grants receivable is shown separately on the Balance Sheet.

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

**E. Other Grants**

Grants received towards capital expenditure, other than housing property development costs, are deferred and are then released to Income and Expenditure Account over the estimated lives of related assets. Grants in respect of revenue expenditure are credited to Income and Expenditure Account in the same period as relevant expenditure arises.

**F. Mortgage Loans**

Mortgage loans are advanced by private lenders and local authorities under the terms of individual mortgage deeds in respect of each housing scheme. Advances are available only in respect of those developments which have been approved for Social Housing Grant (SHG).

**G. Fixed Assets - Housing Land and Buildings**

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- 1 Cost of acquiring land and buildings.
- 2 Development expenditure.
- 3 Significant interest charged on the loans during the development period of the scheme, capitalised at the end of each development.

These costs are either termed "qualifying costs" by Scottish Ministers (Communities Scotland to 31.03.08) for approved SHG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue of valuations are prior to the year end.

Development costs are capitalised to the extent that they are directly attributable to specific schemes and where such costs are not felt to be excessive. Labour costs of the Association's development staff and in-house staff fulfilling the client role, indirectly arising from the construction or acquisition of properties, are charged to the Income and Expenditure Account as incurred. Grants receivable towards these costs are recognised in the Income and Expenditure Account in the same period as the related expenditure, provided that the conditions for its receipt have been satisfied and there is reasonable assurance that grant funding will be received. The equivalent amount is also capitalised and shown separately as grant receivable within fixed assets - housing properties.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**1 ACCOUNTING POLICIES (continued)**

**H. Depreciation**

**i Housing Land & Buildings**

Housing properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis on cost less social housing grants, over the expected economic lives of the properties, estimated at 50 years. No depreciation is charged on land.

The association's letting properties are not regarded as investment properties because they are not held for their investment potential and therefore SSAP 19 is not applicable.

**ii Other Fixed Assets**

Depreciation is charged at rates estimated to write off costs less any residual value over their expected useful lives. The following rates have been used:

Land and Buildings	-	2% straight line
Housing Furniture	-	20% straight line
Office Equipment & Furniture - General	-	15% reducing balance
Office Equipment & Furniture - I T	-	33.3% straight line
Motor Vehicles	-	25% reducing balance

**I. Designated Reserves**

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

**i Major Repairs Reserve**

This reserve is based on the association's liability to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. Revenue reserves are maintained at one third of operating expenditure, excluding the cost of sales of Shared Equity properties, with any surplus transferred to the major repairs reserve.

**ii Furniture Replacement Reserve**

This reserve is based on the association's liability to replace letting furnishings in accordance with a planned programme of works.

**J. Retirement Benefits**

The Association participates in the S.F.H.A. Defined Benefits Pension Scheme and retirement benefits to the employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

**K. Taxation**

Charitable status was obtained on 3 April 2007. All activities since that date meet the definition of charitable purposes, or are ancillary thereto; surpluses are therefore not normally liable to Corporation Tax.

**L. 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:-

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

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

**M. Liquidity and Cash Management**

The Association has an active treasury management function which operates in accordance with the Treasury Policy approved by the Committee, as noted in the Report of the Committee of Management. 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.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**1 ACCOUNTING POLICIES (continued)**

**N. Impairment**

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.

**O. Finance**

The financial statements have been prepared on the basis that the capital expenditure will be grant aided, funded by loans or met out of reserves or from proceeds of sales.

**P. Social Housing Grant - Development Allowances**

Development Allowances are determined by the Scottish Government (Communities Scotland to 31 March 2008) and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development Allowances become available in instalments according to the progress of work on the scheme. These Allowances are credited to development costs when they are receivable.

**Q. Sale of Shared Ownership/Shared Equity Properties**

First tranche Shared Ownership disposals are credited to turnover on completion and 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 Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in the income and expenditure account. The remaining equity in properties sold before 1 April 2008 is treated as a fixed asset investment, which is matched with the grant received. For properties sold after 1 April 2008 the standard security over the remaining equity lies with the Scottish Government and is therefore not reflected in the Association's balance sheet.

**R. 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 these accounts.

**S. Value Added Tax**

The Association registered for VAT on 25 April 2008. The registration took effect in the year to 31 March 2008. As the vast majority of the Association's income is exempt, expenditure is shown inclusive of VAT.

**T. Property Development Cost**

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

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

**U. Operating leases**

Rental payments under operating leases are charged to the Income and Expenditure Account in the period in which they are incurred. Lease obligations at the balance sheet date are disclosed in note 23.

**Buidheann Tigheadas Loch Aillse Agus An  
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**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 11**

**2 PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT**

	<u>Note</u>	<u>Turnover</u>	<u>Operating Costs</u>	<u>Operating Surplus/(Deficit)</u>	<u>Operating Surplus/(Deficit) Previous Year</u>
		£	£	£	£
Social lettings	3	2,043,172	1,560,025	483,147	626,680
Other activities	4	<u>7,409,867</u>	<u>7,531,474</u>	<u>(121,607)</u>	<u>(62,671)</u>
		<u>9,453,039</u>	<u>9,091,499</u>	<u>361,540</u>	<u>564,009</u>
Total for previous period of account		<u>3,534,293</u>	<u>2,970,284</u>	<u>564,009</u>	

**3 PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS**

	<u>General Needs Housing</u>	<u>Shared ownership</u>	<u>2010/11 Total</u>	<u>2009/10 Total</u>
	£	£	£	£
<b>Income from Lettings</b>				
Rent Receivable net of service charges	1,731,888	41,628	1,773,516	1,594,894
Service Charges	<u>23,842</u>	<u>2,700</u>	<u>26,542</u>	<u>25,733</u>
<b>Gross income from rents and service charges</b>	1,755,730	44,328	1,800,058	1,620,627
Less: Rent Losses from Voids	<u>(3,186)</u>	<u>-</u>	<u>(3,186)</u>	<u>(2,023)</u>
<b>Net income from rents and service charges</b>	1,752,544	44,328	1,796,872	1,618,604
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	246,300	-	246,300	213,790
<b>Total Turnover from Social Letting Activities</b>	<u>1,998,844</u>	<u>44,328</u>	<u>2,043,172</u>	<u>1,832,394</u>
<b>Expenditure on Social Letting Activities</b>				
Management and maintenance administration costs	564,245	14,433	578,678	502,166
Service costs	21,320	-	21,320	22,861
Planned and cyclical maintenance including major repair cost:	595,218	-	595,218	360,100
Reactive maintenance costs	148,341	-	148,341	161,119
Bad debts - rents and service charges	12,078	-	12,078	2,853
Depreciation of social housing	199,978	4,412	204,390	156,615
Impairment of social housing	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Costs for Social Lettings</b>	<u>1,541,180</u>	<u>18,845</u>	<u>1,560,025</u>	<u>1,205,714</u>
<b>Operating Surplus for Social Lettings</b>	<u>457,664</u>	<u>25,483</u>	<u>483,147</u>	<u>626,680</u>
<b>Operating Surplus for Social Lettings for previous period of account</b>	<u>599,664</u>	<u>27,016</u>	<u>626,680</u>	

The Association has no Supported Accommodation

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011

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

	Grants from Scottish Ministers £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating Costs - Bad debts £	Other Operating Costs £	Operating Surplus/ (Deficit) £	Operating Surplus/ (deficit) in Previous year £
Wider role activities	-	66,108	-	66,108	-	69,256	(3,148)	4,098
Care and repair	-	-	1,506	1,506	-	2,392	(886)	-
Factoring	5,925	-	103,635	109,560	-	248,008	(138,448)	(84,616)
Development and construction of property activities	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-
Other agency/management services	-	-	15,837	15,837	-	14,353	1,484	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	7,006,498	7,006,498	-	7,006,498	-	-
Other activities:								
Rural Home Ownership Grants	2,400	-	-	2,400	-	2,631	(231)	(4,062)
Handyperson	-	97,779	-	97,779	-	107,224	(9,445)	(6,741)
Energy Advice Service	-	81,529	-	81,529	-	81,112	417	-
Other – commercial rent	-	-	28,650	28,650	-	-	28,650	28,650
<b>Total from other activities</b>	<b>8,325</b>	<b>245,416</b>	<b>7,156,126</b>	<b>7,409,867</b>	<b>-</b>	<b>7,531,474</b>	<b>(121,607)</b>	<b>(62,671)</b>
<b>Total from other activities for previous period of account</b>	<b>11,523</b>	<b>160,256</b>	<b>1,530,120</b>	<b>1,701,899</b>	<b>-</b>	<b>1,764,570</b>	<b>(62,671)</b>	

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**5 INTEREST PAYABLE & SIMILAR CHARGES**

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
Bank Loans and Overdrafts	<u>170,486</u>	<u>121,251</u>

Interest incurred in the development period of housing projects which has been written off to the Income and Expenditure Account amounted to £157,710 (2010/11 - £106,774).

**6 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging: -		
Depreciation:		
Housing properties	204,390	156,615
Other fixed assets	<u>47,181</u>	<u>35,637</u>
	<u>251,571</u>	<u>192,252</u>
External auditors' remuneration:		
Audit services (excluding VAT)	8,500	8,500
Other services (excluding VAT)	-	-
	<u>8,500</u>	<u>8,500</u>
Operating lease	2,314	2,728

**7 TAXATION**

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
Corporation tax at 20%	-	-
	<u>---</u>	<u>---</u>

Charitable status was obtained on 3 April 2007. All activities since that date meet the definition of charitable purposes, or are ancillary thereto: surpluses are therefore not normally liable to Corporation Tax.

**8 EMPLOYEES**

	<u>31/03/2011</u>	<u>31/03/2010</u>
	£	£
Salaries	646,884	561,835
Social security costs	48,491	40,198
Other pension costs	92,079	87,005
	<u>787,454</u>	<u>632,508</u>

	<u>No.</u>	<u>No.</u>
The average monthly number of Full Time Equivalent persons employed during the year	<u>25</u>	<u>21</u>

The average total number of Employees employed during the year was;

Full Time	23	19
Part Time	3	3
	<u>26</u>	<u>22</u>

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**9 DIRECTORS' EMOLUMENTS**

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year.

	<b>£</b>	<b>£</b>
Emoluments payable to Highest Paid Director (excluding pension contributions)	56,970	57,254
	56,970	57,254

The Association's pension contributions for the Director in the year amounted to £8,154 (2010 - £7,975).

During the year, there was 1 director with emoluments, including pension contributions, over £60,000 (2010: 1).

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

**10 TANGIBLE FIXED ASSETS**

a) Housing Properties

	Housing Properties held for <u>Letting</u> £	Housing Properties in the course of <u>Construction</u> £	Shared Ownership Housing <u>Properties</u> £	<u>Totals</u> £
<b>COST:</b>				
As at 1 April 2010	46,931,039	7,017,872	1,124,781	55,073,692
Additions	242,967	4,008,192	-	4,251,159
Transfers	8,084,210	(8,084,210)	-	-
Disposals	-	(44,134)	(39,319)	(83,453)
As at 31 March 2011	<u>55,258,216</u>	<u>2,897,720</u>	<u>1,085,462</u>	<u>59,241,398</u>
<b>SOCIAL HOUSING GRANT:</b>				
As at 1 April 2010	37,572,284	5,234,630	863,937	43,670,851
Additions	115,365	830,732	-	946,097
Transfers	4,631,161	(4,631,161)	-	-
Disposals	-	(28,546)	(33,321)	(61,867)
As at 31 March 2011	<u>42,318,810</u>	<u>1,405,655</u>	<u>830,616</u>	<u>44,555,081</u>
<b>OTHER GRANTS:</b>				
As at 1 April 2010	1,207,432	931,471	-	2,138,903
Additions	-	280,465	-	280,465
Transfers	736,352	(736,352)	-	-
As at 31 March 2011	<u>1,943,784</u>	<u>475,584</u>	<u>-</u>	<u>2,419,368</u>
<b>DEPRECIATION:</b>				
As at 1 April 2010	890,360	-	39,113	929,473
Charge for Year	199,978	-	4,412	204,390
Eliminated on disposal	-	-	(1,091)	(1,091)
As at 31 March 2011	<u>1,090,338</u>	<u>-</u>	<u>42,434</u>	<u>1,132,772</u>
<b>NET BOOK VALUE:</b>				
As at 31 March 2011	<u>9,905,284</u>	<u>1,016,481</u>	<u>212,412</u>	<u>11,134,177</u>
As at 31 March 2010	<u>7,260,963</u>	<u>851,771</u>	<u>221,731</u>	<u>8,334,465</u>

The Association would not be able to sell its properties without the repayment of SHG. At 31 March 2011 total SHG received in respect of completed properties amounted to £43,149,426 (2009/10 - £38,436,221).

Major repair expenditure in the year totalled £515,688 (2009/10:£296,550) none of which was capitalised in either year.

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011

10 TANGIBLE FIXED ASSETS (continued)  
b) Other

	Land and Buildings £	Housing Furniture £	Office Equipment & Furniture £	Motor Vehicles £	Totals £
<b>COST:</b>					
As at 1 April 2010	740,909	33,319	215,982	104,354	1,094,564
Additions	-	1,020	37,640	56,120	94,780
Disposals	-	-	-	(49,558)	(49,558)
Transfers	-	-	-	-	-
As at 31 March 2011	<u>740,909</u>	<u>34,339</u>	<u>253,622</u>	<u>110,916</u>	<u>1,139,786</u>
<b>DEPRECIATION:</b>					
As at 1 April 2010	120,999	31,497	196,265	67,272	416,033
Charge for Year	14,818	893	12,089	19,381	47,181
Impairments	-	-	-	-	-
Eliminated on Disposal	-	-	-	(33,878)	(33,878)
As at 31 March 2011	<u>135,817</u>	<u>32,390</u>	<u>208,354</u>	<u>52,775</u>	<u>429,336</u>
<b>NET BOOK VALUE:</b>					
As at 31 March 2011	<u>605,092</u>	<u>1,949</u>	<u>45,268</u>	<u>58,141</u>	<u>710,450</u>
As at 31 March 2010	<u>619,910</u>	<u>1,822</u>	<u>19,717</u>	<u>37,082</u>	<u>678,531</u>

11 FIXED ASSET INVESTMENTS

		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
<b>Shared Equity Properties</b>			
Development cost of shared equity properties		409,000	409,000
Less grants receivable		<u>(409,000)</u>	<u>(409,000)</u>
		-	-
<b>Investments in subsidiary</b>			
At 31 March 2011 and 31 March 2010		<u>1</u>	<u>1</u>

In the opinion of the management committee, the aggregate value of assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Company's balance sheet.

The Association has a wholly-owned subsidiary, North West Highland Community Enterprises Limited (SC319435) which was incorporated on 23 March 2007. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties. The following transactions took place between both entities during the year:

	£	£
Expenses incurred on behalf of, and recoverable from, subsidiary	15	15

The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2010 to 31 March 2011 were as follows:

	£	£
Capital and Reserves	<u>(1,396)</u>	<u>(1,381)</u>
Loss for the year	<u>(15)</u>	<u>(15)</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011

12	<b>DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	Rent and Service Charges Arrears	60,377	47,083
	Less bad debt provision	<u>(14,575)</u>	<u>(3,675)</u>
		45,802	43,408
	Care & Repair debtor	21,974	30,001
	Trade debtors	19,142	32,723
	Other debtors	14,124	87,445
	Prepayments	38,670	12,545
	Funding receivable	664,454	1,638,877
	Due from group undertaking	692	677
		<u>804,858</u>	<u>1,845,676</u>
13	<b>DEVELOPMENT COST OF HOUSING PROPERTY Shared Equity Properties</b>		
		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	In the Course of Construction	1,520,034	5,031,537
	Completed Properties unsold	<u>162,614</u>	<u>1,313,128</u>
		1,682,648	6,344,665
	Less Grants receivable from Scottish Ministers	<u>(1,163,880)</u>	<u>(3,147,463)</u>
		<u>518,768</u>	<u>3,197,202</u>
14	<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		
		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	Bank Loans and Overdrafts (see Note 16)	308,300	233,526
	Trade Creditors	367,377	1,863,259
	Other Creditors	419	419
	Care & Repair creditor	3,508	2,528
	Social Security and other taxation	27,500	62,032
	Recycled capital grant fund	364,170	364,170
	SHG in advance	-	1,048,236
	Prepaid rents	16,484	16,765
	Accruals & Deferred Income	32,883	32,605
		<u>1,120,641</u>	<u>3,623,540</u>

NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011

15	<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	Bank Loans - Housing Properties (see Note 16)	11,184,140	8,674,798
	Bank Loans - Office Building (see Note 16)	141,626	161,961
		<u>11,325,766</u>	<u>8,836,759</u>

16	<b>BANK LOANS AND OVERDRAFTS</b>		
	An analysis of the maturity of loans and overdrafts is given below:	<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	<b>Amounts falling due within one year or on demand:</b>		
	Bank Overdrafts	8,817	12,852
	Bank Loans - Housing Properties	282,151	200,853
	Bank Loans - Office Building	17,332	19,821
		<u>308,300</u>	<u>233,526</u>
	<b>Amounts falling due after more than one year:</b>		
	Bank Loans - Housing Properties	11,184,140	8,674,798
	Bank Loans - Office Building	141,626	161,961
		<u>11,325,766</u>	<u>8,836,759</u>

**Security**

The bank overdraft and loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest by instalments due as set out below. Interest rates fall between 1.1% (variable) and 6.98% (fixed).

		<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	Less than one year	308,300	233,526
	Between one and two years	305,917	226,606
	Between three and five years	958,522	717,620
	After five years	10,061,327	7,892,533
		<u>11,634,066</u>	<u>9,070,285</u>

17	<b>SHARE CAPITAL</b>		
	Shares of £1 each, issued and fully paid:	<u>31.03.11</u>	<u>31.03.10</u>
		£	£
	As at 1 April 2010	179	182
	Shares issued	5	4
	Cancelled in year	(2)	(7)
	As at 31 March 2011	<u>182</u>	<u>179</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**18 RESERVES**

	Major Repairs Reserve £	Furniture Replacement Reserve £	Total £
(a) Designated Reserves			
At 1 April 2010	1,030,013	50,311	1,080,324
Transfer from Revenue Reserves	<u>86,056</u>	<u>26</u>	<u>86,082</u>
At 31 March 2011	<u><u>1,116,069</u></u>	<u><u>50,337</u></u>	<u><u>1,166,406</u></u>
(b) Revenue Reserves			
At 1 April 2010			554,809
Surplus for the year			225,578
Transfer to Designated Reserves			<u>(86,082)</u>
At 31 March 2011			<u><u>694,305</u></u>

**19 HOUSING STOCK**

31.03.11    31.03.10

The number of units of accommodation in management at the year end was:-

General needs	578	545
Supported accommodation	-	-
Shared Ownership	22	23
Managed on behalf of other owners	<u>13</u>	<u>4</u>
	<u><u>613</u></u>	<u><u>572</u></u>

**20 RELATED PARTY TRANSACTIONS**

Members of the management committee are related parties of the Association as defined by Financial Reporting Standard 8. The related party relationships of the members of the management committee is summarised as follows:

Four members are tenants / sharing owners of the Association

One member is a local councillor

Those committee members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their position to their advantage.

Hamish Fraser is a councillor with the Highland Council. Any transactions with the Highland Council are made at arm's length, on normal commercial terms, and Hamish Fraser cannot use his position to his advantage.

Committee members cannot use their position to their advantage. Any transactions between the Association and any entity with which a committee member has a connection with is made at arm's length and is under normal commercial terms. There were no transactions with related parties in the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the Year Ended 31 March 2011

21 **RETIREMENT BENEFIT OBLIGATIONS**

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is funded and is contracted out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited was £1,569,030.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme. The Scheme offers five benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in,

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2011 but the same benefit structure will not be available to any new entrants from 1 April 2011.

During the accounting period Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited paid contributions at the rate of 14.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 23 active members of the Scheme employed by Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited. The annual pensionable payroll in respect of these members was £597,003.

**Buidheann Tigheadas Loch Aillse Agus An  
Eilein Sgitheanaich Limited**

**NOTES TO THE FINANCIAL STATEMENTS  
for the Year Ended 31 March 2011**

**21 RETIREMENT BENEFIT OBLIGATIONS (continued)**

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement – Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
<b>Rate of pension increases</b>	
- pension accrued pre 6 April 2005 in excess of GMP	2.9
-pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

<b>Mortality Tables</b>	
Non-pensioners	SAPS (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final Salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions	10.4

**22 CAPITAL COMMITMENTS**

	<u>31.03.11</u>	<u>31.03.10</u>
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>1,131,361</u>	<u>9,283,337</u>

The association expects to finance this commitment by: -

Capital grant receivable	764,731	2,220,583
Loans under negotiation, with loan offers	-	2,625,274
Loans to be arranged	366,630	319,970
Property sales	-	4,117,510
	<u>1,131,361</u>	<u>9,283,337</u>

At 31 March 2011 the Association had £167,785 in undrawn loan facilities all of which was immediately available for drawing.

**23 COMMITMENTS UNDER OPERATING LEASES**

	<u>31.03.11</u>	<u>31.03.10</u>
	£	£
At the year end, the commitments under operating leases were as follows:		
Other		
Expiring between two and five years	<u>2,728</u>	<u>2,127</u>

**24 POST BALANCE SHEET EVENTS**

There have been no post balance sheet events

The following pages do not form part of the audited financial statements.