

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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

MORRISON HOUSE, BAYFIELD, PORTREE, ISLE OF SKYE, IV51 9EW
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**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 2015**

The Management Committee, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2015. 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 Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority No. 2132 RS and is registered with the Scottish Housing Regulator 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
75 Warren Avenue
SAXMUNDHAM
Suffolk
IP17 1GN

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 2015**

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 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 incurred Capital Expenditure of £2,273,954 of which £2,130,951 was spent on developing new properties and £143,003 on Planned Maintenance. Social Housing Grant received for the year amounted to £1,358,947.
- As the Agent of the Highland Council the Association arranged the expenditure of £278,315 of grants on Care and Repair Projects for elderly and disabled clients throughout the area.

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

The Association has a non-charitable non-registered subsidiary trading company which was active during the year :-

North West Highland Community Enterprises Ltd - Company No. SC319435

Surplus for the year and Reserves

The Association has made a surplus of £333,780 (2013/14 £310,739) which has been retained in the Revenue Reserve.

The Association held total capital and reserves of £3,560,996 at 31 March 2015 (31 March 2014 £3,227,219), of which £3,515,629 was held in the Revenue Reserve (31 March 2014 £3,179,524).

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

- We will continue to expand over the next period and have 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 2015**

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 2014 to the date of this report were as follows:

Mr J Laing	- Chairperson
Mr R Johnston	- Vice Chairperson, resigned April 2015
Mr T Bowditch	- Treasurer
Mr D MacKenzie	
Mrs P Walsh	
Mr A MacCalman	
Ms Audrey Sinclair	- Vice Chairperson from May 2015
Mr Paul Carpenter	
Mr Roddy Beaton	
Mrs Morag Hannah	- resigned April 2015
Mr I MacLean	- resigned August 2014
Mr G Wight	- resigned May 2014

Company Secretary

Mrs L MacIntosh

Executive Officer

The Executive Officer of the Association at 1 April 2014 to the date of this report was as follows:

Mr L MacDonald, Chief Executive

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012. 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 2015**

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 2015 and until 15 June 2015 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 replacing specified components (see Accounting Policies Note H on page 12) is capitalised within the terms outlined in the Statement of Recommended Practice 'Accounting by registered social landlords 2010' ("SORP"). Other works are charged to the Income and Expenditure account.

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

**REPORT OF THE MANAGEMENT COMMITTEE
for the year ended 31 MARCH 2015**

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 2015, 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 2010

Guidance on Payments, Benefits and Corporate Accountability

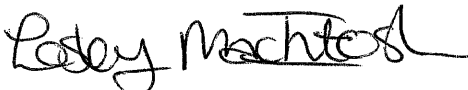
Schedule 7 of the Housing (Scotland) Act 2010 is no longer in force but the Management Committee has agreed to continue to comply with its requirements.

The amount spent on promoting the Association in the year was £3,296 (2013/14 - £2,624).

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: 15 June 2015

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED

We have audited the financial statements of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited for the year ended 31 March 2015 on pages 8 to 25. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 is 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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 2015 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: 19/6/15

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED
ON INTERNAL FINANCIAL CONTROLS**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. 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 reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided 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 and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Baker Tilly UK Audit LLP

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

19/6/15

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

**INCOME AND EXPENDITURE ACCOUNT
for the Year Ended 31 March 2015**

		31/03/2015	31/03/2014
	Notes	£	£
TURNOVER	2	2,838,971	3,042,380
Operating costs	2	2,204,233	2,509,168
OPERATING SURPLUS	2	634,738	533,212
(Loss)/Gain on disposal of fixed assets		(18,247)	42,943
Interest receivable & other income		7,026	1,384
Interest payable & similar charges	5	(289,737)	(266,800)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	333,780	310,739
Corporation Tax on Surplus on Ordinary Activities	7	-	-
SURPLUS FOR THE YEAR	17	333,780	310,739

All amounts relate to continuing activities.

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

**BALANCE SHEET
As at 31 March 2015**

	Notes	31/03/2015		31/03/2014	
		£	£	£	£
FIXED ASSETS					
Housing properties:					
Depreciated costs	10a		63,375,266		61,679,919
Less: Social Housing Grant			(47,736,836)		(46,581,570)
Less: Other public grants			(2,435,883)		(2,334,626)
			<u>13,202,547</u>		<u>12,763,723</u>
Other tangible fixed assets	10b		620,835		662,121
			<u>13,823,382</u>		<u>13,425,844</u>
Fixed Asset Investments:	11				
Shared equity cost		409,000		409,000	
Shared equity grant		(409,000)		(409,000)	
		<u>-</u>		<u>-</u>	
Investments in subsidiaries	11	1		1	
			1		1
			<u>13,823,383</u>		<u>13,425,845</u>
CURRENT ASSETS:					
Debtors	12	118,034		171,504	
Cash at bank		2,077,728		2,301,866	
		<u>2,195,762</u>		<u>2,473,370</u>	
CREDITORS:					
Amounts falling due within one year	13	716,516		619,443	
NET CURRENT ASSETS:			1,479,246		1,853,927
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>15,302,629</u>		<u>15,279,772</u>
CREDITORS:					
Amounts falling due after more than one year	14		(11,741,633)		(12,052,553)
NET ASSETS:			<u>3,560,996</u>		<u>3,227,219</u>
CAPITAL AND RESERVES:					
Called up share capital	16		183		186
Designated reserves	17		45,184		47,509
Revenue reserves	17		3,515,629		3,179,524
			<u>3,560,996</u>		<u>3,227,219</u>

These financial statements were approved and authorised for issue by the Management Committee on 15 June 2015 and signed on their behalf by:

Committee Member 

Committee Member 

Secretary 

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

**CASH FLOW STATEMENT
for the Year Ended 31 March 2015**

	Notes	31/03/2015		31/03/2014	
		£	£	£	£
Net Cash Inflow from Operating Activities	1		1,170,946		1,220,222
Returns on Investments and Servicing of Finance					
Interest received & other income		7,026		1,384	
Interest paid		(289,737)		(266,800)	
Net Cash Outflow from Returns on Investments and Servicing Finance			(282,711)		(265,416)
Taxation					
Corporation tax paid		-		-	
Grant received		-		-	
Net Cash Flow on Taxation			-		-
Capital Expenditure and Financial Investment					
Cash paid for construction and purchase of housing		(2,273,954)		(961,314)	
Purchase of other fixed assets		(14,875)		(52,366)	
Proceeds from sale of fixed assets		11,772		106,275	
SHG and other grants repaid		-		(43,607)	
SHG and other grants received		1,463,224		1,072,973	
Net Cash (Outflow)/Inflow from Capital expenditure			(813,833)		121,961
Net Cash Inflow before Financing			74,402		1,076,767
Financing					
Issue of share capital	3			3	
Loan advances received	-			622,000	
Loan redemption payments	(298,543)			(837,150)	
Net Cash (outflow) from Financing			(298,540)		(215,147)
(Decrease)/Increase in Cash and Cash Equivalents			<u>(224,138)</u>		<u>861,620</u>

**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 2015**

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

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Operating surplus	634,738	533,212
Depreciation	379,344	369,533
Aborted Scheme costs written off	18,702	-
Decrease in debtors	53,469	30,904
Increase in creditors	84,699	20,374
Decrease in stock	-	266,204
Share capital cancelled	(6)	(5)
	<hr/>	<hr/>
	<u>1,170,946</u>	<u>1,220,222</u>

**2 Reconciliation of Net Cash Flow to
Movement in Net Debt**

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Decrease/(Increase) in cash at bank	224,138	(861,620)
Loan advances received	-	622,000
Loan redemption payments	(298,543)	(837,150)
	<hr/>	<hr/>
	(74,405)	(1,076,770)
Net debt at 1 April 2014	10,038,638	11,115,408
Net debt at 31 March 2015	<u>9,964,233</u>	<u>10,038,638</u>

3 Analysis of Changes in Net Debt

	At <u>01/04/14</u>	Cash <u>Flows</u>	At <u>31/03/15</u>
	£	£	£
Cash and Bank and in Hand	2,301,866	(224,138)	2,077,728
Debt due within one year	(282,806)	(25,522)	(308,328)
Debt due after one year	(12,057,698)	324,065	(11,733,633)
	<hr/>	<hr/>	<hr/>
Total	<u>(10,038,638)</u>	<u>74,405</u>	<u>(9,964,233)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

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 Update 2010 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 Conduct 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. North West Highland Community Enterprises Ltd is a subsidiary trading company and did not generate a significant level of financial results from a group perspective.

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 and Deferred Income

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

Housing properties are stated at cost less social housing grant and other public grants less accumulated depreciation. 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 2015**

1 ACCOUNTING POLICIES (continued)

H. Improvements

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

The major components of each property are deemed to be land, structure, roof, electrics, windows, external doors, bathroom, heating system and kitchen. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note I.

Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account

I. Depreciation

i Housing Land & Buildings

Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows:

Structure	- 60 years
Roof	- 50 years
Electrics	- 50 years
Windows	- 25 years
External Doors	- 25 years
Bathroom	- 25 years
Heating System	- 20 years
Kitchen	- 15 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:

Office Properties	-	same as housing properties (see above)
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

J. Designated Reserves

The Association has a designated Furniture Replacement Reserve which is used to meet the long-term liability to replace letting furnishings in accordance with a planned programme of works.

K. Retirement Benefits

The Association participates in the S.H.A.P.S. 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.

L. 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.

M. Liquidity and Cash Management

The Association has an active treasury management function which operates in accordance with the Treasury Management 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.

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

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 first registered for VAT on 25 April 2008. The registration took effect in the year to 31 March 2008. On 1 April 2013 the Association, along with its subsidiary NWHCE, obtained group registration for VAT. 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.

V. Going Concern

The Management Committee consider on an annual basis the appropriateness of preparing the Association's Financial Statements on a going concern basis. Matters which are taken into account in this process include:

- The prevailing economic climate, both internationally and locally and its impact, if any, on the Association's viability.
- The financial position of the Association and the impact, if any, of perceived weaknesses on the Association's viability.
- The short, medium and long term financial prospects resulting from the modelling exercise carried out annually in updating the Association's 30 year Financial Plan including sensitivity analyses and independent verification of key underlying assumptions.

In the absence of any fundamental shortcomings raised as a result of the above exercise the Management Committee consider the going concern assumption underlying the preparation of the Association's Financial Statements to be appropriate.

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 15**

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	2,311,520	1,549,540	761,980	717,407
Other activities	4	<u>527,451</u>	<u>654,693</u>	<u>(127,242)</u>	<u>(184,195)</u>
		<u>2,838,971</u>	<u>2,204,233</u>	<u>634,738</u>	<u>533,212</u>
Total for previous period of account		<u>3,042,380</u>	<u>2,509,168</u>	<u>533,212</u>	

3 PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS

	<u>General Needs Housing</u> £	<u>Shared ownership</u> £	<u>2014/15 Total</u> £	<u>2013/14 Total</u> £
Income from Lettings				
Rent Receivable net of service charges	2,232,259	46,668	2,278,927	2,184,270
Service Charges	<u>33,897</u>	<u>2,520</u>	<u>36,417</u>	<u>35,329</u>
Gross income from rents and service charges	2,266,156	49,188	2,315,344	2,219,599
Less: Rent Losses from Voids	<u>(3,824)</u>	<u>-</u>	<u>(3,824)</u>	<u>(4,706)</u>
Net income from rents and service charges	2,262,332	49,188	2,311,520	2,214,893
Grants from the Scottish Ministers	-	-	-	-
Other revenue grants	-	-	-	-
Total Turnover from Social Letting Activities	<u>2,262,332</u>	<u>49,188</u>	<u>2,311,520</u>	<u>2,214,893</u>
Expenditure on Social Letting Activities				
Management and maintenance administration costs	694,907	6,246	701,153	699,318
Service costs	31,371	-	31,371	30,214
Planned and cyclical maintenance including major repair cost:	138,071	-	138,071	157,425
Reactive maintenance costs	328,935	-	328,935	282,946
Bad debts - rents and service charges	209	-	209	11,782
Depreciation of social housing	326,894	4,205	331,099	315,801
Impairment of social housing	<u>18,702</u>	<u>-</u>	<u>18,702</u>	<u>-</u>
Operating Costs for Social Lettings	<u>1,539,089</u>	<u>10,451</u>	<u>1,549,540</u>	<u>1,497,486</u>
Operating Surplus for Social Lettings	<u>723,243</u>	<u>38,737</u>	<u>761,980</u>	<u>717,407</u>
Operating Surplus for Social Lettings for previous period of account	<u>690,405</u>	<u>27,002</u>	<u>717,407</u>	

The Association has no Supported Accommodation

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015

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:								
Care and repair	-	66,108	-	66,108	-	72,555	(6,447)	(20,193)
Factoring	-	-	7,649	7,649	-	5,907	1,742	3,985
Development and construction of property activities	5,079	-	152,295	157,374	-	207,537	(50,163)	(112,254)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-
Other agency/management services	-	-	31,326	31,326	-	14,784	16,542	10,382
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-
Other activities:								
Rural Home Ownership Grants	-	-	-	-	-	-	-	-
Handyperson	-	128,383	-	128,383	-	128,695	(312)	11,612
Energy Advice Service	-	-	9,000	9,000	-	92,995	(83,995)	(71,937)
Mid-Market Properties	-	-	18,424	18,424	-	8,983	9,441	739
Other – commercial rent	-	-	35,817	35,817	-	11,326	24,491	12,701
Heat Sales	-	-	70,370	70,370	-	111,911	(41,541)	(19,354)
Other income	-	-	3,000	3,000	-	-	3,000	124
Total from other activities	5,079	194,491	327,881	527,451	-	654,693	(127,242)	(184,195)
Total from other activities for previous period of account	4,075	182,110	641,302	827,487	-	1,320,669	(184,195)	

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

5 INTEREST PAYABLE & SIMILAR CHARGES

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Bank Loans and Overdrafts	<u>289,737</u>	<u>266,800</u>

Interest incurred in the development period of housing projects which has been written off to the Income and Expenditure Account amounted to £284,970 (2013/14 - £260,153).

6 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging: -		
Depreciation:		
Housing properties	331,099	315,801
Mid-Market Properties	6,029	5,836
Other fixed assets	<u>42,216</u>	<u>47,896</u>
	<u>379,344</u>	<u>369,533</u>
External auditors' remuneration:		
Audit services (excluding VAT)	7,625	7,335
Other services (excluding VAT)	-	-
	<u>7,625</u>	<u>7,335</u>
Operating leases	<u>43,714</u>	<u>3,538</u>

7 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.

8 EMPLOYEES

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Salaries	812,390	773,813
Social security costs	62,206	60,959
Other pension costs	59,839	52,136
Pension Deficit	77,224	72,211
	<u>1,011,659</u>	<u>959,119</u>

	<u>No.</u>	<u>No.</u>
The average monthly number of Full Time Equivalent persons employed during the year	<u>28</u>	<u>27</u>
The average total number of Employees employed during the year was;		
Full Time	26	25
Part Time	<u>3</u>	<u>3</u>
	<u>29</u>	<u>28</u>

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.

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>£64,899</u>	<u>£63,421</u>

The Association's pension contributions for the Director in the year amounted to £5,666 (2013/14 - £5,538).

During the year, there was 1 director with emoluments, including pension contributions, over £60,000 (2013/14: 1).

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

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

10 TANGIBLE FIXED ASSETS

a) Housing Properties

	Housing Properties Held for Letting £	Mid-Market Properties £	Housing Properties in the course of Construction £	Shared Ownership Housing Properties £	Totals £
COST:					
As at 1 April 2014	60,518,741	567,416	1,846,354	1,029,308	63,961,819
Additions	190,584	11,789	2,071,581	-	2,273,954
Transfers	1,503,904	-	(1,503,904)	-	-
Disposals	(174,647)	-	(87,165)	-	(261,812)
As at 31 March 2015	<u>62,038,582</u>	<u>579,205</u>	<u>2,326,866</u>	<u>1,029,308</u>	<u>65,973,961</u>
SOCIAL HOUSING GRANT:					
As at 1 April 2014	44,281,882	331,010	1,181,669	787,009	46,581,570
Additions	39,556	-	1,319,391	-	1,358,947
Transfers	814,488	-	(814,488)	-	-
Disposals	(135,218)	-	(68,463)	-	(203,681)
As at 31 March 2015	<u>45,000,708</u>	<u>331,010</u>	<u>1,618,109</u>	<u>787,009</u>	<u>47,736,836</u>
OTHER GRANTS:					
As at 1 April 2014	2,128,626	-	206,000	-	2,334,626
Additions	104,277	-	-	-	104,277
Transfers	21,000	-	(21,000)	-	-
Disposals	(3,020)	-	-	-	(3,020)
As at 31 March 2015	<u>2,250,883</u>	<u>-</u>	<u>185,000</u>	<u>-</u>	<u>2,435,883</u>
DEPRECIATION:					
As at 1 April 2014	2,217,799	11,019	-	53,082	2,281,900
Charge for Year	326,894	6,029	-	4,205	337,128
Eliminated on disposal	(20,333)	-	-	-	(20,333)
As at 31 March 2015	<u>2,524,360</u>	<u>17,048</u>	<u>-</u>	<u>57,287</u>	<u>2,598,695</u>
NET BOOK VALUE:					
As at 31 March 2015	<u>12,262,631</u>	<u>231,147</u>	<u>523,757</u>	<u>185,012</u>	<u>13,202,547</u>
As at 31 March 2014	<u>11,890,434</u>	<u>225,387</u>	<u>458,685</u>	<u>189,217</u>	<u>12,762,723</u>

The Association would not be able to sell its properties without the repayment of SHG. At 31 March 2015 total SHG received in respect of completed properties amounted to £45,000,708 (2013/14 £44,281,882).

Cost additions for housing properties held for letting includes capitalised property maintenance costs of £143,003 (2013/14 £133,220).

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

10 TANGIBLE FIXED ASSETS (continued)

b) Other

	<u>Land and Buildings</u> £	<u>Housing Furniture</u> £	<u>Office Equipment & Furniture</u> £	<u>Motor Vehicles</u> £	<u>Totals</u> £
COST:					
As at 1 April 2014	740,909	35,691	283,734	96,652	1,156,986
Additions	-	-	14,875	-	14,875
Disposals	-	-	-	(33,052)	(33,052)
Transfers	-	-	-	-	-
As at 31 March 2015	<u>740,909</u>	<u>35,691</u>	<u>298,609</u>	<u>63,600</u>	<u>1,138,809</u>
DEPRECIATION:					
As at 1 April 2014	176,929	34,949	246,384	36,603	494,865
Charge for Year	14,158	475	16,057	11,526	42,216
Impairments	-	-	-	-	-
Eliminated on Disposal	-	-	-	(19,107)	(19,107)
As at 31 March 2015	<u>191,087</u>	<u>35,424</u>	<u>262,441</u>	<u>29,022</u>	<u>517,974</u>
NET BOOK VALUE:					
As at 31 March 2015	<u>549,822</u>	<u>267</u>	<u>36,168</u>	<u>34,578</u>	<u>620,835</u>
As at 31 March 2014	<u>563,980</u>	<u>742</u>	<u>37,350</u>	<u>60,049</u>	<u>662,121</u>

11 FIXED ASSET INVESTMENTS

	<u>31/03/15</u> £	<u>31/03/14</u> £
Shared Equity Properties		
Development cost of shared equity properties	409,000	409,000
Less grants receivable	<u>(409,000)</u>	<u>(409,000)</u>
	-	-
Investments in subsidiary		
At 31 March 2015 and 31 March 2014	<u>1</u>	<u>1</u>

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	1,213	1,200
Property rents recoverable from the subsidiary	18,424	14,485
Property management fees recoverable from subsidiary	7,570	5,940

The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2014 to 31 March 2015 were as follows:

	£	£
Capital and Reserves	<u>(2,443)</u>	<u>(2,570)</u>
Profit/(Loss) for the year	<u>127</u>	<u>(146)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

**12 DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Rent and Service Charges Arrears	86,441	91,803
Less bad debt provision	<u>(32,298)</u>	<u>(37,930)</u>
	54,143	53,873
Care & Repair debtor	3,534	26,465
Trade debtors	12,920	45,082
Other debtors	14,325	6,692
Prepayments	31,664	37,957
Due from group undertaking	1,448	1,435
	<u>118,034</u>	<u>171,504</u>

**13 CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Bank Loans and Overdrafts (see Note 16)	308,328	298,951
Trade Creditors	126,127	100,239
Other Creditors	82,753	62,530
Care & Repair creditor	2,323	16,142
Social Security and other taxation	43,096	42,896
Deferred Grant	3,000	3,000
Rents in Advance	16,642	42,111
Accruals & Deferred Income	134,247	53,574
	<u>716,516</u>	<u>619,443</u>

**14 CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Bank Loans - Housing Properties (see Note 16)	11,525,843	11,799,393
Bank Loans - Office Building (see Note 16)	12,790	47,160
Other loans (see Note 16)	195,000	195,000
Deferred income	8,000	11,000
	<u>11,741,633</u>	<u>12,052,553</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

15 BANK LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Amounts falling due within one year or on demand:		
Loans - Housing Properties	271,639	266,263
Bank Loans - Office Building	<u>36,689</u>	<u>32,688</u>
	<u>308,328</u>	<u>298,951</u>
Amounts falling due after more than one year:		
Bank Loans - Housing Properties	11,525,843	11,799,393
Bank Loans - Office Building	12,790	47,160
Other loans	<u>195,000</u>	<u>195,000</u>
	<u>11,733,633</u>	<u>12,041,553</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 0.92% (variable) and 6.98% (fixed).

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Less than one year	308,328	298,951
Between one and two years	288,856	305,565
Between three and five years	4,643,947	4,639,153
After five years	<u>6,800,830</u>	<u>7,096,835</u>
	<u>12,041,961</u>	<u>12,340,504</u>

16 SHARE CAPITAL

	<u>31/03/15</u>	<u>31/03/14</u>
	£	£
Shares of £1 each, issued and fully paid:		
As at 1 April 2014	186	188
Shares issued	3	3
Cancelled in year	<u>(6)</u>	<u>(5)</u>
As at 31 March 2015	<u>183</u>	<u>186</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.

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

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015**

17 RESERVES

(a) Designated Reserve	Furniture Replacement Reserve £
At 1 April 2014	47,509
Transfer to Revenue Reserves	<u>(2,325)</u>
At 31 March 2015	<u>45,184</u>
(b) Revenue Reserves	
At 1 April 2014	3,179,524
Surplus for the year	333,780
Transfer from Designated Reserves	<u>2,325</u>
At 31 March 2015	<u>3,515,629</u>

18 HOUSING STOCK

31/03/15 31/03/14

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

General needs	611	601
Supported accommodation	-	-
Shared Ownership	21	21
Mid-market	5	5
Managed on behalf of other owners	<u>24</u>	<u>24</u>
	<u>661</u>	<u>651</u>

19 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:

One member of the management committee is a tenant of the Association.

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.

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

Transactions with the Association's subsidiary company, North West Highland Community Enterprises Limited, are shown in Note 11 (page 19).

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015

20 **RETIREMENT BENEFIT OBLIGATIONS**

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited participates in the Scottish Housing Associations Pension Scheme (SHAPS) (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 2012 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 £394 million. The valuation showed a shortfall of assets compared to liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 SHAPS based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited was £2,897,328

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 six benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.
- Career average revalued earnings (CARE) with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/120th accrual rate, contracted in.
- Defined Contribution (DC) option.

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. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three month's prior notice.

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited had elected to operate the Final Salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2011. However, from 1 April 2014 the Association closed the Final Salary option for those members and now operates CARE with a 1/70th accrual rate. New entrants from 1 April 2011 have been offered CARE with a 1/80th accrual rate.

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited

**NOTES TO THE FINANCIAL STATEMENTS
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20 RETIREMENT BENEFIT OBLIGATIONS (continued)

During the accounting period Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited paid contributions at the rate of 9.6% (CARE 70th) and 8.45% (CARE 80th) of pensionable salaries. Member contributions were also 9.6% and 8.45%

As at the balance sheet date there were 21 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 £609,613.

The key valuation assumptions used to determine the assets and liabilities of the SHAPS scheme are:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement – Non-pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- pension accrued pre 6 April 2005 in excess of GMP	2.0
-pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non-pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final Salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will be increasing by 3% p.a. on 1 April each year thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions

21 CAPITAL COMMITMENTS

	<u>31/03/15</u> £	<u>31/03/14</u> £
Capital expenditure contracted for but not provided for in the financial statements	<u>693,379</u>	<u>648,224</u>
The association expects to finance this commitment by: -		
Capital grant receivable	-	-
Loans under negotiation, with loan offers	693,379	648,224
Loans to be arranged	-	-
	<u>693,379</u>	<u>648,224</u>

At 31 March 2015 there were undrawn loan facilities of £910,000 all of which was immediately available for drawing.

22 COMMITMENTS UNDER OPERATING LEASES

	<u>31/03/15</u> £	<u>31/03/14</u> £
At the year end, the commitments under operating leases were as follows:		
Expiring in less than one year	3,621	-
Expiring between two and five years	41,424	15,810

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 2015

23 CONTINGENT LIABILITIES

Housing Association Grant allocated to components that have subsequently been replaced by the Association is recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2015 was £906,522 (31 March 2014: £772,277).

There is a further contingent liability as referred to in note 20 in respect of the past service deficit in the Scottish Housing Association Pension Scheme (SHAPS). The present day value of the commitment over the next twelve years discounted at 4% is £905,597. The amount may be subject to change following the results of the next valuation and therefore as the liability cannot be properly quantified it has not been accrued or included in the balance sheet.

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.