

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 2018

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**

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS  
For the year ended 31 March 2018**

**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 appointed to fill a casual vacancy or are co-opted.

The members of the Management Committee from 1 April 2017 to the date of this report were as follows:

Mr John Laing	- Chairperson
Dr Audrey Sinclair	- Vice Chairperson
Mr Paul Carpenter	
Mr John Ellis	- Resigned 11 September 2017
Mr Neil Campbell	- Resigned 19 June 2017
Mr Jon Hanley	
Mr Steven Proudfoot	
Mr Roger Liley	
Mr David Owen	- Resigned 16 August 2017
Ms Janet Anderson	
Mr John Cayley	
Mr Ian Young	
Ms Maggie Muir	- Joined 21 August 2017

**Executive Officer:**

The Executive Officer of the Association from 1 April 2017 to the date of this report was Mr L MacDonald, Chief Executive.

**Company Secretary:**

Mrs L MacIntosh

**Auditor:**

RSM UK Audit LLP  
Third Floor  
Centenary House  
69 Wellington Street  
GLASGOW  
G2 6HG

**Bankers:**

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

**Internal Auditor:**

Quinn Internal Audit and Business Support Services  
55 Lady Place  
LIVINGSTON  
EH54 6TB

**Management Accountant:**

Kenneth G Goddard CPFA  
75 Warren Avenue  
SAXMUNDHAM  
Suffolk  
IP17 1GN

**Solicitors:**

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

Macleod & MacCallum  
28 Queensgate  
INVERNESS  
IV1 1YN

The MacKenzie Law Practice  
Highland Rail House  
Station Square  
INVERNESS  
IV1 1LE

**REPORT OF THE MANAGEMENT COMMITTEE  
For the year ended 31 March 2018**

The Management Committee, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2018. 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".

### **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.

### **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 £6,183,980 on housing projects of which £5,616,488 was spent on developing and acquiring new properties and £567,492 on improving existing properties.
- The Association also arranged expenditure of £986,335 on capital projects for the Highland Council.
- As the Agent of the Highland Council the Association arranged the expenditure of £334,963 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 the following non-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 £342,107 (2016/17 £890,353) which has been retained in the Revenue Reserve. The surplus for 2016/17 included a credit of £407,000 arising from a remeasurement of the Association's pension deficit.

The Association held total capital and reserves of £5,131,787 at 31 March 2018 (2017- £4,789,687), of which £5,131,611 was held in the Income and Expenditure Reserve (2017- £4,789,504).

### **Going Concern**

Based on review of budgets and cashflow forecasts, the Management Committee has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **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.

### **Change in Fixed Assets**

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

### **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 Statement of Comprehensive Income.

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

**REPORT OF THE MANAGEMENT COMMITTEE (continued)  
For the year ended 31 March 2018**

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 L on page 16) is capitalised within the terms outlined in the Statement of Recommended Practice 'Accounting by registered social landlords 2014' ("SORP"). Other works are charged to the Statement of Comprehensive Income.

**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 2018, 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.

**Guidance on Payments, Benefits and Corporate Accountability**

Guidance on payments, benefits and corporate accountability is covered by an Entitlements, Payments and Benefits policy and procedures.

The amount spent on promoting the Association in the year was £4,390 (2017- £2,766).


**Disclosure of Information to the Auditor**

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

**Auditor**

RSM 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

Date: 18 June 2018

**STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES**  
**For the year ended 31 MARCH 2018**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs 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 being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Management Committee is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Management Committee must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It also has responsibility for taking reasonable steps to safeguard the assets of the Association.

By the order of the Management Committee



Mrs L MacIntosh  
Secretary

Date: 18 June 2018

**MANAGEMENT COMMITTEE'S STATEMENT OF INTERNAL FINANCIAL CONTROL  
For the year ended 31 MARCH 2018**

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

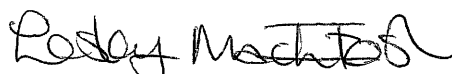
- the maintenance of proper accounting records;
- the reliability of information used within the Association or for publication; and
- the safeguarding of assets against unauthorised use or disposition

It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified employees take responsibility for the important business functions and regular appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Management Committee to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Committee;
- the Management Committee receive reports from management, and 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; and
- 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 year ended 31 March 2018 and until 18 June 2018 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.

By the order of the Management Committee



Mrs L MacIntosh  
Secretary

Registered Office  
Morrison House  
Bayfield  
PORTREE  
Isle of Skye  
IV519EW

Date: 18 June 2018

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

**Opinion**

We have audited the financial statements of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited (the "Association") for the year ended 31 March 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 – December 2014.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Committee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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.

**Responsibilities of the Committee**

As explained more fully in the Committee's responsibilities statement set out on page 6, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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



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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of Our Report**

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 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.

*RSM UK Audit LLP*

RSM UK Audit LLP  
Statutory Auditor  
Chartered Accountants  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: ..... *20/6/19* .....

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF  
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED  
ON CORPORATE GOVERNANCE MATTERS  
For the year ended 31 MARCH 2018**

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 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 7 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.

*RSM UK Audit LLP*

RSM UK Audit LLP  
Statutory Auditor  
Third Floor  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: .....20/6/18.....

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

**STATEMENT OF COMPREHENSIVE INCOME  
For the year ended 31 March 2018**

		<u>2018</u>	<u>2017</u>
	Notes	£	£
<b>TURNOVER</b>	2	5,734,369	6,005,664
Operating expenditure	2	5,023,102	4,708,910
		<hr/>	<hr/>
<b>OPERATING SURPLUS</b>	6	711,267	1,296,754
Loss on disposal of property, plant and equipment		(55,746)	(95,744)
Interest receivable		24,782	20,540
Interest and financing costs	5	(338,196)	(331,197)
		<hr/>	<hr/>
<b>SURPLUS BEFORE TAX</b>		342,107	890,353
Taxation	7	-	-
		<hr/>	<hr/>
<b>SURPLUS FOR THE YEAR</b>	23	<u>342,107</u>	<u>890,353</u>

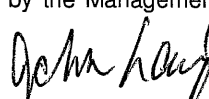
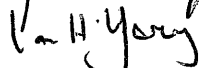

The results relate wholly to continuing activities.

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

**STATEMENT OF FINANCIAL POSITION  
As at 31 March 2018**

		2018		2017	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Housing properties	10a		59,138,822		54,547,335
Other fixed assets	10b		564,104		549,343
Investment properties	11		187,500		187,500
Fixed asset investments			-		-
Investment in subsidiaries	12		1		1
			<u>59,890,427</u>		<u>55,284,179</u>
<b>CURRENT ASSETS</b>					
Trade and other debtors	15	230,578		221,544	
Cash and cash equivalents	27	3,995,833		4,356,638	
		<u>4,226,411</u>		<u>4,578,182</u>	
<b>CURRENT LIABILITIES</b>					
Payables falling due within one year	16	(586,089)		(621,317)	
Deferred grant falling due within one year	16	(1,205,000)		(1,122,500)	
				<u>2,435,322</u>	<u>2,834,365</u>
<b>NET CURRENT ASSETS</b>					
			<u>62,325,749</u>		<u>58,118,544</u>
<b>LONG-TERM LIABILITIES</b>					
Creditors:					
Payables falling due after more than one year	17	(14,600,801)		(13,911,984)	
Deferred grant due after more than one year	17	(42,196,855)		(38,934,809)	
				<u>(56,797,656)</u>	<u>(52,846,793)</u>
Provisions for liabilities:					
Pension provision	21	(377,000)		(468,000)	
Other provisions		(19,306)		(14,064)	
			<u>(396,306)</u>	<u>(482,064)</u>	
<b>TOTAL NET ASSETS</b>					
			<u>5,131,787</u>		<u>4,789,687</u>
<b>RESERVES</b>					
Called up share capital	22		176		183
Income and expenditure reserve	23		5,131,611		4,789,504
			<u>5,131,787</u>		<u>4,789,687</u>
<b>TOTAL RESERVES</b>					

These financial statements were approved and authorised for issue by the Management Committee on 18 June 2018 and signed on their behalf by:

 Committee Member  
 Committee Member  
 Secretary

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

**STATEMENT OF CHANGES IN RESERVES  
For the year ended 31 March 2018**

	Notes	Income and expenditure reserve £	Restricted reserve £	Revaluation reserve £	Total £
Balance at 1 April 2016		3,899,151	-	-	3,899,151
Surplus for the year		890,353	-	-	890,353
Transfer from revaluation reserve to income and expenditure reserve		-	-	-	-
Transfer of restricted expenditure from unrestricted reserve		-	-	-	-
Balance as at 31 March 2017		4,789,504	-	-	4,789,504
Surplus for the year	23	342,107	-	-	342,107
Transfer from revaluation reserve to income and expenditure reserve		-	-	-	-
Transfer of restricted expenditure from unrestricted reserve		-	-	-	-
Balance as at 31 March 2018		5,131,611	-	-	5,131,611

**STATEMENT OF CASHFLOWS  
For the year ended 31 March 2018**

	Notes	2018		2017	
		£	£	£	£
<b>Net cash generated from operating activities</b>	27		5,388,775		3,405,289
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Purchase of tangible fixed assets		(6,231,417)		(2,775,041)	
Proceeds from sale of tangible fixed assets		106,855		-	
Grants received		-		-	
Interest received		24,782		20,540	
<b>Net cash used in investing activities</b>			(6,099,780)		(2,754,501)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Issue of share capital		4		-	
Interest paid		(338,196)		(331,197)	
Interest element of finance lease rental payments		-		-	
New secured loans		1,000,007		5,700,312	
Repayment of borrowings		(311,615)		(3,919,458)	
Capital element of finance lease rental payments		-		-	
Withdrawal from deposits		-		-	
<b>Net cash from/(used in) financing activities</b>			350,200		1,449,657
<b>Net increase/(decrease) in cash and cash equivalents</b>			(360,805)		2,100,445
<b>Cash and cash equivalents at start of year</b>			4,356,638		2,256,193
<b>Cash and cash equivalents at end of year</b>	27		3,995,833		4,356,638

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**1 ACCOUNTING POLICIES**

**A. 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. Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited is a Public Benefit Entity

The Association's registered and principal place of business is Morrison House, Bayfield, Portree, Isle of Skye, IV51 9EW.

**B. Basis of Accounting**

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and to comply with the Determination of Accounting Requirements 2014, and under the historical cost convention. The financial statements are prepared in Sterling (£).

**C. 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.

**D. Critical Accounting Estimates and Areas of Judgement**

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Obligations under the SHAPS defined benefit pension scheme

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our annual commitment to SHAPS of £95,000, rising by 3% each year for the next 4 years has been discounted at a rate of 1.51% amounting to a net present value of £377,000 at 31 March 2018.

**E. 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 99 (3a) of the Co-operative and Community Benefit Societies Act 2014. 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.

**F. Turnover**

Turnover represents rental, service and management charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value and revenue based grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**ACCOUNTING POLICIES (continued)**

**G. Government Grants**

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

**H. Other Grants**

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

**I. Borrowing**

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).

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale. All other borrowing costs are expensed as incurred.

**J. Tangible Fixed Assets - Housing Properties**

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development period. 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 Statement of Comprehensive Income as incurred.

Works to existing properties which replace a component that has been treated separately for depreciation purposes (see Note L below), along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income.

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.

**K. Investment Properties**

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are currently measured at fair value. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Management Committee consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**ACCOUNTING POLICIES (continued)**

**L. Depreciation of Housing Properties**

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 or assets under construction.

**M. Impairments of Fixed Assets**

An assessment is made at each reporting date of whether there are indications that any fixed assets (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Association estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the Statement of Comprehensive Income.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

**N. Other Tangible Fixed Assets**

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

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

**O. 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 Statement of Comprehensive Income in accordance with Statement of Recommended Practice.

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

**P. 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 Statement of Comprehensive Income, in accordance with the Statement of Recommended Practice.

Disposals under shared equity schemes are accounted for in Statement of Comprehensive Income. 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.

**Q. Stocks**

Stocks are valued at the lower of cost and net realisable value.

**R. Taxation**

The Association has charitable status and is registered with the Office of the Scottish Charity Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

**S. VAT**

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. The majority of the Association's income is exempt for VAT purposes, giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of VAT.



NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018

**ACCOUNTING POLICIES (continued)**

**T. Deposits and Liquid Resources**

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

**U. Leases**

Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Association substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements. The interest is charged to income and expenditure so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating Leases

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

**V. Employee Benefits**

The costs of short-term employee benefits are recognised as a liability and an expense

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

**W. Retirement Benefits**

Defined contribution plans

For defined contribution schemes the amount charged to the Statement of Comprehensive Income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

The Association participates in a Defined Benefits Pension with the Scottish Housing Association Pension Scheme (SHAPS); it is a funded multi-employer scheme. Retirement benefits for 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.

The SHAPS contributions are recognised in the Statement of Comprehensive Income in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the Association will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses
- The difference between the interest income on the plan assets and the actual return on the plan assets.

**X. Apportionment of Management Expenses**

Direct employee administration and operating costs have been apportioned to the Statement of Comprehensive Income 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.

**Y. Financial Instruments**

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**ACCOUNTING POLICIES (continued)**

***Financial assets***

**Debtors**

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

***Financial liabilities***

**Trade creditors**

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

**Borrowings**

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

***De-recognition of financial assets***

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Z. Provisions**

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**AB Reserves**

The Association establishes restricted funds for specific purposes where their use is subject to restrictions imposed by third parties.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**2 PARTICULARS OF TURNOVER, 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>
		£	£	£	£
Affordable letting activities	3	3,721,781	2,875,022	846,759	1,220,795
Other activities	4	<u>2,012,588</u>	<u>2,148,080</u>	<u>(135,492)</u>	<u>75,959</u>
		<u>5,734,369</u>	<u>5,023,102</u>	<u>711,267</u>	<u>1,296,754</u>
Total for previous period of account		<u>6,005,664</u>	<u>4,708,910</u>	<u>1,296,754</u>	

**3 PARTICULARS OF INCOME AND EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES**

	<u>General Needs Housing £</u>	<u>Shared ownership £</u>	<u>2018 Total £</u>	<u>2017 Total £</u>
<b>Income from Affordable Lettings</b>				
Rent Receivable net of service charges	2,470,789	48,351	2,519,140	2,431,690
Service Charges	<u>36,007</u>	<u>2,480</u>	<u>38,487</u>	<u>37,754</u>
<b>Gross income from rents and service charges</b>	2,506,796	50,831	2,557,627	2,469,444
Less: Rent Losses from Voids	<u>(8,830)</u>	<u>-</u>	<u>(8,830)</u>	<u>(4,879)</u>
<b>Net income from rents and service charges</b>	2,497,966	50,831	2,548,797	2,464,565
Grants released from deferred income	1,161,361	(831)	1,160,530	1,112,802
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	<u>12,454</u>	<u>-</u>	<u>12,454</u>	<u>-</u>
<b>Total Turnover from Affordable Letting Activities</b>	<u>3,671,781</u>	<u>50,000</u>	<u>3,721,781</u>	<u>3,577,367</u>
<b>Expenditure on Affordable Letting Activities</b>				
Management and maintenance administration costs	736,469	8,866	745,335	339,036
Service costs	34,042	-	34,042	33,218
Planned and cyclical maintenance including major repair cost:	241,464	-	241,464	168,596
Reactive maintenance costs	424,572	-	424,572	410,292
Bad debts - rents and service charges	12,997	-	12,997	6,117
Depreciation of affordable let properties	1,399,863	16,749	1,416,612	1,339,313
Impairment of affordable let properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Costs for affordable letting activities</b>	<u>2,849,407</u>	<u>25,615</u>	<u>2,875,022</u>	<u>2,356,572</u>
<b>Operating Surplus for affordable letting activities</b>	<u>822,374</u>	<u>24,385</u>	<u>846,759</u>	<u>1,220,795</u>
<b>Operating Surplus for affordable letting activities for previous reporting period</b>	<u>1,177,985</u>	<u>42,810</u>	<u>1,220,795</u>	

The Association has no Supported Accommodation.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018

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	331,728	397,836	-	405,786	(7,950)	10,400
Investment property activities	-	-	17,000	17,000	-	11,411	5,589	8,180
Factoring	-	-	9,501	9,501	-	8,558	943	2,695
Uncapitalised development administration costs	12,074	21,454	157,429	190,957	-	287,843	(96,886)	31,552
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	1,018,237	1,018,237	-	1,010,378	7,859	8,717
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Other activities:								
Handyperson Service	-	218,713	-	218,713	-	232,403	(13,690)	64,076
Energy Advice Service	-	8,016	-	8,016	-	25,181	(17,165)	(60,695)
Mid-Market Properties	-	7,283	19,397	26,680	-	18,985	7,695	8,625
Other rents	-	-	30,627	30,627	-	22,821	7,806	16,430
Heat Sales	-	-	92,521	92,521	-	124,714	(32,193)	(17,022)
Other income	-	-	2,500	2,500	-	-	2,500	3,000
<b>Total from other activities</b>	<u>12,074</u>	<u>321,574</u>	<u>1,678,940</u>	<u>2,012,588</u>	<u>-</u>	<u>2,148,080</u>	<u>(135,492)</u>	<u>75,959</u>
<b>Total from other activities for previous reporting period</b>	<u>4,188</u>	<u>377,404</u>	<u>2,046,705</u>	<u>2,428,297</u>	<u>-</u>	<u>2,352,338</u>	<u>75,959</u>	

**Buidheann Tigheadas Loch Aillse Agus An  
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**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**5 INTEREST AND FINANCING COSTS**

	<u>2018</u>	<u>2017</u>
	£	£
Defined benefit pension change (unwinding of discount factor)	4,000	20,000
Bank Loans and Overdrafts	334,196	311,197
	<u>338,196</u>	<u>331,197</u>

Interest incurred in the development period of housing projects which has been written off to the Statement of Comprehensive Income amounted to £332,268 (2017- £310,850).

**6 OPERATING SURPLUS**

	<u>2018</u>	<u>2017</u>
	£	£
Operating surplus is stated after charging: -		
Depreciation of housing properties	1,416,612	1,339,313
Depreciation of mid-market properties	13,280	13,280
Depreciation of other fixed assets	32,676	42,766
Operating lease rentals (note 14)	<u>68,208</u>	<u>77,014</u>
	<u>1,530,776</u>	<u>1,472,373</u>
External auditors remuneration:		
Audit services (excluding VAT)	8,500	8,215
Other services (excluding VAT)	<u>-</u>	<u>-</u>
	<u>8,500</u>	<u>8,215</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**

<b>Number of employees</b>	<u>2018</u>	<u>2017</u>
	No.	No.
The average monthly number of Full Time Equivalent persons (including key management personnel) employed by the Association during the year was:	38.3	33.5
The average total number of Employees employed during the year was;		
Full Time	36	33
Part Time	<u>3</u>	<u>2</u>
	<u>39</u>	<u>35</u>

<b>Staff Costs for the above persons</b>	<u>2018</u>	<u>2017</u>
	£	£
Salaries	1,156,355	1,047,623
Social security costs	116,225	105,221
Pension costs	92,974	78,043
Pension deficit remeasurements	(3,000)	(407,000)
	<u>1,362,554</u>	<u>823,887</u>

**9 KEY MANAGEMENT PERSONNEL**

Key management personnel are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Management Committee.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period were:

	<u>2018</u>	<u>2017</u>
Number of key management personnel - £60,000 to £69,999	2	1
Emoluments payable to key management personnel	<u>£129,690</u>	<u>£66,835</u>

The Association's pension contributions for key management personnel amounted to £13,228 (2017- £6,416). No payment or fees or other remuneration was made to members of the Management Committee during the year.

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**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 £
<b>COST:</b>					
As at 1 April 2017	64,279,679	579,205	3,344,250	1,029,308	69,232,442
Additions	1,399,379	-	4,784,601	-	6,183,980
Transfers	2,315,250	-	(2,315,250)	-	-
Disposals	<u>(307,766)</u>	<u>-</u>	<u>-</u>	<u>(53,872)</u>	<u>(361,638)</u>
As at 31 March 2018	<u>67,686,542</u>	<u>579,205</u>	<u>5,813,601</u>	<u>975,436</u>	<u>75,054,784</u>
 <b>DEPRECIATION:</b>					
As at 1 April 2017	14,305,052	62,682	-	317,373	14,685,107
Charge for Year	1,399,863	13,280	-	16,749	1,429,892
Eliminated on disposal	<u>(183,144)</u>	<u>-</u>	<u>-</u>	<u>(15,893)</u>	<u>(199,037)</u>
As at 31 March 2018	<u>15,521,771</u>	<u>75,962</u>	<u>-</u>	<u>318,229</u>	<u>15,915,962</u>
 <b>NET BOOK VALUE:</b>					
As at 31 March 2018	<u>52,164,771</u>	<u>503,243</u>	<u>5,813,601</u>	<u>657,207</u>	<u>59,138,822</u>
As at 31 March 2017	<u>49,974,627</u>	<u>516,523</u>	<u>3,344,250</u>	<u>711,935</u>	<u>54,547,335</u>

**LAND VALUES**

Land valued at £5,906,376 (2017- £5,856,102) is included in the above.

	2018 £	2017 £
<b>EXPENDITURE ON WORKS TO EXISTING PROPERTIES</b>		
Improvement work capitalised	141,686	-
Replacement components capitalised	425,806	231,502
Amounts charged to income and expenditure	<u>24,745</u>	<u>19,981</u>
Total major repairs spend	<u>592,237</u>	<u>251,483</u>

Lochalsh and Skye Housing Association does not consider any individual schemes to be separate cash generating units when assessing for impairment in accordance with SORP 2014.

**TANGIBLE FIXED ASSETS**

b) Other

	Land and Buildings £	Housing Furniture £	Office Equipment & Furniture £	Motor Vehicles £	Totals £
<b>COST:</b>					
As at 1 April 2017	660,043	11,116	173,640	56,414	901,213
Additions	38,500	-	4,557	4,380	47,437
Disposals/Write offs	-	-	-	-	-
Transfers	-	-	-	-	-
As at 31 March 2018	<u>698,543</u>	<u>11,116</u>	<u>178,197</u>	<u>60,794</u>	<u>948,650</u>
 <b>DEPRECIATION:</b>					
As at 1 April 2017	170,718	11,116	155,932	14,104	351,870
Charge for Year	12,859	-	8,144	11,673	32,676
Eliminated on Disposal/Write offs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 March 2018	<u>183,577</u>	<u>11,116</u>	<u>164,076</u>	<u>25,777</u>	<u>384,546</u>
 <b>NET BOOK VALUE:</b>					
As at 31 March 2018	<u>514,966</u>	<u>-</u>	<u>14,121</u>	<u>35,017</u>	<u>564,104</u>
As at 31 March 2017	<u>489,325</u>	<u>-</u>	<u>17,708</u>	<u>42,310</u>	<u>549,343</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 31 March 2018**

**11 INVESTMENT PROPERTIES**

	<u>2018</u>	<u>2017</u>
	£	£
The Association's Investment properties are held at fair value		
At 1 April	187,500	187,500
Additions	-	-
Increase in value	-	-
	187,500	187,500
At 31 March	187,500	187,500
Valued on 19 May 2016 by Ian M Lewis BSc MRICS at Current Market Value		

**12 FIXED ASSET INVESTMENTS**

**Investments in subsidiary**

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.

	<u>2018</u>	<u>2017</u>
	£	£
Amount invested in subsidiary	<u>1</u>	<u>1</u>
Expenses incurred on behalf of, and recoverable from, subsidiary	1,261	1,261
Property rents recoverable from the subsidiary	19,397	19,035
Property management fees recoverable from subsidiary	<u>8,103</u>	<u>7,783</u>

The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2017 to 31 March 2018 were as follows:

	<u>£</u>	<u>£</u>
Capital and Reserves	<u>(1,903)</u>	<u>(2,046)</u>
Profit for the year	<u>143</u>	<u>159</u>

**13 CAPITAL COMMITMENTS**

	<u>2018</u>	<u>2017</u>
	£	£
Capital expenditure contracted for but not provided in the financial statements	<u>3,032,903</u>	<u>1,173,854</u>
The Association expects to finance this commitment by:		
Capital grant receivable	377,265	289,613
Loans under negotiation with loan offers	2,655,638	884,241
Loans yet to be arranged	-	-
	<u>3,032,903</u>	<u>1,173,854</u>

**14 COMMITMENTS UNDER OPERATING LEASES**

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

	<u>Year ended</u> <u>31/03/18</u>	<u>Year ended</u> <u>31/03/17</u>
	£	£
<u>Amounts due:</u>		
Within one year	26,037	54,656
Between one and five years	127,314	40,234
After five years	2,420	-
	<u>155,771</u>	<u>94,890</u>

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

	<u>2018</u>	<u>2017</u>
	£	£
Rent and Service Charges Arrears	73,198	74,444
Less bad debt provision	<u>(35,942)</u>	<u>(36,089)</u>
	37,256	38,355
Care & Repair debtor	59,463	65,415
Trade debtors	12,834	13,844
Other debtors	88,323	83,295
Prepayments and accrued income	32,070	19,629
Due from group undertaking	<u>632</u>	<u>1,006</u>
	<u>230,578</u>	<u>221,544</u>

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

	<u>2018</u>	<u>2017</u>
	£	£
<u>Payables:</u>		
Bank Loans and Overdrafts (see Note 19)	304,456	304,881
Trade Creditors	51,643	21,751
Other Creditors	25,740	118,880
Care & Repair creditor	45,878	34,601
Taxation and social security costs	48,551	42,755
Rents in Advance	44,996	43,280
Accruals & Deferred Income	<u>64,825</u>	<u>55,169</u>
	<u>586,089</u>	<u>621,317</u>
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	1,203,500	1,120,000
Deferred grants - Other	<u>1,500</u>	<u>2,500</u>
	<u>1,205,000</u>	<u>1,122,500</u>

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

	<u>2018</u>	<u>2017</u>
	£	£
<u>Payables:</u>		
Payables – Bank Loans (see Note 19)	<u>14,600,801</u>	<u>13,911,984</u>
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	42,195,855	38,932,309
Deferred grants - Other	<u>1,000</u>	<u>2,500</u>
	<u>42,196,855</u>	<u>38,934,809</u>

**18 DEFERRED HOUSING GRANT**

	<u>2018</u>	<u>2017</u>
	£	£
Total grant received at 1 April	53,470,912	51,184,456
Grant received in the year	<u>4,514,859</u>	<u>2,286,456</u>
Total grant received at 31 March	<u>57,985,771</u>	<u>53,470,912</u>
Total grant released at 1 April	(13,418,603)	(12,298,521)
Grant released in the year	<u>(1,167,813)</u>	<u>(1,120,082)</u>
Total grant released at 31 March	<u>(14,586,416)</u>	<u>(13,418,603)</u>
Total deferred grant at 31 March	<u>43,399,355</u>	<u>40,052,039</u>
Amounts to be released within one year	1,203,500	1,120,000
Amounts to be released after more than one year	<u>42,195,855</u>	<u>38,932,309</u>
	<u>43,399,355</u>	<u>40,052,309</u>



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**19 BANK LOANS AND OVERDRAFTS**

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

	<u>2018</u>	<u>2017</u>
	£	£
<b>Amounts falling due within one year or on demand:</b>		
Loans - Housing Properties	304,456	304,881
Bank Loans - Office Building	-	-
	304,456	304,881
<b>Amounts falling due after more than one year:</b>		
Bank Loans - Housing Properties	14,600,801	13,911,984

**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 0.87% (variable) and 5.97% (fixed).

	<u>2018</u>	<u>2017</u>
	£	£
Due within one year	304,456	304,881
Due in more than one year but less than two years	358,609	310,551
Due between two and five years	2,571,731	1,409,907
Due after more than five years	11,670,461	12,191,526
	14,905,257	14,216,865

**20 FINANCIAL INSTRUMENTS**

	<u>2018</u>	<u>2017</u>
	£	£
<b>Financial assets:</b>		
<b>Debt instruments measured at amortised cost</b>		
Trade debtors	12,834	13,844
<b>Financial liabilities:</b>		
<b>Liabilities measured at amortised cost</b>		
Bank loans	14,903,329	14,219,865
Trade creditors	51,643	21,751
Accruals	71,175	161,520
	14,903,329	14,219,865

**21 PROVISIONS**

	Holiday Pay	Pension
	£	£
1 April 2017	14,064	468,000
Utilised in the year	(2,299)	(92,000)
Increase in provision	7,541	-
Unwinding of discount	-	4,000
Increase/ (decrease) due to change in discount rate	-	(3,000)
Remeasurements – impact of any change in assumptions	-	-
31 March 2018	19,306	377,000

*Holiday Pay*

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

*Pension*

The pension provision represents the net present value of the commitment to the SHAPS multi-employer pension scheme in respect of past service deficits.

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**22 SHARE CAPITAL**

	<u>Year ended 31/03/18</u>	<u>Year ended 31/03/17</u>
	£	£
Shares of £1 each, issued and fully paid:		
As at 1 April	183	189
Shares issued	4	-
Cancelled in year	(11)	(6)
	<u>176</u>	<u>183</u>
As at 31 March		

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.

**23 RESERVES**

Income and Expenditure Reserve		£
At 1 April 2017		4,789,504
Surplus for the year		<u>342,107</u>
At 31 March 2018		<u>5,131,611</u>

**24 HOUSING STOCK**

	<u>31/03/18</u>	<u>31/03/17</u>
The number of units of accommodation in management at the year-end was: -		
General needs	653	629
Supported accommodation	-	-
Shared Ownership	20	21
Mid-market	5	5
Managed on behalf of other owners	<u>17</u>	<u>24</u>
	<u>695</u>	<u>679</u>

**25 RELATED PARTY TRANSACTIONS**

Members of the Management Committee are related parties of the Association as defined by Section 33 of FRS 102. The related party relationships of the members of the management committee are summarised as follows:

One member of the Management Committee is a tenant of the Association. At the year-end and the prior year-end there were no rent arrears due from tenant members.

Committee members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms. 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 12 (page 23)

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**26 RETIREMENT BENEFITS**

Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited participates in the Scottish Housing Associations Pension Scheme (SHAPS) which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

**Deficit contributions**

1 April 2017 to 28 Feb 2022 - £25,735,092 per annum (payable monthly and increasing by 3% on each 1st April)

1 April 2017 to 30 June 2025 - £727,217 per annum (payable monthly and increasing by 3% on each 1st April)

1 April 2017 to 31 Oct 2026 - £26,304,000 per annum (payable monthly and increasing by 3% on each 1st April)

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

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

**Present Values of Provision**

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	377	468	934

**Reconciliation of Opening and Closing Provisions**

	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Provision at start of period	468	934
Unwinding of the discount factor (interest expense)	4	20
Deficit contribution paid	(92)	(79)
Remeasurements - impact of any change in assumptions	(3)	14
Remeasurements - amendments to the contribution schedule		(421)
Provision at end of period	377	468

**Buidheann Tigheadas Loch Aillse Agus An  
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**RETIREMENT BENEFITS (continued)**

<u>Income and Expenditure Impact</u>	Period Ending 31 March 2018 (£000s)	Period Ending 31 March 2017 (£000s)
Interest expense	4	20
Remeasurements – impact of any change in assumptions	(3)	14
Remeasurements - amendments to the contribution schedule	-	(421)
Contributions paid in respect of future service	83	68
Costs recognised in income and expenditure	83	68

<u>Assumptions</u>	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.51	1.06	2.29

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

For the year to 31 March 2019 the Association has agreed to make additional deficit payments to SHAPS of £94,844, which will increase at a rate of 3% per year, until February 2022. A liability based upon discounted net present value of £377,000 has been recognised within provisions for the contribution obligations.

	<b>£000</b>
At 1 April 2017	468
Increase in provision	-
Releases in the year	91
At 31 March 2018	<u>377</u>

**27 RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM/(USED IN) OPERATIONS**

	<u>31 March 2018</u>
	£
Surplus for the year	342,107
<u>Adjustments for non-cash items</u>	
Depreciation of tangible fixed assets	1,462,568
Impairment losses on tangible fixed assets	-
Impairment losses on investments	-
Fair value (gains)/losses on investment properties	-
Defined benefit pension schemes	-
Fair value (gains)/losses on financial instruments	-
Increase/(decrease) in provisions	(85,758)
(Gain)/loss on disposal of tangible fixed assets	55,746
Shares cancelled	(11)
Interest receivable	(24,782)
Interest payable	338,196
<b>Operating cash flows before movements in working capital</b>	<u>2,088,066</u>
Decrease/(increase) in trade and other debtors	(9,034)
Increase/(decrease) in trade and other creditors	3,309,743
<b>Cash generated from / (used in) operations</b>	<u>5,388,775</u>
<b>Cash and Cash Equivalents</b>	
Cash at bank	1,395,833
Short-term deposits	2,600,000
	<u>3,995,833</u>

**28 CONTINGENT LIABILITIES**

No contingent liabilities have been identified

**29 POST BALANCE SHEET EVENTS**

There have been no post balance sheet events.