

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

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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

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

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

**MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS
For the year ended 31 March 2017**

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 2016 to the date of this report were as follows:

Mr John Laing	- Chairperson
Ms Audrey Sinclair	- Vice Chairperson
Mr Paul Carpenter	
Mr John Ellis	
Mr Neil Campbell	
Mr Jon Hanley	
Mr Steven Proudfoot	
Mr Roger Liley	
Mr David Owen	
Ms Janet Anderson	
Mr John Cayley	
Mr Ian Young	
Mr A MacCalman	- Resigned 21 June 2016
Mr Roddy Beaton	- Resigned 28 February 2017

Executive Officer:

The Executive Officer of the Association from 1 April 2016 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
LIVINGSTONE
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 2017

The Management Committee, being the Trustees of the Charity, presents its Report and the audited Financial Statements for the year ended 31 March 2017. 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.

The Association's registered and principal place of business is Morrison House, Bayfield, Portree, Isle of Skye, IV51 9EW. Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited is a Public Benefit Entity.

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 £2,731,857 of which £2,500,355 was spent on developing new housing properties and £231,502 on Planned Maintenance.
- The Association also arranged expenditure of £1,339,194 on capital projects for the Highland Council.
- As the Agent of the Highland Council the Association arranged the expenditure of £354,875 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 £890,353 (2015/16 £452,447) which has been retained in the Revenue Reserve. The surplus includes a net credit of £407,000 arising from a remeasurement of the Association's pension deficit.

The Association held total capital and reserves of £4,789,687 at 31 March 2017 (£3,899,340 at 31 March 2016), of which £4,789,504 was held in the Income and Expenditure Reserve (£3,899,151 at 31 March 2016).

Going Concern

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.

REPORT OF THE MANAGEMENT COMMITTEE (continued)
For the year ended 31 March 2017

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.

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 K on page 14) 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 2017, 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 and has been replaced by an Entitlements, Payments and Benefits Policy.

The amount spent on promoting the Association in the year was £2,766 (2015/16 - £3,719).

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: 19 June 2017

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES
For the year ended 31 MARCH 2017

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: 19 June 2017

MANAGEMENT COMMITTEE'S STATEMENT OF INTERNAL FINANCIAL CONTROL
For the year ended 31 MARCH 2017

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 2017 and until 19 June 2017 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: 19 June 2017

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BUIDHEANN TIGHEADAS LOCH AILLSE AGUS AN EILEIN SGITHEANAICH LIMITED
For the year ended 31 MARCH 2017**

Opinion on financial statements

We have audited the financial statements of Buidheann Tigheadas Loch Aillse Agus An Eilein Sgitheanaich Limited for the year ended 31 March 2017 on pages 10 to 27. 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 2017 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 – December 2014.

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>.

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.

Respective responsibilities of the Committee and auditor

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. 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.

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.

RSM UK Audit LLP

RSM UK AUDIT LLP
Third Floor
Centenary House
69 Wellington Street
Glasgow
G2 6HG

Date: 21/6/17

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 2017

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: 21/6/17

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

**STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2017**

		2017	2016
	Notes	£	£
TURNOVER	2	6,005,664	6,756,014
Operating expenditure	2	4,708,910	5,935,124
OPERATING SURPLUS	6	1,296,754	820,890
Loss on disposal of property, plant and equipment		(95,744)	(41,317)
Interest receivable		20,540	11,318
Interest and financing costs	5	(331,197)	(338,444)
SURPLUS BEFORE TAX		890,353	452,447
Taxation	7	-	-
SURPLUS FOR THE YEAR	23	890,353	452,447

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements

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

**STATEMENT OF FINANCIAL POSITION
As at 31 March 2017**

		31/03/2017		31/03/2016	
Notes		£	£	£	£
FIXED ASSETS					
Housing properties	10a		54,547,335		53,264,520
Other fixed assets	10b		549,343		548,218
Investment properties	11		187,500		187,500
Fixed asset investments			-		-
Investment in subsidiaries	12		1		1
			55,284,179		54,000,239
CURRENT ASSETS					
Trade and other debtors	15	221,544		298,114	
Cash and cash equivalents	27	4,356,638		2,256,193	
		4,578,182		2,554,307	
CURRENT LIABILITIES					
Payables falling due within one year	16	621,317		694,732	
Deferred grant falling due within one year	16	1,122,500		1,072,066	
				1,766,798	
NET CURRENT ASSETS			2,834,365	787,509	
TOTAL ASSETS LESS CURRENT LIABILITIES			58,118,544	54,787,748	
LONG-TERM LIABILITIES					
Creditors:					
Payables falling due after more than one year	17	(13,911,984)		(12,117,706)	
Deferred grant due after more than one year	17	(38,934,809)		(37,821,869)	
			(52,846,793)		(49,939,575)
Provisions for liabilities:					
Pension provision	21	(468,000)		(934,000)	
Other provisions		(14,064)		(14,833)	
			(482,064)		(948,833)
TOTAL NET ASSETS			4,789,687	3,899,340	
RESERVES					
Called up share capital	22		183		189
Income and expenditure reserve	23		4,789,504		3,899,151
TOTAL RESERVES			4,789,687	3,899,340	

These financial statements were approved and authorised for issue by the Management Committee on 19 June 2017 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 2017**

	Notes	Income and expenditure reserve	Restricted reserve	Revaluation reserve	Total
Balance at 1 April 2015		3,446,704	-	-	3,446,704
Surplus for the year		452,447	-	-	452,447
Transfer from revaluation reserve to income and expenditure reserve		-	-	-	-
Transfer of restricted expenditure from unrestricted reserve		-	-	-	-
Balance as at 31 March 2016		3,899,151	-	-	3,899,151
Surplus for the year	23	890,353	-	-	890,253
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	-	-	4,789,404

**STATEMENT OF CASHFLOWS
For the year ended 31 March 2017**

	Notes	2017		2016	
		£	£	£	£
Net cash generated from operating activities	27		3,405,289		1,020,427
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(2,775,041)		(913,398)	
Proceeds from sale of tangible fixed assets		-		4,500	
Grants received		-		-	
Interest received		20,540		11,318	
Net cash used in investing activities			(2,754,501)		(897,580)
CASH FLOW FROM FINANCING ACTIVITIES					
Issue of share capital		-		12	
Interest paid		(331,197)		(338,444)	
Interest element of finance lease rental payments		-		-	
New secured loans		5,700,312		910,000	
Repayment of borrowings		(3,919,458)		(515,950)	
Capital element of finance lease rental payments		-		-	
Withdrawal from deposits		-		-	
Net cash from/(used in) financing activities			1,449,657		55,618
Net increase/(decrease) in cash and cash equivalents			2,100,445		178,465
Cash and cash equivalents at start of year			2,256,193		2,077,728
Cash and cash equivalents at end of year	27		4,356,638		2,256,193

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1 ACCOUNTING POLICIES

A. 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 (£).

B. 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.

C. 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 £92,000, rising by 3% each year for the next 5 years has been discounted at a rate of 1.06% amounting to a net present value of £468,000 at 31 March 2017.

D. 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.

E. 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. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

F. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

ACCOUNTING POLICIES (continued)

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.

G. 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.

H. 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.

I. 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 K 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

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.

J. 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.

K. 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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

ACCOUNTING POLICIES (continued)

L. 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.

M. 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

N. 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

O. 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.

P. Stocks

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

Q. 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.

R. 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.

S. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

ACCOUNTING POLICIES (continued)

T. 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.

U. 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.

V. 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.

W. 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.

X. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

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.

Y 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.

Z 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
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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017**

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	3,577,367	2,356,572	1,220,795	924,735
Other activities	4	<u>2,428,297</u>	<u>2,352,338</u>	<u>75,959</u>	<u>(103,845)</u>
		<u>6,005,664</u>	<u>4,708,910</u>	<u>1,296,754</u>	<u>820,890</u>
Total for previous period of account		<u>6,756,014</u>	<u>5,935,124</u>	<u>820,890</u>	

3 PARTICULARS OF INCOME AND EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	<u>General Needs Housing £</u>	<u>Shared ownership £</u>	<u>2016/17 Total £</u>	<u>2015/16 Total £</u>
Income from Affordable Lettings				
Rent Receivable net of service charges	2,383,471	48,219	2,431,690	2,392,596
Service Charges	<u>35,234</u>	<u>2,520</u>	<u>37,754</u>	<u>37,362</u>
Gross income from rents and service charges	2,418,705	50,739	2,469,444	2,429,958
Less: Rent Losses from Voids	<u>(4,879)</u>	<u>-</u>	<u>(4,879)</u>	<u>(3,680)</u>
Net income from rents and service charges	2,413,826	50,739	2,464,565	2,426,278
Grants released from deferred income	1,097,061	15,741	1,112,802	1,077,349
Revenue grants from Scottish Ministers	-	-	-	-
Other revenue grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Turnover from Affordable Letting Activities	<u>3,510,887</u>	<u>66,480</u>	<u>3,577,367</u>	<u>3,503,627</u>
Expenditure on Affordable Letting Activities				
Management and maintenance administration costs	392,998	6,038	399,036	663,268
Service costs	33,218	-	33,218	39,768
Planned and cyclical maintenance including major repair cost:	168,596	-	168,596	163,904
Reactive maintenance costs	410,292	-	410,292	375,466
Bad debts - rents and service charges	6,117	-	6,117	976
Depreciation of affordable let properties	1,321,681	17,632	1,339,313	1,335,510
Impairment of affordable let properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Costs for affordable letting activities	<u>2,332,902</u>	<u>23,670</u>	<u>2,356,572</u>	<u>2,578,892</u>
Operating Surplus for affordable letting activities	<u>1,177,985</u>	<u>42,810</u>	<u>1,220,795</u>	<u>924,735</u>
Restated Operating Surplus for affordable letting activities for previous reporting period	<u>883,065</u>	<u>41,670</u>	<u>924,735</u>	

The Association has no Supported Accommodation.

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	354,875	420,983	-	410,583	10,400	(2,160)
Investment property activities	-	-	17,000	17,000	-	8,820	8,180	9,586
Factoring	-	-	9,310	9,310	-	6,615	2,695	2,433
Uncapitalised development administration costs	4,188	22,875	128,573	155,636	-	124,084	31,552	(13,444)
Support activities	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-
Contracted out activities undertaken for other organisations	-	-	1,400,104	1,400,104	-	1,391,387	8,717	14,741
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-
Other activities:								
Handyperson Service	-	239,085	-	239,085	-	175,009	64,076	(404)
Energy Advice Service	-	42,056	-	42,056	-	102,750	(60,694)	(103,707)
Mid-Market Properties	-	7,280	19,035	26,315	-	17,690	8,625	10,800
Other rents	-	-	25,250	25,250	-	8,820	16,430	17,034
Heat Sales	-	-	89,558	89,558	-	106,580	(17,022)	(41,724)
Other income	-	-	3,000	3,000	-	-	3,000	3,000
Total from other activities	<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>	<u>(103,845)</u>
Total from other activities for previous reporting period	<u>8,285</u>	<u>231,738</u>	<u>3012,364</u>	<u>3,252,387</u>	<u>-</u>	<u>3,356,232</u>	<u>(103,845)</u>	

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**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017**

5 INTEREST AND FINANCING COSTS

	<u>2017</u>	<u>2016</u>
	£	£
Defined benefit pension change (unwinding of discount factor)	20,000	21,000
Bank Loans and Overdrafts	311,197	317,444
	<u>331,197</u>	<u>338,444</u>

Interest incurred in the development period of housing projects which has been written off to the Statement of Comprehensive Income amounted to £310,850 (2015/16 - £311,905).

6 OPERATING SURPLUS

	<u>2017</u>	<u>2016</u>
	£	£
Operating surplus is stated after charging: -		
Depreciation of housing properties	1,339,313	1,335,510
Depreciation of mid-market properties	13,280	13,280
Depreciation of other fixed assets	42,766	36,092
Operating lease rentals (note 14)	77,014	59,621
	<u>1,472,373</u>	<u>1,444,503</u>
External auditors' remuneration:		
Audit services (excluding VAT)	9,858	9,400
Other services (excluding VAT)	-	-
	<u>9,858</u>	<u>9,400</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

Number of employees

	<u>2017</u>	<u>2016</u>
	No.	No.
The average monthly number of Full Time Equivalent persons (including key management personnel) employed by the Association during the year was:	33.5	32.5
The average total number of Employees employed during the year was:		
Full Time	33	32
Part Time	2	1
	<u>35</u>	<u>33</u>

Staff Costs for the above persons

	<u>2017</u>	<u>2016</u>
	£	£
Salaries	1,047,623	926,196
Social security costs	105,221	73,411
Pension costs	78,043	66,890
Pension deficit remeasurements	(407,000)	(4,000)
	<u>823,887</u>	<u>1,062,497</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>2017</u>	<u>2016</u>
Number of key management personnel	1	1
Emoluments payable to key management personnel	<u>£66,835</u>	<u>£62,411</u>

The Association's pension contributions for key management personnel amounted to £6,416 (2015/16 - £5,991). No payment or fees or other remuneration was made to members of the Management Committee during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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 2016	64,205,591	579,205	908,744	1,029,308	66,722,848
Additions	296,351	-	2,435,506	-	2,731,857
Transfers	-	-	-	-	-
Disposals	(222,263)	-	-	-	(222,263)
As at 31 March 2017	<u>64,279,679</u>	<u>579,205</u>	<u>3,344,250</u>	<u>1,029,308</u>	<u>69,232,442</u>
DEPRECIATION:					
As at 1 April 2016	13,109,185	49,402	-	299,741	13,458,328
Charge for Year	1,321,680	13,280	-	17,632	1,352,592
Eliminated on disposal	(125,813)	-	-	-	(125,813)
As at 31 March 2017	<u>14,305,052</u>	<u>62,682</u>	<u>-</u>	<u>317,373</u>	<u>14,685,107</u>
NET BOOK VALUE:					
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>
As at 31 March 2016	<u>51,096,406</u>	<u>529,803</u>	<u>908,744</u>	<u>729,567</u>	<u>53,264,520</u>

EXPENDITURE ON WORKS TO EXISTING PROPERTIES

	2017 £	2016 £
Improvement work capitalised	-	-
Replacement components capitalised	231,502	162,571
Amounts charged to income and expenditure	<u>19,981</u>	<u>22,047</u>
Total major repairs spend	<u>251,483</u>	<u>184,618</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

	Restated Land and Buildings £	Housing Furniture £	Office Equipment & Furniture £	Motor Vehicles £	Restated Totals £
COST:					
As at 1 April 2016	657,236	11,116	165,726	55,100	889,178
Additions	2,807	-	7,914	56,414	67,135
Disposals/Write offs	-	-	-	(55,100)	(55,100)
Transfers	-	-	-	-	-
As at 31 March 2017	<u>660,043</u>	<u>11,116</u>	<u>173,640</u>	<u>56,414</u>	<u>901,213</u>
DEPRECIATION:					
As at 1 April 2016	157,815	11,116	140,173	31,856	340,960
Charge for Year	12,903	-	15,759	14,104	42,766
Eliminated on Disposal/Write offs	-	-	-	(31,856)	(31,856)
As at 31 March 2017	<u>170,718</u>	<u>11,116</u>	<u>155,932</u>	<u>14,104</u>	<u>351,870</u>
NET BOOK VALUE:					
As at 31 March 2017	<u>489,325</u>	<u>-</u>	<u>17,708</u>	<u>42,310</u>	<u>549,343</u>
As at 31 March 2016	<u>499,421</u>	<u>-</u>	<u>25,553</u>	<u>23,244</u>	<u>548,218</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

11	INVESTMENT PROPERTIES		<u>31/03/17</u> £	<u>31/03/16</u> £
	The Association's Investment properties are held at fair value			
	At 1 April		187,500	187,500
	Additions		-	-
	Increase in value		-	-
	At 31 March		<u>187,500</u>	<u>187,500</u>
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>31/03/17</u> £	<u>31/03/16</u> £
	Amount invested in subsidiary		<u>1</u>	<u>1</u>
			£	£
	Expenses incurred on behalf of, and recoverable from, subsidiary		1,261	1,213
	Property rents recoverable from the subsidiary		19,035	18,847
	Property management fees recoverable from subsidiary		<u>7,783</u>	<u>5,939</u>
	The aggregate amount of capital and reserves and the result of North West Highland Community Enterprises Limited for the period 1 April 2016 to 31 March 2017 were as follows:			
			£	£
	Capital and Reserves		<u>(2,046)</u>	<u>(2,205)</u>
	Profit for the year		<u>159</u>	<u>238</u>
13	CAPITAL COMMITMENTS			
			<u>31/03/17</u> £	<u>31/03/16</u> £
	Capital expenditure contracted for but not provided in the financial statements		<u>1,173,854</u>	<u>1,400,686</u>
	The Association expects to finance this commitment by:			
	Capital grant receivable		289,613	736,924
	Loans under negotiation with loan offers		884,241	663,762
	Loans yet to be arranged		-	-
			<u>1,173,854</u>	<u>1,400,686</u>
14	COMMITMENTS UNDER OPERATING LEASES			
	The total future minimum lease payments under non-cancellable operating leases are as follows:			
		Year ended	Year ended	
		<u>31/03/17</u>	<u>31/03/16</u>	
		£	£	
	<u>Amounts due:</u>			
	Within one year	54,656	6,507	
	Between one and five years	40,234	127,742	
	After five years	-	-	
		<u>94,890</u>	<u>134,249</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

15 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
Rent and Service Charges Arrears	74,444	91,538
Less bad debt provision	<u>(36,089)</u>	<u>(38,126)</u>
Care & Repair debtor	38,355	54,412
Trade debtors	65,415	35,581
Other debtors	13,844	34,461
Prepayments and accrued income	83,295	152,147
Due from group undertaking	19,629	21,369
	<u>1,006</u>	<u>1,444</u>
	<u>221,544</u>	<u>298,114</u>

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
<u>Payables:</u>		
Bank Loans and Overdrafts (see Note 19)	304,881	318,306
Trade Creditors	21,751	87,159
Other Creditors	118,880	122,564
Care & Repair creditor	34,601	18,642
Taxation and social security costs	42,755	34,626
Rents in Advance	43,280	34,340
Accruals & Deferred Income	<u>55,169</u>	<u>79,095</u>
	<u>621,317</u>	<u>694,732</u>
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	1,120,000	1,069,066
Deferred grants - Other	<u>2,500</u>	<u>3,000</u>
	<u>1,122,500</u>	<u>1,072,066</u>

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
<u>Payables:</u>		
Payables – Bank Loans (see Note 19)	<u>13,911,984</u>	<u>12,117,706</u>
<u>Deferred income:</u>		
Deferred grants – Housing (see Note 18)	38,932,309	37,816,869
Deferred grants - Other	<u>2,500</u>	<u>5,000</u>
	<u>38,934,809</u>	<u>37,821,869</u>

18 DEFERRED HOUSING GRANT

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
Total grant received at 1 April	51,184,456	51,009,670
Total grant released at 1 April	<u>(12,298,521)</u>	<u>(11,213,892)</u>
Deferred grant at 1 April	38,885,935	39,795,778
Grant received in the year	2,286,456	174,786
Grant released in the year	<u>(1,120,082)</u>	<u>(1,084,629)</u>
Deferred grant at 31 March	<u>40,052,309</u>	<u>38,885,935</u>
Amounts to be released within one year	1,120,000	1,069,066
Amounts to be released after more than one year	<u>38,932,309</u>	<u>37,816,869</u>
	<u>40,052,309</u>	<u>38,885,935</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

19 **BANK LOANS AND OVERDRAFTS**

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

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
Amounts falling due within one year or on demand:		
Loans - Housing Properties	304,881	299,398
Bank Loans - Office Building	-	18,908
	<u>304,881</u>	<u>318,306</u>
Amounts falling due after more than one year:		
Bank Loans - Housing Properties	13,911,984	12,117,706

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 5.97% (fixed).

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
Due within one year	304,881	318,306
Due in more than one year but less than two years	310,551	3,897,855
Due between two and five years	1,409,907	949,581
Due after more than five years	12,191,526	7,270,270
	<u>14,216,865</u>	<u>12,436,012</u>

20 **FINANCIAL INSTRUMENTS**

	<u>31/03/17</u>	<u>31/03/16</u>
	£	£
Financial assets:		
Debt instruments measured at amortised cost		
Trade debtors	13,844	34,461
Financial liabilities:		
Liabilities measured at amortised cost		
Bank loans	14,219,865	12,436,012
Trade creditors	21,751	87,159
Accruals	161,520	79,095
	<u>14,219,865</u>	<u>12,436,012</u>

21 **PROVISIONS**

	Holiday Pay	Pension
	£	£
1 April 2016	14,833	934,000
Utilised in the year	(769)	(79,000)
Unwinding of discount	-	20,000
Increase/(decrease) due to change in discount rate	-	14,000
Remeasurements – impact of any change in assumptions	-	(421,000)
31 March 2017	<u>14,064</u>	<u>468,000</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

22 **SHARE CAPITAL**

Shares of £1 each, issued and fully paid:	Year ended 31/03/17	Year ended 31/03/16
	£	£
As at 1 April	189	183
Shares issued	-	12
Cancelled in year	(6)	(6)
As at 31 March	<u>183</u>	<u>189</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.

23 **RESERVES**

Income and Expenditure Reserve	£
At 1 April 2016	3,899,151
Surplus for the year	<u>890,353</u>
At 31 March 2017	<u>4,789,504</u>

24 **HOUSING STOCK**

	31/03/17	31/03/16
The number of units of accommodation in management at the year-end was: -		
General needs	629	629
Supported accommodation	-	-
Shared Ownership	21	21
Mid-market	5	5
Managed on behalf of other owners	<u>24</u>	<u>24</u>
	<u>679</u>	<u>679</u>

25 **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. 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 22).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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. 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 2014 to 3 Sept 2027 - £26,304,000 per annum (payable monthly and increasing by 3% on each 1st April)

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 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	468	934	994

Reconciliation of Opening and Closing Provisions	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	934	994
Unwinding of the discount factor (interest expense)	20	21
Deficit contribution paid	(79)	(77)
Remeasurements - impact of any change in assumptions	14	(4)
Remeasurements - amendments to the contribution schedule	(421)	-
Provision at end of period	468	934

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

RETIREMENT BENEFITS (continued)

<u>Income and Expenditure Impact</u>	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	20	21
Remeasurements – impact of any change in assumptions	14	(4)
Remeasurements - amendments to the contribution schedule	(421)	-
Contributions paid in respect of future service	68	63
Costs recognised in income and expenditure	68	63

<u>Assumptions</u>	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.06	2.29	2.22

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 2018 the Association has agreed to make additional deficit payments to SHAPS of £92,000, which will increase at a rate of 3% per year, until February 2022. A liability based upon discounted net present value of £468,000 has been recognised within provisions for the contribution obligations.

	£000
At 1 April 2016	934
Increase in provision	-
Releases in the year	466
At 31 March 2017	<u>468</u>

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

	31 March 2017
	£
Surplus for the year	890,353
<u>Adjustments for non-cash items</u>	
Depreciation of tangible fixed assets	1,395,358
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	(466,769)
(Gain)/loss on disposal of tangible fixed assets	95,744
Shares cancelled	(6)
Interest receivable	(20,540)
Interest payable	331,197
Operating cash flows before movements in working capital	<u>2,225,337</u>
Decrease/(increase) in trade and other debtors	76,570
Increase/(decrease) in trade and other creditors	1,103,382
Cash generated from / (used in) operations	<u>3,405,289</u>
Cash and Cash Equivalents	
Cash at bank	1,306,638
Short-term deposits	3,050,000
	<u>4,356,638</u>

28 **CONTINGENT LIABILITIES**

No contingent liabilities have been identified

29 **POST BALANCE SHEET EVENTS**

There have been no post balance sheet events.