

COMMUNITIES HOUSING TRUST

(COMPANY LIMITED BY GUARANTEE AND NOT HAVING A SHARE CAPITAL)

REPORT OF DIRECTORS AND FINANCIAL STATEMENTS

31 March 2022

Company number SC182862

Charity number SC027544

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
The Report of the Trustees for the year ended 31 March 2022

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Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Board of Trustees and Advisors for the year ended 31 March 2022

Board of Trustees

| | |
|------------------------|--------------------|
| Julia Campbell | |
| Alasdair Christie | Resigned 11/05/22 |
| John Fotheringham | |
| David Goodall | Resigned 23/09/21 |
| Jennifer Hodgson | |
| Corrine Mackay | Resigned 20/04/22 |
| Ronald Macwilliam | Resigned 11/05/22 |
| Alex Matheson | |
| Maureen McDonald Cooke | Resigned 23/09/21 |
| Peter McLuckie | |
| Audrey Sinclair | |
| Agnes Sliman | |
| Brendan O'Hanrahan | |
| Fraser Mackenzie | Resigned 23/09/21 |
| Blair Allan | Appointed 05/10/21 |
| Alistair Danter | Appointed 06/10/21 |

Secretary and Registered Office

Ronald MacRae
7 Ardross Terrace
Inverness
IV3 5NQ

Bankers

Triodos Bank
Brunel House
11 The Promenade
Bristol
BS8 3NN

Solicitors

Andrew A Murchison
5 Ardross Terrace
Inverness
IV3 5NQ

Auditors

A9 Accountancy Limited
Chartered Accountants and Statutory Auditors
Elm House
Cradlehall Business Park
Inverness
IV2 5GH

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
The Report of the Trustees for the year ended 31 March 2022

The Trustees present their report and the audited financial statements for the year to 31 March 2022. The Company is recognised by the Inland Revenue as a Scottish Charity (charity reference number SC027544).

Principal Activities

- (1) To provide, or assist in the provision of housing for persons in necessitous circumstances, in the Highlands and Islands Electoral Region of the Scottish Parliament or such other area that may replace it ("the Primary Operating Area") and outside the said Highlands and Islands Electoral Region but always within Scotland ("the Secondary Operating Area")
- (2) To relieve the needs of persons suffering from mental or physical disability, illness or impairment or old age, through the provision, or assistance in the provision, of housing specially adapted to meet their requirements, primarily, but not exclusively, in the Primary Operating Area.
- (3) To promote education, particularly in the field of housing, primarily, but not exclusively, in the Primary Operating Area.
- (4) To promote, establish, operate and/or support schemes and projects of a charitable nature, which promote inclusion, sustainability and wellbeing, provided always that these are not dealt with on a commercial basis, for the benefit of communities in the Primary and Secondary Operating Areas.
- (5) To promote the advancement of citizenship or community development (including rural or urban regeneration and the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of charities) in the Primary and Secondary Operating Area.

To achieve this, the Trust works in partnership with the public sector, housing associations, the communities we seek to support and the private sector. The Outputs and Performance Report is enclosed within these papers on pages 6 to 10.

Reserves Policy

The Trust has undertaken a review of its reserves policy during the year. The Trust has set up as a restricted reserve, the grants it has received for "the purchase of land for development purposes". This reserve, being restricted, can only be spent in the furtherance of affordable housing provision.

The Trust has also identified as a designated reserve the surpluses made on the sale of land over the past few years. This reserve is able to be utilised by the Board of Trustees to meet CHT's core objectives.

Risk Management

The Trust's Board of Trustees and Advisers are fully committed to managing, and taking effective steps to deal with, all known risks to the Trust and its business operations.

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State of Affairs

The results for the year are set out in the attached accounts and explained in the following Output and Performance Report.

Review of year-end financial position

CHT continues to expand its scope of work in its progress towards sustainability and reducing its reliance on grant aid.

Unrestricted reserves policy:

Unrestricted reserves comprise

- Designated Reserve - Landbanking Fund: comprises the surpluses made on the sale of land over the years. This reserve can be utilised by the Board of Trustees to meet CHT's core objectives to assist communities and their associated housing need.
- Revenue Reserve: comprises the surpluses made on rental properties and on activities other than landbanking and other distinct projects
-

Provision within this reserve is made to cover the following:

- Minimum of three months' salary, associated pension costs and potential redundancy costs
- Office rent and equipment rent as required by contracts
- Rental properties maintenance and sinking funds
- Any other such cost that may arise in connection with CHT's activities

The trustees determine that the reserves to cover the above costs would be £435,000. At 31 March 2022, unrestricted reserves were £444,613 and therefore the reserves policy is being met.

Nature of governing documents

The main documents which set out the operational framework for the charity are the Memorandum and Articles.

Plans for future period

We will continue to work with fragile communities and people vulnerable to issues such as increasing house prices, homelessness, lack of tenancy security, fuel poverty, special needs and age related challenges. We will work with key stakeholders to ensure the best outcomes for communities.

We will support community-led organisations to address the unique needs of their area, from the initial recognition of housing requirement and its link to economic and social viability, through to the completion of required housing with appropriate tenures for local incomes and making the best use of available grants.

It is CHT's objective to provide its services to a greater number of communities. The current opportunities arising from recent legislation on community empowerment and the availability of community specific grants has resulted in a growing demand for our expertise and we are confident in our ability to provide the support required.

Communities Housing Trust

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We aim to develop land-banked sites to provide rental properties in some of the more remote communities and to explore the most efficient use of land that has proved difficult to develop in the past as well as secure new development opportunities to make the most effective use of current grant funding opportunities.

We aim to explore options which can support our drive towards sustainability.

Levels of funds held

Reserves currently stand at £3,705,650 (2021: restates £3,994,288), of this £3,256,037 are restricted (2021: restated £3,354,600).

The unrestricted reserves, excluding Cashback reserve (as required by the Rent to Buy Scheme), and Sinking Fund for properties, provides 6 months cover for costs as required by the Reserves Policy.

Board of Trustees

The Board of Trustees who served during the year are as follows:-

| | |
|------------------------|--------------------|
| Julia Campbell | |
| Alasdair Christie | Resigned 11/05/22 |
| John Fotheringham | |
| David Goodall | Resigned 23/09/21 |
| Jennifer Hodgson | |
| Corrine Mackay | Resigned 20/04/22 |
| Ronald Macwilliam | Resigned 11/05/22 |
| Alex Matheson | |
| Maureen McDonald Cooke | Resigned 23/09/21 |
| Peter Mcluckie | |
| Audrey Sinclair | |
| Agnes Sliman | |
| Brendan O'Hanrahan | |
| Fraser Mackenzie | Resigned 23/09/21 |
| Blair Allan | Appointed 05/10/21 |
| Alistair Danter | Appointed 06/10/21 |

None of the trustees have an interest in the Trust as the Company is limited by Guarantee.

Recruitment and Appointment of Trustees

Various organisations have the right to nominate Trustees to the Trust. These are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh and Skye Housing Association Limited, Pentland Housing Association Limited, the Scottish Crofting Foundation and Scottish Land and Estates Community

Councils may nominate members of Community Councils and vote for six Trustees to be appointed annually at the AGM. Up to an additional four independent Trustees can be appointed by the members at AGM.

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Induction and Training of Trustees

The Trust undertakes an induction process for all new Trustees and regularly reviews the skills and training requirements of the Trustees.

Auditors

A9 Accountancy Limited have been appointed in accordance with Section 487(2) of the Companies Act 2006.

Small company provisions

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The annual report was approved by the trustees of the charity on 09/09/22 and signed on its behalf by:



.....
Ronald MacRae
Secretary

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Output and Performance Report for the year ended 31 March 2022

This past year has been a continuation of 2020-2021. In addition to the protraction of the Covid 19 pandemic, the ongoing impact of Brexit, we have seen increased supply chain disruption and an unprecedented increase in inflation making development even more challenging. Like many organisations, CHT's team have continued to work mainly from home, with a controlled return to office working and community and site visits taking place when required. Zoom and Teams meetings have continued as an efficient use of time and resources in our work in supporting communities and developing projects and reducing our environmental impact. Board meetings continue to be held via Zoom with an option for board members and staff to meet in the office and attend through the office video conferencing equipment. Recognition is due to the team and board for the accomplishments of this year.

Awards

CHT received four Scottish and UK awards during 2021-22:

- Excellence in Regeneration for Achtercairn, Gairloch, at the CIH Scotland Housing Awards
- Excellence in Innovation for the cross-subsidy self-build plots at Rothiemurchus, Aviemore, at the CIH Scotland Housing Awards
- Best Regeneration Project (Rural and Suburban) for Achtercairn, Gairloch, at the UK Inside Housing Development Awards
- Rural Housing award (joint winner) for the cross-subsidy self-build plots at Rothiemurchus, Aviemore, at Scottish Land & Estates' Helping It Happen Awards.

All received regional and/or national media coverage and we were able to raise our public profile as a result.

Progress to self- sustainability

We continue working towards becoming as self-sustaining as possible but there are challenges to achieving this goal. Our work providing general advice, initial engagement with communities and developing solutions to address the inherent challenges in remote and rural development can be resource intensive. However, we still do not receive core revenue funding from public agencies to provide this service and because of the geographical spread of our work we fall outwith the criteria for the majority of grant bodies. These activities are a vital function which allows us to guide and support communities assess their ambitions and to find ways to develop financially viable projects. This makes a significant contribution to Scottish Government's and Local Authorities targets for affordable housing and ensures that smaller communities housing needs are met, especially where there is a high proportion of holiday lets and second homes. Securing revenue funding from the Scottish Government, HIE and Local Authorities to continue providing this service is vital.

We would like to thank The Nationwide Foundation for their continuing financial support and for their flexible and proactive approach to supporting CHT.

Supporting communities: grant funding success

This year CHT successfully supported 16 community organisations to secure almost £3.2 million grant funding from the Scottish Land Fund (SLF), the Rural & Islands Housing Fund (RIHF) and other grant making bodies to take forward their housing and community developments. These grants will contribute to the provision of both affordable homes and other community assets and CHT will provide development support through to completion.

One example is Glendale on the Isle of Skye where we are working with the Glendale Trust to renovate and convert the disused Borrodale school into much-needed affordable homes for the local community.

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Report Output and Performance Report for the year ended 31 March 2022

With the project focusing on principles such as recycling and reusing materials to help tackle the climate crisis, and boosting skills training in rural areas, it has received funding from a range of valued sources, including Historic Environment Scotland, the Architectural Heritage Fund, Crown Estates Scotland, and the Coram Trust. CHT has entered into an agreement to take forward the redevelopment and lease the property for 30 years from the Glendale Trust.

Supporting communities: scale

The challenges in development through labour supply and inflation has continued to delay construction but 4 developments of 13 homes completed this year, in:

- Edderton (July 2021) – 2 homes for rent
- Staffin (January 2022) – 6 homes: 2 for sale, 2 for Staffin Community Trust (SCT) community rent, 2 with Lochalsh & Skye Housing Association as well as a new NHS Health Centre and commercial units owned by SCT
- Applecross (March 2022) – 3 homes for let for Applecross Community Company
- Cannich (March 2022) – 2 homes for let for Strathglass and Affric Community Company

There are also 10 CHT and community-led housing developments on site which will provide 97 properties as well as 39 projects comprising over 300 homes at various stages in the development process. CHT also has a further 71 early-stage community enquiries which will be taken forward as resources permit.

Supporting communities: funding schemes updates

The availability of the SLF and RIHF continues to be the main driver in communities taking forward their own developments, both funds have been extended and R&IHF grant levels increased. These grants are key to giving communities the confidence to actively engage in community-led housing developments which will improve their future sustainability. The RIHF is also vital to CHT's ability to develop further homes for rent or discounted sale and serviced self-build plots especially in those communities where RSL's and Local Authorities are not building homes and communities do not have the capacity to take on housing development.

Discounted property sales

The expected sale of Rent to Buy properties continues to be disrupted by the impact of Covid on the incomes of some purchasers. The rental period for the people affected has been extended accordingly. We did, however, conclude the sale of 10 properties, including the last of the Greener Homes properties in Arisaig.

Rural Housing Burden

To date, 123 discounted properties have been sold with a Rural Housing Burden (RHB) and right of pre-emption. Spread over nearly 40 remote and rural communities from Staffin to Strontian, these are important community assets. CHT has exercised its right of pre-emption 13 properties offered for sale, with one in the pipeline. These properties were re-allocated to people with strong local connections to their community and shows the strength of the RHB as a means of retaining these properties' affordability and control over resale for the benefit of the community.

The Scottish Government has provided CHT with a Buy back loan facility of £500,000 to ensure the funds are available to exercise our right of pre-emption. This is a welcome addition of Scottish Government support of the Rural Housing Burden.

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Output and Performance Report for the year ended 31 March 2022

Housing people

2021-22 saw tenants move in to the 13 new homes built in Edderton, Staffin, Applecross and Cannich. We were also able to provide homes for a further 17 households in 15 communities, including both discounted rentals and sales. Currently, we have 64 homes providing secure tenancies for households in over 30 communities.

Overall in Highland we are seeing 3-4 times the demand for the properties we have available, based on number of relevant applications.

Other updates

As reported last year we continue to provide Development Agency services for Lochaber Housing Association and the Highland Council as well as community organisations mentioned previously.

Our social media presence remains strong with increased followers and interaction year on year. Our social media posts have been viewed well over 700,000 times this year (more than double last year's figures), and our audience has grown to 9,230 (up 12% on last year). As well as social media platforms to inform and raise awareness, staff have attended various on-line events and presented at some of these events and conferences. We have received increased regional and national news coverage, regularly featuring in the national press, the BBC, STV and others.

The Scotland-wide, Self-Build Loan fund, which CHT administers on behalf of The Scottish Government, was extended for a further year until August 2022 due to the level of enquiries and evidence that the mainstream self-build market is not supporting certain types of borrowers. Due to demand, ministers approved an additional £2 million for the Fund, taking the total to £6 million. This year, 17 loans (up 31% from last year) with a value of £2,554,600 were issued in 7 Local Authority areas taking the total number of loans issued to 39 with a combined value of £5,846,600.

CHT remains a leading member in the Woodland Croft Partnership spearheading the promotion of the forest croft agenda from Forestry and Land Scotland. The partnership with Glengarry Community Woodlands to develop a pilot scheme to provide woodland crofts of different tenures including a Rural Housing Burden took some steps forward with GCW securing all funding to buy their land and CHT in the process of acquiring the adjacent site. We continue to operate the Woodland Trust's bridging finance facility for woodland creation and/or management schemes to qualifying crofters and land managers. The loan fund will continue into 2023.

Partners

CHT would not be as effective as it is without the positive working relationships we have with the Scottish Government's More Homes Division, Local Authorities, Highlands & Islands Enterprise, landowners, RSLs and all the community groups with whom we work. We have also been working closely with South of Scotland Community Housing to formulate a joined-up approach to promoting community led-housing throughout Scotland and lobbying Ministers on related issues.

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With the encouragement and support of the Nationwide Foundation, we began a joint monthly blog with South of Scotland Community Housing in January 2022, to share pertinent points on community-led housing with policymakers, communities, and to generally raise the profile of community-led development.

Summary

In summary, despite the challenges, CHT has continued to provide an excellent service to communities and support for the increase in community-led housing projects. The Board recognises the stresses caused by home working and our special thanks to the staff should be noted. It is credit to the staff that they have managed to keep projects moving forward and build relationships with new communities looking for solutions to their housing and sustainability needs. We do, however, need to identify additional grant funding to support the early community engagement work and this will be a priority along with monitoring the challenges presented by the on-going Covid pandemic and Brexit.

| Annual Outputs | |
|---|---|
| 1. Community feasibility work and support | <ul style="list-style-type: none"> • During this year, we have carried out several Housing & Community Needs surveys including Aviemore, Mount Blair and Scourie. • 71 early-stage enquiries on community-led developments • Carried out 20 feasibility studies and 16 site investigations |
| 2. Community Development Support | <ul style="list-style-type: none"> • Supported 49 communities to take forward developments • 39 projects in the pre-development stage • 10 projects in the construction phase |
| 3. Financial Support for communities | <ul style="list-style-type: none"> • Helped 16 communities secure grant funding totaling £3,193,011 • 6 of which were through the Scottish Land Fund with a value of £922,217 • 4 through the Rural Housing Fund with a value of £2,052,749 • 6 through other grant funders with a value of £218,045 |
| 4. Housing Stock and Management | <ul style="list-style-type: none"> • Housing stock of 64 rental properties at year end in 31 different communities • 27 of the properties through the Rent to Buy Scheme • 27 of the properties with Private Rented Tenancy Agreements (plus 11 lets managed on behalf of other organisations) • 13 new homes provided in 4 different communities during the period • 7 relets throughout the year • 66 applications were received for the above 20 lets. |
| 5. Houses on site | <ul style="list-style-type: none"> • CHT and community-led projects, 35 homes on site in 5 different communities • Development Agency work projects, 62 homes on site in 5 different communities |

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| | |
|---------------------------------|--|
| 6. House and plot sales | <ul style="list-style-type: none"> • 6 Rent to Buy properties sold • 5 discounted properties sold |
| 7. Self- Build | <ul style="list-style-type: none"> • 3 discounted, serviced self-build plots available in Achabeag • Acting as Rural Housing Body on behalf of Sleat Community Trust to sell 1 discounted plot, and the Knoydart Foundation • Registering plot interest for future plots in Tomatin, Kilbeg, Raasay and Arisaig • As agents for The Scottish Governments Self-Build Loan fund administered 17 new loans worth £2,554,600 bring the totals to 39 loans totalling £5,846,600 • 261 enquiries received on SBLF and 202 brochure downloads |
| 8. Development Agency Work | <ul style="list-style-type: none"> • Development agent on all LHA projects through 3-year services agreement • Development Agent for 2 Highland Council Project • 10 Development Agency Agreements signed to provide services for community groups |
| 9. Partnership Working & Policy | <ul style="list-style-type: none"> • Attend regular meetings held by The Highland Council and Scottish Government to discuss delivery of the Strategic Housing Investment Plan and enabling more housing • Liaising with Local Authorities, e.g. Perth & Kinross, Argyll & Bute, Aberdeenshire and Moray • Working with South of Scotland Community Housing on strategic approach for lobbying ministers on Community-Led Housing and surrounding issues • Lobbying to retain both Scottish Land Fund and Rural and Islands Housing Fund • Provided feedback and attended meetings with the Scottish Land Commission on Land for Rural Housing report |

Communities Housing Trust
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Statement of Trustees' Responsibilities for the year ended 31 March 2022

The trustees (who are also the directors of Communities Housing Trust for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of resources, including its income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditor

Each trustee has taken steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information. The trustees confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

The annual report was approved by the trustees of the charity on 09/09/22 and signed on its behalf by:



.....
Ronald MacRae
Secretary

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Independent Auditor's Report to the Members of Communities Housing Trust

Opinion

We have audited the financial statements of Communities Housing Trust (the 'charity') for the year ended 31 March 2022, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows, 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 United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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 the provisions available for small entities, in the circumstances set out in note to the financial statements, 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

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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

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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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Trustees' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities (set out on page 11), the trustees are 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 trustees determine 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor 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.

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Extent to which an audit is considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- United Kingdom Generally Accepted Accounting Practice
- Companies Act 2006
- VAT legislation
- Health and safety

We gained an understanding of how the company is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our review of external inspections, relevant correspondence with regulatory bodies and board meeting minutes.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management oversee the implementation and operation of controls. In areas of the financial statements where risks were considered to be higher, we performed procedures to address each identified risk:

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance;
- Reviewing the level of and reasoning behind the company's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries, evaluating the business rationale of significant transactions outside the normal course of business and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.
- Procedures to confirm the existence and completeness of revenue ensuring recognised in line with the company's accounting policies.

Enquiries with management regarding the compliance with laws and regulations, including health and safety requirements.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Use of our report

This report is made solely to the charitable company's trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's trustees 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 charitable company and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



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Paul Capewell FCA (Senior Statutory Auditor)
For and on behalf of A9 Accountancy Limited, Statutory Auditor

Elm House
Cradlehall Business Park
Inverness
IV2 5GH

Date:.....

Communities Housing Trust
Balance Sheet
As at 31 March 2022

| | Note: | 2022 | Restated 2021 |
|--|-------|-------------------------|-------------------------|
| | | £ | £ |
| Tangible fixed assets | 17 | 1,591,376 | 1,379,405 |
| Current assets | | | |
| Land banking and development properties | 18 | 5,897,253 | 6,972,208 |
| Debtors | 19 | 91,430 | 176,126 |
| Cash in hand | | 354,223 | 311,266 |
| | | <u>6,342,906</u> | <u>7,459,600</u> |
| Current liabilities | | | |
| Creditors due within one year | 20 | <u>(1,016,906)</u> | <u>(1,196,942)</u> |
| Net current assets | | 5,326,000 | 6,262,658 |
| Total assets less current liabilities | | <u>6,917,376</u> | <u>7,642,063</u> |
| Creditors: | 21 | | |
| amounts falling due after more than one year | | (3,216,725) | (3,585,775) |
| Net assets excluding pension liability | | <u>3,700,650</u> | <u>4,056,288</u> |
| Net defined benefit asset / (liability) | | 5,000 | (62,000) |
| Net Assets | | <u><u>3,705,650</u></u> | <u><u>3,994,288</u></u> |
| Capital and reserves | | | |
| Restricted Reserves- Development | 23 | | |
| - Properties and Development | 23 | 3,123,869 | 3,222,432 |
| - CHS | 23 | - | (52,470) |
| - Faulds Memorial Reserve | 23 | 132,168 | 132,168 |
| Designated reserves - land banking fund | 23 | 80,023 | 80,023 |
| Revenue reserves | 23 | 364,590 | 674,135 |
| Pension Reserves | 23 | 5,000 | (62,000) |
| | | <u><u>3,705,650</u></u> | <u><u>3,994,288</u></u> |

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

These accounts were approved by the Board of Directors on

Agnes J. Slimon
09/09/22

Agnes Slimon - Chair

(The notes on pages 19 to 38 form part of these financial statements)

Communities Housing Trust
Statement of Cash Flows
For the year ended 31 March 2022

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Cash flows from operating activities | | |
| Net (expenditure)/income | (355,638) | 228,311 |
| <i>Adjustments for:</i> | | |
| Depreciation of tangible fixed assets | 36,509 | 26,257 |
| (Profit)/Loss on sale of tangible fixed assets | (72,992) | - |
| Other interest receivable and similar income | (167) | (383) |
| Defined benefit charges | - | - |
| <i>Changes in:</i> | | |
| Trade and other debtors | 84,696 | 29,213 |
| Stock | 1,074,955 | 343,899 |
| Trade and other creditors | 46,278 | (9,527) |
| Cash generated from operations | <u>813,641</u> | <u>617,770</u> |
| Interest received | 167 | 383 |
| Net cash generated from/(used in) operating activities | <u><u>813,808</u></u> | <u><u>618,153</u></u> |
| Cash flows from investing activities | | |
| Purchase of tangible assets | (33,219) | (213,824) |
| Proceeds from sale of tangible assets | 274,500 | 461,528 |
| | <u>241,281</u> | <u>247,704</u> |
| Cash flows from financing activities | | |
| Repayment of borrowing | (1,557,132) | (1,265,316) |
| Cash inflows from new borrowing | 545,000 | 42,500 |
| | <u>(1,012,132)</u> | <u>(1,222,816)</u> |
| Net (decrease)/increase in cash and cash equivalents | 42,957 | (356,959) |
| Cash and cash equivalents at beginning of year | <u>311,266</u> | <u>668,225</u> |
| Cash and cash equivalents at end of year | <u><u>354,223</u></u> | <u><u>311,266</u></u> |

(The notes on pages 19 to 38 form part of these financial statements)

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

1 General information

The charity is a private company limited by guarantee, registered in Scotland and a registered charity in Scotland. The address of the registered office is 7 Ardross Terrace, Inverness, IV3 5NQ.

2 Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)) and the Charities and Trustee Investment (Scotland) Act 2005 and the Charity Accounts (Scotland) Regulations 2006.

3 Principal Accounting Policies

The Trust is a company limited by guarantee and does not have share capital. On winding up of the Trust every member has undertaken to contribute to the assets of the Trust for the payments of the debts and liabilities and of the cost of winding up the trust, such amount as may be required not exceeding one pound. If winding up occurs within one year of a member ceasing to be a member, then the above applies for debts and liabilities of the company contracted for before he/she ceased to be a member. The company has had charitable status since its inception on 10 February 1998.

The principal accounting policies adopted, judgement and key sources of estimation uncertainty in the preparation of the financial statements are as follows.

a Basis of Preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.

The financial statements are prepared in sterling, which is the functional currency of the entity.

b Going concern

The trustees have considered the financial position of the charity and assessed the risks facing its business. In making this assessment they have considered the charity's ability to meet its future liabilities as they fall due and to comply with the financial covenants that the charity has entered into. The trustees have concluded that it is appropriate to use the going concern concept in preparing these financial statements.

c Income Recognition Policies

Items of income, including income from government grants, is recognised and included in the accounts when all of the following criteria are

- The charity has entitlement to the funds;
- any performance conditions attached to the item(s) of income have been met or are fully within the control of the charity;
- there is sufficient certainty that receipt of the income is considered probable; and
- the amount can be measured reliably.

Other income from charitable activities is recognised at the point of delivery of the goods and services, net of VAT where applicable.

Investment income is recognised when receivable.

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

3 Principal Accounting Policies (Continued)

d Resources Expended

Resources expended are included on an accruals basis. It is recognised when there is a legal or constructive obligation to pay, when it is probable that a transfer of economic benefits will arise and when the amount can be measured reliably. Resources expended is inclusive of VAT which cannot be fully recovered. Certain expenditure is directly attributable to specific activities and has been included under these cost categories:

- Community engagement;
- Rental activity;
- Landbanking activities;
- SOP; and
- Pension fund.

Governance costs include costs associated with the charity's constitutional and statutory requirements.

e Fund accounting

Funds are classified as restricted or unrestricted as defined below:

- Restricted funds are funds for specific purposes, which may be declared by the donor or with their authority.
- Unrestricted funds are those which can be expended at the discretion of the board for the furtherance of their charitable objectives.

Within designated reserves the board has designated funds for the purpose of providing funds for investing in land banking opportunities.

f Tangible Fixed Assets - Housing Properties

Housing properties are stated at cost less depreciation. See note 3n

g Tangible Fixed Assets - Depreciation

Depreciation is charged so as to write off the cost, net of grants, of fixed assets over their estimated useful economic lives at the following rates

| | |
|--------------------------|-----------------------------|
| Land and buildings | straight line over 40 years |
| Furnishings and fittings | 15% straight line |
| Equipment | 20% straight line |

h Capital Grants

Housing Properties

Capital Grants are receivable from Communities Scotland and the Highland Council for the provision of housing properties for rent. These grants are utilised to reduce the capital costs of housing properties and are recognised as income in the SOFA in accordance with note 3c and carried to Restricted Reserves.

Landbanking Grants

Grants are receivable from Communities Scotland and the Highland Council for the acquisition of land for future sale and development for affordable housing. These grants are included as Restricted Reserves.

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

3 Principal Accounting Policies (Continued)

i Stocks

Land banking stocks are valued at the lower of cost (including capitalised borrowing costs) and net realisable value. The capitalised borrowing costs are the borrowing costs for the year in relation to the loans received for the specific development project until the development is complete. The capitalised borrowing costs for the year was £4,649 (2021 £13,182).

Feasibility studies are included at cost unless they are not to be developed into projects. The cost of a study is written off to the Statement of Financial Activities as soon as it is recognised that a project will not be developed.

j Financial Instruments

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at the carrying value plus accrued interest less repayments. The financing charge to expenditure is at a constant rate calculated using the effective interest method.

Concessionary loans made or received as a social investment are initially recognised at the amount received or paid with the carrying amount adjusted in subsequent years to reflect repayments and any accrued interest and adjusted if necessary for any impairment.

k Taxation

The Trust is a registered charity and therefore is not liable to tax on its charitable activities.

l Employee benefits

Employee benefits are recognised as an expense and a liability in the period in which the employee services are delivered.

m Pension Schemes

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Trust also participates in the SFHA pension scheme as stated in Note 29.

Until 31 March 2018, the regular cost of providing retirement pensions and related benefits was charged to the SOFA annually on the basis of a constant percentage of earnings. The present value of future contributions payable under the deficit recovery agreement agreed with the pension fund trustee was recognised in the financial statements as a liability. Expenses relating to the unwinding of the discount rate on these contributions was shown as a finance cost in the SOFA in the period in which it arose.

Following structural changes at the SFHA pension scheme it has become possible for the first time to identify sufficient information to fully account for the pension fund as a defined benefit scheme in accordance with the Charities SORP. In accordance with section 28 of FRS102 the change in accounting treatment has been applied from 1 April 2018. The difference between the deficit funding liability brought forward and the defined benefit scheme liability is recognised as an operating expense within charitable activities in the SOFA.

From 1 April 2018 the charity recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of the plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Changes in the net defined benefit asset or liability arising from employee service are recognised in the SOFA as a current service cost where it relates to services in the current

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in the SOFA in the period in which they occur. Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in the SOFA.

n True and fair override

Heritable property is rented out and UK GAAP states that such property should be treated as investment property in accordance with the FRS 102. However, as the properties are not held for capital appreciation but to provide in rural areas accommodation which might not otherwise be available the directors have decided to treat these assets as a social investment in accordance with the Charities SORP and depreciate these properties annually. The directors consider that this treatment is more relevant to showing a true and fair view.

o Prior period adjustment

There was a prior period adjustment made in relation to a grant which should have been released in the prior year. The impact of this prior period adjustment is decreasing the land banking and development properties by £112,000 and increasing the cost of sale of land disposals by £112,000 in 2021.

4 Income from Charitable Activities

Revenue Grants

| | 2022 | | |
|-------------------------------|-------------------|-----------------|----------------|
| | Unrestricted £ | Restricted £ | Total £ |
| Nationwide Foundation | 54,890 | | 54,890 |
| SG Rural Housing Fund | | 65,459 | 65,459 |
| Foundation Scotland | | 20,000 | 20,000 |
| Historic Environment Scotland | | 30,000 | 30,000 |
| Furlough Grants | 351 | | 351 |
| | <u>55,241</u> | <u>115,459</u> | <u>170,700</u> |

| | 2021 | | |
|--------------------------------|-------------------|-----------------|----------------|
| | Unrestricted £ | Restricted £ | Total £ |
| Nationwide Foundation | | 82,000 | 82,000 |
| SG Forests for People | 23,393 | | 23,393 |
| HIE Digital Development Grants | 24,394 | | 24,394 |
| SG Rural Housing Fund | | 323,815 | 323,815 |
| HC Development Grants | | 155,000 | 155,000 |
| Furlough Grants | 3,523 | | 3,523 |
| | <u>51,310</u> | <u>560,815</u> | <u>612,125</u> |

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

| | | |
|--|---------------------|---------------------|
| 5 Particulars of income and expenditure from lettings | 2022 | 2021 |
| Income from lettings | Unrestricted | Unrestricted |
| | £ | £ |
| Rents received | 325,578 | 309,756 |
| Expenditure on lettings activities | | |
| Maintenance Costs | 30,717 | 31,240 |
| Void Costs | 1,380 | 1,705 |
| Lease & Legal Fees | 7,470 | 7,711 |
| Depreciation | 36,509 | 16,257 |
| Insurance | 6,479 | 11,992 |
| | 82,555 | 68,905 |
| Loan Interest | 105,913 | 91,297 |
| Total expenditure on lettings | 188,468 | 160,202 |
| Operating surplus on lettings activities | 137,110 | 149,554 |
| 6 Sale of Land and Properties | 2022 | 2021 |
| | Unrestricted | Unrestricted |
| | £ | £ |
| Sale proceeds | 983,500 | 1,587,300 |
| Cost of sales | (1,175,401) | (1,624,110) |
| Surplus/(deficit) on disposal | (191,901) | (36,810) |
| 7 Fee Income | 2022 | 2021 |
| | Unrestricted | Unrestricted |
| | £ | £ |
| Other Fees | 304,512 | 330,066 |
| | 304,512 | 330,066 |
| 8 Investment Income | 2022 | |
| | Unrestricted | Restricted |
| | £ | £ |
| Interest Receivable from banks | 167 | - |
| | 167 | - |
| | 2021 | |
| | Unrestricted | Restricted |
| | £ | £ |
| Interest Receivable from banks | 383 | - |
| | 383 | - |

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

9 Administration and Management

| | 2022 | | | | | |
|---|-------------------------|--------------------|---------------------------|----------|-----------------|----------------|
| | Community Engagement | Rental Activity | Landbanking Activities | CHS | Pension Fund | Total |
| Staff Costs (see note 13) | 467,949 | 92,902 | 58,493 | - | - | 619,344 |
| Rent | 21,833 | 5,038 | 6,718 | - | - | 33,589 |
| Travel Costs | 13,290 | 3,064 | 4,089 | - | - | 20,443 |
| Recruitment Costs | 10 | - | - | - | - | 10 |
| Publicity | 6,120 | 1,412 | 1,883 | - | - | 9,415 |
| Post Stationary and Office Costs | 7,941 | 1,768 | 2,357 | - | - | 12,066 |
| Telephone and IT | 9,403 | 2,170 | 2,893 | - | - | 14,466 |
| Digital Upgrade | 9,489 | 2,190 | 2,920 | - | - | 14,599 |
| Consultancy - Innovative Projects | 39,152 | 9,035 | 12,047 | - | - | 60,234 |
| Insurance | 1,442 | 333 | 444 | - | - | 2,219 |
| Meetings, Training & Venues | 1,610 | 372 | 496 | - | - | 2,478 |
| Unrecoverable VAT | 2,859 | 660 | 880 | - | - | 4,399 |
| Board and Members expenses | 75 | 17 | 23 | - | - | 115 |
| Audit Fees | 5,269 | 1,215 | 1,620 | - | - | 8,104 |
| Accountancy Fees | 812 | 188 | 250 | - | - | 1,250 |
| Bad Debt Provision | - | 14,687 | - | - | - | 14,687 |
| (Profit)/Loss on Disposal of Fixed Assets | - | - | (72,992) | - | - | (72,992) |
| | 587,254 | 135,051 | 22,121 | - | - | 744,426 |

The above expenditure of charitable activities was £744,426 (2021: £791,592) of which £744,426 was unrestricted (2021: £622,534) and £nil was restricted (2021: £169,058).

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

9 Administration and Management (continued)

| | 2021 | | | | | |
|-----------------------------------|------------------------------|-------------------------|--------------------------------|----------------|----------------------|----------------|
| | Community Engagement £ | Rental Activity £ | Landbanking Activities £ | CHS £ | Pension Fund £ | Total £ |
| Staff Costs (see note 13) | 330,882 | 67,990 | 54,392 | 139,276 | - | 592,540 |
| Rent | 15,369 | 3,547 | 4,729 | 10,008 | - | 33,653 |
| Travel Costs | 6,658 | 1,536 | 2,048 | 1,291 | - | 11,533 |
| Recruitment Costs | 849 | - | - | - | - | 849 |
| Publicity | 7,591 | 1,752 | 2,336 | 2,211 | - | 13,890 |
| Post Stationary and Office Costs | 5,383 | 1,242 | 1,656 | 1,859 | - | 10,140 |
| Telephone and IT | 10,763 | 2,484 | 3,312 | 3,089 | - | 19,648 |
| Digital Upgrade | 16,914 | 3,903 | 5,204 | 6,460 | - | 32,481 |
| Consultancy - Innovative Projects | 35,167 | 8,115 | 10,820 | 583 | - | 54,685 |
| Insurance | 1,615 | 373 | 497 | 380 | - | 2,865 |
| Meetings, Training & Venues | 2,651 | 612 | 816 | 2,087 | - | 6,166 |
| Unrecoverable VAT | 4,764 | 1,098 | 1,466 | 814 | - | 8,142 |
| Board and Members expenses | - | - | - | - | - | - |
| Audit Fees | 2,600 | 600 | 800 | 1,000 | - | 5,000 |
| | <u>441,205</u> | <u>93,253</u> | <u>88,076</u> | <u>169,058</u> | <u>-</u> | <u>791,592</u> |

10 Summary analysis of expenditure related income for charitable activities

| | Community Engagement £ | Rental Activity £ | Landbanking Activities £ | Pension Fund £ | Faulds Fund £ | Total £ |
|------------------------------------|------------------------------|-------------------------|--------------------------------|----------------------|---------------------|------------------|
| Costs | 587,754 | 354,819 | 1,197,522 | - | - | 2,140,095 |
| Direct Grant Support | <u>(55,241)</u> | <u>-</u> | <u>(115,459)</u> | <u>-</u> | <u>-</u> | <u>(170,700)</u> |
| Net cost funded from other sources | <u>532,513</u> | <u>354,819</u> | <u>1,082,063</u> | <u>-</u> | <u>-</u> | <u>1,969,395</u> |

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

| | 2022 | 2021 |
|--|--------------|--------------|
| | Unrestricted | Unrestricted |
| | £ | £ |
| 11 Analysis of Governance costs | | |
| Board and Members Expenses | 115 | - |
| Audit Fees | 8,104 | 5,000 |
| | 8,219 | 5,000 |
| | 8,219 | 5,000 |
| | | |
| 12 Operating surplus | 2022 | 2021 |
| | £ | £ |
| Operating surplus is stated after charging | | |
| | | |
| Auditors' fees | 8,104 | 5,000 |
| Depreciation | 36,509 | 16,257 |
| | 36,509 | 16,257 |
| | 36,509 | 16,257 |
| | | |
| 13 Directors and employees | 2022 | 2021 |
| | £ | £ |
| Staff costs (see note 9) | | |
| Wages | 507,551 | 488,997 |
| Social security | 50,264 | 48,042 |
| Other pension costs | 61,529 | 55,501 |
| | 619,344 | 592,540 |
| | 619,344 | 592,540 |

The number of employees, including the Chief Executive Officer, who received remuneration during the year (excluding superannuation contributions) in the following ranges:

| | 2022 | 2021 |
|------------------------------------|----------|----------|
| | Number | Number |
| £60,000 - £69,999 | 1 | 1 |
| | | |
| Average number of persons employed | No 16 | No 15 |

Expenses paid to Community Elected Directors on the Trust Board totalled £0 (2021 - £NIL).

Other than reimbursement of their legitimately incurred expenses, Board Directors are not entitled to receive any other payment for the services they give to the Trust.

Pension Scheme

The staff are able to become members of the SFHA Pension Scheme details of which are given in Note 29.

The Pension Charge represents contributions paid by the Trust during the year which amounted to £61,529 (2021 - £55,501).

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

| | | | |
|--|--|----------------|----------------|
| 14 Trustees' remuneration and costs of key management personnel | | 2022 | 2021 |
| | | £ | £ |
| Staff costs | | | |
| Wages | | 100,029 | 102,655 |
| Social Security | | 11,363 | 11,742 |
| Other pension costs | | 8,363 | 8,491 |
| | | <u>119,756</u> | <u>122,888</u> |

The key management personnel are the Chief Executive Officer and Principal Officer.

| | | | |
|--|---------------------|-------------------|----------------|
| 15 Interest payable and other charges | 2022 | | |
| | Unrestricted | Restricted | Total |
| | £ | £ | £ |
| Bank Interest and charges | 105,913 | 500 | 106,413 |
| | <u>105,913</u> | <u>500</u> | <u>106,413</u> |

| | | | |
|---|---------------------|-------------------|---------------|
| Interest payable and other charges | 2021 | | |
| | Unrestricted | Restricted | Total |
| | £ | £ | £ |
| Bank Interest and charges | 91,297 | 415 | 91,712 |
| | <u>91,297</u> | <u>415</u> | <u>91,712</u> |

16 Corporation Tax

The Trust was recognised by the Inland Revenue as a Scottish Charity on 10 February 1998. All income is applicable and applied to charitable purposes and relief is given to the Trust under Section 505 Income and Corporation Taxes Act 1988.

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

17 Fixed Assets

| | Heritable Property £ | Equipment £ | Furniture & Fittings £ | Total £ |
|----------------------------|----------------------------|----------------|------------------------------|------------------|
| Cost | | | | |
| Cost 31 March 2021 | 1,483,380 | 56,849 | 4,157 | 1,544,386 |
| Additions | 33,219 | | | 33,219 |
| Transfers | 416,769 | | | 416,769 |
| Disposals | (207,033) | (6,849) | (4,157) | (218,039) |
| Cost 31 March 2022 | <u>1,726,335</u> | <u>50,000</u> | <u>-</u> | <u>1,776,335</u> |
| Depreciation | | | | |
| Depreciation 31 March 2021 | 143,975 | 16,849 | 4,157 | 164,981 |
| Charge for year | 26,509 | 10,000 | - | 36,509 |
| Disposals | (5,525) | (6,849) | (4,157) | (16,531) |
| Depreciation 31 March 2022 | <u>164,959</u> | <u>20,000</u> | <u>-</u> | <u>184,959</u> |
| Net Book Value | | | | |
| 31 March 2022 | <u>1,561,376</u> | <u>30,000</u> | <u>-</u> | <u>1,591,376</u> |
| 31 March 2021 | <u>1,339,405</u> | <u>40,000</u> | <u>-</u> | <u>1,379,405</u> |

All assets are held for charitable purposes.

All of these properties have been valued as at 31 March 2015 by the District Valuer. The valuation was based on the open market value and was undertaken in accordance with the RICS Statement of Assets Practice and Guidance Notes.

Most of the properties are on secure Private Rented Tenancies.

| | Valuation | Cost | Decrease in Value |
|---------------------|------------------|------------------|----------------------|
| As at 31 March 2015 | <u>1,583,362</u> | <u>1,439,532</u> | <u>143,830</u> |

The directors consider that there has been no material impairment in the market value of the heritable property in the year ended 31 March 2022 and the market value at 31 March 2022 remains in excess of historic costs.

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

18 Land Banking and Development Properties

| | Land Banking | Feasibility Studies | Total |
|-----------------------|-------------------------|--------------------------------|------------------|
| | £ | £ | £ |
| Cost | | | |
| 31 March 2021 | 6,917,660 | 54,548 | 6,972,208 |
| Additions | 466,258 | 16,450 | 482,708 |
| Transfers | (416,769) | | (416,769) |
| Disposals/Written Off | (1,140,894) | | (1,140,894) |
| 31 March 2022 | <u>5,826,255</u> | <u>70,998</u> | <u>5,897,253</u> |

19 Debtors

| | 2022 | 2021 |
|---------------|---------------|----------------|
| | £ | £ |
| Other debtors | <u>91,430</u> | <u>176,126</u> |

20 Creditors due within one year

| | 2022 | 2021 |
|--|------------------|------------------|
| | £ | £ |
| Highland Council Loans | - | 274,000 |
| Scottish Government Loan - Rent to Buy | 827,599 | 783,929 |
| Triodos Loan | 6,287 | - |
| Nationwide Foundation Loan | 2,730 | 5,000 |
| Digital Loan | 10,000 | 10,000 |
| Trade Creditors | 76,396 | 88,165 |
| Other taxation and social security | 27,854 | 26,838 |
| Accruals | 15,980 | 9,010 |
| Other Creditors | 50,060 | - |
| | <u>1,016,906</u> | <u>1,196,942</u> |

Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Notes to the Financial Statements for the year ended 31 March 2022

21 Creditors:

Amounts falling due after more than one year

| | 2022 | 2021 |
|--|-----------|-----------|
| | £ | £ |
| Scottish Government Loan - Rent to Buy | 2,846,535 | 3,461,380 |
| Highland Council | 40,000 | 40,000 |
| Nationwide Foundation Loan | 54,016 | 51,895 |
| Triodos Loan | 253,674 | - |
| Digital Loan | 22,500 | 32,500 |
| | 3,216,725 | 3,585,775 |

The Rent to Buy loans are secured by specific charges on land owned by CHT and are repayable in full on 31 March 2022 or the sixth anniversary of the completion date. Interest is chargeable on this loan from 1 April 2013 at 2.2% per annum.

The Highland Council loan is secured over the land at former Lady Ross Hotel, Ardgay.

The Nationwide loan is unsecured. The Highland Council loan is considered to be a concessionary loan, it is secured by specific charges on land owned by HSCHT and is interest free.

The Digital loan is unsecured and interest free.

The Triodos Bank UK Limited loan is secured over all the subjects at Durness, Lairg.

| | 2022 | 2021 |
|-----------------------------|-----------|-----------|
| | £ | £ |
| Analysis of loan repayments | | |
| In the next year | 846,616 | 1,072,929 |
| In the second year | 1,811,553 | 1,447,663 |
| In the third to fifth year | 1,137,383 | 2,138,111 |
| In more than five years | 267,789 | - |
| | 3,216,725 | 3,585,774 |
| | 4,063,341 | 4,658,703 |

Communities Housing Trust
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Notes to the Financial Statements for the year ended 31 March 2022

22 Operating Lease Commitments

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

| | 2022 | 2021 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Due within one year | 8,956 | 7,000 |
| Due between 2-5 years | 7,918 | 7,583 |
| Due after 5 years | - | - |
| | <u>16,874</u> | <u>14,583</u> |

23 Agency Funds

The charity acts as an agent for The Scottish Government Self-Build Loan Fund. The total number of loans administered in the year were 17 with a value of £2,554,600 taking the total number of loans administered to 39 with a total value of £5,845,600. At 31 March 2022 the total funds held on behalf of The Scottish Government for this scheme was £2,789,746 (2021 £206,736).

24 Analysis of Net Assets between funds

| | Unrestricted Funds | Restricted Funds | Total |
|--|-----------------------|------------------|------------------|
| | £ | £ | £ |
| Tangible Fixed Assets | 1,591,376 | - | 1,591,376 |
| Net Current Assets | 2,069,963 | 3,256,037 | 5,326,000 |
| Creditors falling due after more than one year | (3,216,725) | - | (3,216,725) |
| Net defined benefit asset / (liability) | 5,000 | | 5,000 |
| | <u>449,613</u> | <u>3,256,037</u> | <u>3,705,650</u> |

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| 25 Funds | Restricted Reserves | Faulds Memorial | Designated | Revenue | Pension | Total |
|-------------------------------------|----------------------------|------------------------|---------------------|----------------|----------------|--------------|
| Properties & Development | CHS | Reserve | Reserve | Reserve | Reserve | |
| £ | £ | £ | Land banking | £ | £ | £ |
| 31 March 2021 | 3,222,432 | (52,470) | 80,023 | 674,135 | (62,000) | 3,994,288 |
| Result for the Year | (98,563) | 52,470 | - | (309,545) | 67,000 | (288,638) |
| 31 March 2022 | 3,123,869 | - | 80,023 | 364,590 | 5,000 | 3,705,650 |

Revenue Reserve

General Activities
Sinking Fund Properties
Cashback Reserve

| 2022 | 2021 |
|-------------|-------------|
| £ | £ |
| 179,590 | 458,492 |
| 75,000 | 100,643 |
| 110,000 | 115,000 |
| 364,590 | 674,135 |

Properties & Development fund – The fund comprises grants specifically received to purchase and develop land and properties.

CHS – Communities Housing Scotland is an expansion of our services outwith Highlands funded through grant support from the Nationwide Foundation.

Faulds Memorial – A fund to help individuals/families access affordable self-build plots.

Communities Housing Trust
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26 Capital Commitments

At 31 March 2022 the charity had capital commitments as follows:

Contracted for but not provided in the financial statements:

| Developments at: | 2022 | 2021 |
|------------------|-----------|-----------|
| | £ | £ |
| Edderton | - | 96,533 |
| Bettyhill | 23,159 | 280,418 |
| Staffin | 9,600 | 127,112 |
| Mallaig | - | 90,000 |
| Kilbeg Phase 2 | 1,512,402 | 1,182,515 |
| Lochcarron | - | 1,619,301 |
| | 1,545,161 | 3,395,879 |

27 Related Party Transactions

The Trust has various transactions with parties who have the right to nominate directors. These parties are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh & Skye Housing Association Limited and Pentland Housing Association Limited.

All transactions between the Trust and the organisations noted are at normal commercial rates.

2022

| | <u>Transactions</u> | | <u>Balances at at 31 March 2022</u> | |
|----------------------------------|---------------------|----------------|-------------------------------------|--------------------|
| | Sold to | Purchased from | Due to the Trust | Due from the Trust |
| | £ | £ | £ | £ |
| Highland Council | 44,582 | 19,109 | 1,860 | 104 |
| Lochaber Housing Association Ltd | 40,400 | 10,416 | 480 | - |
| Lochalsh & Skye Ltd | 5,466 | 1,000 | 676 | - |
| Pentland Housing Association Ltd | - | - | - | - |

2021

| | <u>Transactions</u> | | <u>Balances at at 31 March 2021</u> | |
|----------------------------------|---------------------|----------------|-------------------------------------|--------------------|
| | Sold to | Purchased from | Due to the Trust | Due from the Trust |
| | £ | £ | £ | £ |
| Highland Council | 28,820 | 12,094 | - | - |
| Lochaber Housing Association Ltd | 109,139 | - | 410 | - |
| Lochalsh & Skye Ltd | 9,872 | - | 221 | - |
| Pentland Housing Association Ltd | 3,345 | - | - | - |

All transactions between the Trust and the organisations noted are at normal commercial rates.

Communities Housing Trust
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Notes to the Financial Statements for the year ended 31 March 2022

28 Legal status of the trust

Communities Housing Trust is a charitable company limited by guarantee not having a share capital. The liability of members is limited and is not to exceed £1 per member. As a result, no single party has control of the Trust.

29 Scottish Housing Associations' Pension Scheme

TPT Retirement Solutions - Scottish Housing Associations' Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

Until 1 April 2018, it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounted 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 company 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 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

| | |
|--|--|
| From 1 April 2017 to 28 February 2022: | £25,735,092 per annum (payable monthly and increasing by 3% each on 1st April) |
| From 1 April 2017 to 30 June 2025: | £727,217 per annum (payable monthly and increasing by 3% each on 1st April) |
| From 1 April 2017 to 31 October 2026: | £1,239,033 per annum (payable monthly and increasing by 3% each on 1st April) |

Unless a concession has been agreed with the Trustee the term to 28 February 2022 applies.

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

Up to 31 March 2018, where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognised a liability for this obligation. The amount recognised was the net present value of the deficit reduction contributions payable under the agreement that related to the deficit. The present value was calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate was recognised as a finance cost.

Communities Housing Trust
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Notes to the Financial Statements for the year ended 31 March 2022

29 Scottish Housing Associations' Pension Scheme (continued)

Disclosures related to the defined benefit fund liability

Present values of defined benefit obligation, fair value of assets and defined benefit liability

| | Year Ending | Year Ending |
|---|---------------|---------------|
| | 31 March 2022 | 31 March 2021 |
| | (£'000) | (£'000) |
| Fair value of plan assets | 697 | 673 |
| Present value of defined benefit obligation | 692 | 735 |
| Surplus/(deficit) in plan | 5 | (62) |
| Unrecognised surplus | 5 | - |
| Defined benefit liability recognised | - | (62) |

Reconciliation of the impact of the asset ceiling

| | Year Ending |
|---|---------------|
| | 31 March 2022 |
| | (£'000) |
| Impact of the asset ceiling at the start of the year | - |
| Effect of the asset ceiling included in net interest cost | - |
| Actuarial losses/(gains) on asset ceiling | 5 |
| Impact of the asset ceiling at the end of the year | 5 |

Defined benefit costs recognised in Statement of Financial Activities

| | Year Ending | Year Ending |
|--|---------------|---------------|
| | 31 March 2022 | 31 March 2021 |
| | (£'000) | (£'000) |
| Net interest expense | 1 | 1 |
| Transition from deficit funding liability to defined benefit liability | - | - |
| Defined benefit cost recognised in SOFA | 2 | 1 |

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Notes to the Financial Statements for the year ended 31 March 2022

29 Scottish Housing Associations' Pension Scheme (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

| | Year Ending | Year Ending |
|--|---------------|---------------|
| | 31 March 2022 | 31 March 2021 |
| | (£'000) | (£'000) |
| Defined benefit obligation at start of period | 735 | 589 |
| Expenses | 1 | 1 |
| Interest expense | 16 | 14 |
| Actuarial losses/(gains) due to scheme experience | 11 | 5 |
| Actuarial losses/(gains) due to changes in demographic assumptions | 2 | - |
| Actuarial losses/(gains) due to changes in financial assumptions | (68) | 127 |
| Benefits paid and expenses | (5) | (1) |
| Defined benefit obligation at end of period | 692 | 735 |

Reconciliation of opening and closing balances of the fair value of plan assets

| | Year Ending | Year Ending |
|---|---------------|---------------|
| | 31 March 2022 | 31 March 2021 |
| | (£'000) | (£'000) |
| Fair value of plan assets at start of period | 673 | 599 |
| Interest income | 15 | 14 |
| Experience on plan assets (excluding amounts included in interest income) - gain/(loss) | (4) | 44 |
| Employer contributions | 18 | 17 |
| Member contributions | - | - |
| Benefits paid and expenses | (5) | (1) |
| Fair value of plan assets at end of period | 697 | 673 |

Communities Housing Trust
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Notes to the Financial Statements for the year ended 31 March 2022

29 Scottish Housing Associations' Pension Scheme (continued)

Defined benefit cost recognised in other comprehensive income

| | Year Ending | Year Ending |
|--|---------------|---------------|
| | 31 March 2022 | 31 March 2021 |
| | (£'000) | (£'000) |
| Experience on plan assets (excluding amounts included in net interest cost) - gain/(loss) | (4) | 44 |
| Experience gains and losses arising on the plan liabilities - gain/(loss) | (11) | (5) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain/(loss) | (2) | - |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain/(loss) | 68 | (127) |
| Total actuarial gains and losses - gain/(loss) | 51 | (88) |
| Effects of changes in the amount of surplus that is not recoverable - gain (loss) | (5) | 10 |
| Total amount recognised in other comprehensive income - gain/(loss) | 46 | (78) |

Key Assumptions

| | 31 March 2022 | 31 March 2021 |
|---|--------------------------|--------------------------|
| | % per annum | % per annum |
| Discount rate | 2.79 | 2.20 |
| Inflation (RPI) | 3.51 | 3.25 |
| Inflation (CPI) | 3.16 | 2.87 |
| Salary Growth | 4.16 | 3.87 |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance | 75% of maximum allowance |

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

| | Life expectancy |
|-------------------------|-----------------|
| | At age 65 |
| | (Years) |
| Male retiring in 2021 | 21.5 |
| Female retiring in 2021 | 23.4 |
| Male retiring in 2041 | 22.8 |
| Female retiring in 2041 | 25 |

Communities Housing Trust
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Notes to the Financial Statements for the year ended 31 March 2022

29 Scottish Housing Associations' Pension Scheme (continued)

Assets

| Year ending | | 31 March 2022 | 31 March 2021 |
|-------------------------------|--|---------------|---------------|
| | | (£'000) | (£'000) |
| Global equity | | 138 | 104 |
| Absolute return | | 32 | 33 |
| Distressed Opportunities | | 25 | 23 |
| Credit Relative Value | | 22 | 19 |
| Alternative Risk Premia | | 29 | 27 |
| Emerging Markets Debt | | 26 | 27 |
| Risk Sharing | | 23 | 24 |
| Insurance-Linked Securities | | 15 | 14 |
| Property | | 18 | 12 |
| Infrastructure | | 44 | 38 |
| Private Debt | | 18 | 16 |
| Opportunistic Illiquid Credit | | 23 | 17 |
| High Yield | | 7 | 18 |
| Opportunistic Credit | | 2 | 18 |
| Cash | | 2 | - |
| Corporate Bond Fund | | 44 | 51 |
| Liquid Credit | | 4 | 12 |
| Long Lease Property | | 20 | 16 |
| Secured Income | | 37 | 37 |
| Liability Driven Investment | | 169 | 162 |
| Currency Hedging | | (3) | |
| Net Current Assets | | 2 | 5 |
| Total assets | | 697 | 673 |

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

30 Controlling interest

The charity is controlled by the trustees.