

# **THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST**

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

**REPORT OF DIRECTORS  
AND FINANCIAL STATEMENTS**

**31 MARCH 2015**

**Company Number SC182862  
Charity Number SC027544**

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)**

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**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
Board of Trustees and Advisors  
for the year ended 31 March 2015**

## **Board of Trustees**

Bill Hall (Chairman)  
Vivian Roden (Vice-Chair)  
Hugh Donaldson (Treasurer)  
James Oag (Resigned 26 September 2014)  
Brian MacKenzie  
Ian MacLean (Resigned 26 September 2014)  
Derek Flyn  
Janet Lyn Forbes  
David Hannah  
Alasdair Christie  
Alison MacLeod  
David Goodall  
Jennifer Lawless  
James McIntyre (Appointed 26 September 2014)  
Steve Robertson (Appointed 26 September 2014)  
Agnes Slimon (Appointed 4 December 2014)  
Julia Campbell (Appointed 26 September 2014)  
John Laing (Appointed 26 September 2014)

## **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**

FKF Accounting Limited  
Chartered Accountants and Statutory Auditors  
Metropolitan House  
Inverness  
IV1 1HT

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**The Report of the Trustees**  
**for the year ended 31 March 2015**

The Trustees present their report and the audited financial statements for the year to 31 March 2015. The Company is recognised by the Inland Revenue as a Scottish Charity (charity reference number SC027544).

### **Principal Activities**

The Trust's main purpose is to make a practical impact, where it can, by securing, on behalf of smaller communities in the Highlands, sites or properties – which are then used to help the communities realise locally appropriate solutions to their housing-related problems. To achieve this, the Trust works in partnership with the public sector, housing associations, the communities we seek to help and the private sector. The Outputs and Performance Report is enclosed within these papers on pages 5 to 8.

### **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 HSCHT'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.

### **State of Affairs**

The results for the year are set out in the attached accounts.

### **Board of Trustees**

In so far as the trustees are aware:

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

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**The Report of the Trustees**  
**for the year ended 31 March 2015**

## **Board of Trustees**

The Board of Trustees are as follows:-

Bill Hall (Chairman)  
Vivian Roden (Vice-Chair)  
Hugh Donaldson (Treasurer)  
Brian MacKenzie  
Derek Flyn  
Janet Lyn Forbes  
David Hannah  
Alasdair Christie  
Alison MacLeod  
David Goodall  
Jennifer Lawless  
James McIntyre  
Steve Robertson  
Agnes Slimon  
Julia Campbell  
John Laing

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 Organisations 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.

### **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.

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
The Report of the Trustees  
for the year ended 31 March 2015**

**Auditors**

FKF Accounting Limited have been reappointed 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.

On Behalf of the Board

A handwritten signature in black ink, appearing to read 'R D MacRae', written in a cursive style.

Ronald MacRae  
Secretary

Date: 25<sup>th</sup> September 2015

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2015**

During 2014-15, HSCHT has continued to focus on its core functions of housing enabling and enhancing community sustainability both economically and socially through the provision of affordable housing options in the rural communities in Highland and beyond. Developing innovative solutions to topical and current issues remains at the forefront of our activities and demand for our services continues to increase. There has been a significant increase in the number of communities and organisations; e.g. local authorities throughout Scotland, community land trusts, RSL's and development companies, looking to use some of the schemes HSCHT has developed as well as the application of the Rural Housing Burden to protect future affordability of houses developed.

Our AGM attracted 32 delegates from 20 organisations from the Highlands and our newsletter is distributed to over 140 Community Councils and Community Groups at least twice a year. Our Facebook page and twitter feeds are updated on a regular basis with all of our project news and events. At present, we have 664 likes for our Facebook page and one of our posts reached 5,578 people. We also started doing an online blog (<https://thehscht.wordpress.com/2014/10/28/intro-to-ourblog/>) in October and since then, it has had over 3000 views. We are also in the process of developing a new website that will be more user friendly and promote our activities more effectively.

We have attended various conferences this year and gave presentations on the work of HSCHT at various events including, the Rural Housing Scotland Conference, Community Land Scotland Seminar and Scottish Empty Homes Conference. This ensures a wide audience for HSCHT's work which increases the awareness throughout Scotland of alternative methods of providing affordable homes in rural communities. This has led to a number of local authorities and RSL's beating a path to our door to discuss how our schemes can be used in their own areas.

HSCHT membership has increased in the last year from 51 members to 66 community members. We continue to pursue new community members and will be following up on communities who have expressed an interest in becoming members but have not yet joined up.

In recent years we have developed 6 new housing finance models. In the past year we have built, or in the process of building, 47 affordable houses in 20 remote or rural communities under 4 different schemes: "Rent to Buy", "Greener Homes", "Bringing Empty Properties back into use" and "Shared Equity" sales. All of the houses sold under the different schemes have a Rural Housing Burden attached and HSCHT retain a minimum of 20% equity in the house. This protects the future affordability of the house in perpetuity.

## **The Highlands Small Communities Housing Trust**

### **(Company Limited by Guarantee and not having a Share Capital) Output and Performance Report for the year ended 31 March 2015**

We have been exploring with an ever increasing number of communities how some of our innovative methods could take projects forward in their area, e.g. cross subsidy between open market and affordable, rent to buy options, long lease schemes, deferred payments and Greener homes. As well as working with various community groups and land trusts we are also working with the Scottish Land Fund to discuss potential housing models in relation to their community needs - i.e. Glendale, Applecross, Findhorn, Dalreichart, Culbokie and Isle of Rum. In addition to this, we have also built working relationships with a number of communities, Gorthleck, Edinbane, Lochaline, and Strontian, in receipt of community benefit from wind farms etc. to identify methods of providing affordable housing for their community with no, or minimal, public subsidy. We are working on proposals which could result in a community owning an accommodation unit which will provide workers accommodation in a community where successful businesses are struggling to retain staff due to the lack of accommodation.

In Strontian, we are working with both the community and landowners to drive forward a new development. We have formed a steering group with other key partners and a new master plan is being devised for the village which will include housing (social rent, Rent to Buy, and open market), a new primary school, commercial units and community space. The local development company is active and considering how it can be involved as a partner in the development of community owned housing.

We are also working with the landowner in Rothiemurchus and a self-build group on a potential project within the Cairngorms National Park. This project has grown from the bottom up: young families with a desire to live in the community in which they grew up but unable to afford to buy suitable housing on the open market in an area of high house prices and low earnings. With a willing land owner and supportive officials within the CNPA a cross-subsidy model was developed whereby HSCHT would purchase land from the landowner at well below market value and sell it on to the families with a Rural Housing Burden attached to protect the initial discount. In return the land owner would be able to market two open market plots. The model has been accepted in the Proposed Cairngorms National Park Local Development Plan and as per the Directorate for Planning and Environmental appeals report dated 8 September 2014.

Successful application to the Nationwide Foundation has secured sufficient loan/grant funding to renovate 2 empty community owned houses and make them available for affordable rent. The renovation on the first property in Acharacle is nearly complete and an open day is planned for July to mark the completion of this house. Work on the second property in Achiltibuie is progressing.



**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2015**

The movement towards a more self-sustaining model continues and recognition that the services we provide for disadvantaged rural communities require a degree of financial support has attracted grant funding from several grant making trusts to support our housing enabling work.

The enabling work carried out in the Highlands is proving very successful in promoting affordable housing development in the smaller communities. The demand we have identified for affordable housing and the recognition of the value of our work has directly lead to the creation of another post to provide development services. We are into the second year of a 3 year agreement with Lochaber Housing Association (LHA) under which HSCHT is acting as Agents in the development of over 30 affordable homes per year for a 3 year period. These homes will be the first developed in over 2 years by LHA. We are also acting as agents for Highland Council on projects in Alness, Dornoch, Erroglie and other potential projects in Culbokie and Strathpeffer.

Funding was secured to carry out a feasibility study into setting up a subsidiary company and the final report is due to be finished by the Autumn.

Ardgeal Phase 2, is completed and has provided a further 6 shared equity homes for local households unable to compete in the CNPA due to high property values. This completes the 10 home development "houses in the forest" which has been supported by the Scottish Government, CNPA and Highland Council on land acquired from FCS through the NFLS.

Over the year HSCHT has spent considerable time with businesses' and Estates to cultivate working partnerships and maximise potential engagement through generating interest in a variety of housing procurement models.

We remain active in explaining to lenders the role of the RHB in support of house and plot purchasers struggling to secure a mortgage. Self-build finance is still extremely difficult to access especially for people without sizeable deposits. HSCHT has done considerable work on loan options to compensate for the current situation and discussions with the Scottish Government has led to a self-build loan fund. The final arrangements for its implementation are being worked through.

HSCHT remains a partner in the Forest Croft Partnership leading the promotion of the forest croft agenda from FCS. Negotiations are in progress to secure land/forest from a private owner to provide 3 forest crofts.

HSCHT has implemented a stock improvement regime to improve the standard of its older key worker houses.

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2015**

What follows is an update on outputs and performance:

Rural Housing Enabler Development		On-going
Housing Need & Feasibility Studies	12	Housing needs surveys carried out in Staffin, Lochaline, Braemar & Crathie, Edinbane and Kyle of Sutherland.
Community Housing Surgeries and Advice to individuals	450	General enquires by phone, email, facebook and twitter. Info days and presentations @ community meetings in Kinlochleven, Ballater, Strontian, Braemar, Kilmorack, Findhorn Edinbane, Staffin, Bonar Bridge, Culbokie and Glendale
Innovation Housing Projects developed	6	Ardgeal phase 2 completed, 6 s/e units. Rent to Buy 1 (14 units) completed. Greener Homes (13 units) nearing completion. Rent to Buy Phase2 24 units under way and Rent to Buy 3 sites being finalised. Empty Homes renovation and conversion (3 units in progress) Self build loan fund being negotiated with SG.
Self Build Shared Equity Enquiries and support	49	Self-build finance remains extremely difficult to obtain. We currently have 109 enquiries on our self-build register
Self Build Shared Equity	6	
Deferred Plot Payments	3	
General Self Build Projects facilitated	6	
Rent to Buy Units built	14	Further 11 units completed, and 26 in progress
Advice to Landowners and Developers including Grant Enquiry and Support	20	
Support for approved grants including IIF	10	
Advice and support to Community Land Trusts and other community groups	40	Work continuing with Community Land Trusts in Rum, Applecross, Glendale, Findhorn, Lochaline and Dalreichart to discuss potential housing models
Partnership Working & Policy Development (RSL's, SG, Local Councils, NHS, CNPA, FCS, SL&E, SCF)	75	Regular meetings with HC, SG, Highland Liaison Group, Highland Housing Supply Group, 6 Housing Associations, DTAS, CWA, SCF, CNPA, FCS, RHP, SL&E, Inclusive Cairngorms, NHS Community Land Scotland, local businesses and Estates. Working with UHI's departments of Architecture and Renewable Energy to inform affordable housing development.
Advice/ negotiations with private sector developers	15	Discussions with private sector developers involved in over 20 different sites
Housing Land Identification and Release	120	New sites throughout the Highlands have been identified for Rent to Buy Phase 3 and other projects and will be taken forward where possible
Site investigations/Feasibility Studies	60	Feasibility studies have been carried out in over 45 communities to identify sites for Rent to Buy
Land Acquisition (Sites)	24	Sites for 6 units purchased. Negotiation for land in a further 5 communities.
Low cost houses/plots sold	20	10 Shared Equity sales completed,
Annual Conference and Regional Seminars	1	AGM held with presentation from Chair of RIHAF and Lochaber Housing Association. Attended by 32 delegates from 20 different organisations.
Promoting and establishing Woodland Crofts	2	Attending stakeholder meetings and meetings with landowners and interested parties. List of potential woodland croft purchasers/tenants maintained. Negotiations with landowner to provide 3 new crofts

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Trustees' Responsibilities Statement**  
**for the year ended 31 March 2015**

The trustees (who are also directors for the purpose of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then 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 operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which 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.

On order of the Directors



Ronald MacRae  
Secretary

Date: 25<sup>th</sup> September 2015

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Independent auditor's report to the trustees and members of The Highlands Small Communities Housing Trust**

We have audited the financial statements of The Highlands Small Communities Housing Trust for the year ended 31 March 2015 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the trustees and auditor**

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees and the Output and Performance Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**Independent auditor's report to the trustees and members of The Highlands Small Communities Housing Trust**

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2015 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.



Colin Gray B.Com. C.A. (Senior statutory auditor)  
for and on behalf of FKF Accounting Limited  
Statutory Auditor  
FKF Accounting Limited is eligible to act as auditor  
in terms of section 1212 of the Companies Act 2006

Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT  
Date: 25<sup>th</sup> September 2015

**The Highlands Small Communities Housing Trust**  
**Statement of Financial Activities incorporating Income and Expenditure Account and Statement of Total Recognised Gains and Losses**  
**For the Year ended 31 March 2015**

Notes	2014 / 15						Restated 2013/14					
	Unrestricted Funds			Restricted Funds			Unrestricted Funds			Restricted Funds		
	Operational Activity	Rental Properties	Sale of Land	CCSP	Restricted Reserves	Total	Operational Activity	Rental Properties	Sale of Land	CCSP	Restricted Reserves	Total
	£	£	£	£	£	£	£	£	£	£	£	£
<b>Income Resources</b>												
Incoming resources from generated funds												
Interest Receivable	864	157	550	48	-	1,619	782	195	-	-	-	977
Incoming resources from charitable activities												
Revenue Grants	194,926	-	-	99,397	254,000	548,323	133,246	-	-	27,008	50,000	210,254
Rental Income	-	159,886	-	-	-	159,886	-	65,452	-	-	-	65,452
Sale Proceeds on Land Disposals	-	-	1,158,409	-	-	1,158,409	-	-	329,145	-	-	329,145
Fee Income	63,969	-	-	-	-	63,969	51,411	-	-	4,670	-	56,081
<b>Total Incoming Resources</b>	<b>259,759</b>	<b>160,043</b>	<b>1,158,959</b>	<b>99,445</b>	<b>254,000</b>	<b>1,932,206</b>	<b>185,439</b>	<b>65,647</b>	<b>329,145</b>	<b>31,678</b>	<b>50,000</b>	<b>661,909</b>
<b>Resources Expended</b>												
Charitable Activities												
Administration and Management	170,557	5,350	115,922	74,616	-	366,445	160,442	6,672	142,469	80,136	-	389,719
Rental Expenditure	-	24,126	-	-	-	24,126	-	20,210	-	-	-	20,210
Cost of sale of Land Disposals	-	-	1,201,001	-	-	1,201,001	-	-	114,554	-	-	114,554
Bank and Loan Interest Payable	650	30,299	-	53	-	31,002	2,797	699	3,871	-	-	7,367
Governance costs												
Administration and Management	7,036	-	-	-	-	7,036	4,679	-	-	-	-	4,679
<b>Total Resources Expended</b>	<b>178,243</b>	<b>59,775</b>	<b>1,316,923</b>	<b>74,669</b>	<b>-</b>	<b>1,629,610</b>	<b>167,918</b>	<b>27,581</b>	<b>260,894</b>	<b>80,136</b>	<b>-</b>	<b>536,529</b>
<b>Net (Outgoing)/Incoming Resources Before Transfers</b>	<b>81,516</b>	<b>100,268</b>	<b>(157,964)</b>	<b>24,776</b>	<b>254,000</b>	<b>302,596</b>	<b>17,521</b>	<b>38,066</b>	<b>68,251</b>	<b>(48,458)</b>	<b>50,000</b>	<b>125,380</b>
<b>Transfer Between Funds</b>												
Net (Outgoing)/Incoming Resources	81,516	100,268	44,036	24,776	52,000	302,596	17,521	38,066	68,251	(48,458)	50,000	125,380
		81,516	-	-	-	-		17,521	-	-	-	-
		181,784	44,036	24,776	52,000	302,596		55,587	68,251	(48,458)	50,000	125,380
<b>Funds at 31 March 2014 as previously stated</b>												
Prior year adjustment												
		168,901	264,469	(15,117)	1,121,050	1,539,303		113,314	215,015	33,341	1,071,050	1,432,720
<b>Funds at 31 March 2015</b>	<b>350,685</b>	<b>327,302</b>	<b>9,659</b>	<b>1,173,050</b>	<b>1,860,696</b>		<b>168,901</b>	<b>283,266</b>	<b>(15,117)</b>	<b>1,121,050</b>	<b>1,558,100</b>	

**The Highlands Small Communities Housing Trust**  
(A company limited by guarantee)

**Balance Sheet**  
**As at 31 March 2015**

	Notes	2015		Restated 2014	
		£	£	£	£
<b>Tangible fixed assets</b>	12		395,781		367,338
<b>Current assets</b>					
Land banking properties	13	4,388,655		3,410,844	
Debtors	14	107,775		47,928	
Cash in hand		<u>2,666,418</u>		<u>233,285</u>	
		7,162,848		3,692,057	
<b>Current liabilities</b>					
Creditors due within one year	15	<u>(794,170)</u>		<u>(865,227)</u>	
<b>Net current assets</b>			6,368,678		2,808,830
Total assets less current liabilities			<u>6,764,459</u>		<u>3,194,168</u>
<b>Creditors:</b>	16				
amounts falling due after more than one year			(4,903,763)		(1,636,068)
<b>Net assets</b>			<u>1,860,696</u>		<u>1,558,100</u>
<b>Capital and reserves</b>					
<b>Restricted Reserves- Development</b>	18		971,050		971,050
<b>- Landbank</b>			202,000		150,000
<b>- CCSP</b>			9,659		(15,117)
<b>Designated reserves - land banking fund</b>	18		327,302		283,266
<b>Revenue reserves</b>	18		350,685		168,901
			<u>1,860,696</u>		<u>1,558,100</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 2006 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective January 2005)

These financial statements were approved by the Board of Directors on 25<sup>th</sup> September 2015

  
Bill Hall - Chair

Company registration number: SC182862

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**

**1 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.

**a Accounting Convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 (SORP 2005) and the Companies Act 2006

**b Statement of Financial Activities**

This statement, produced to comply with the Statement of Recommended Practice, is effectively a restatement of the income and expenditure account in a different format, incorporating information on movement in capital resources to form a single statement of all movements between opening and closing fund balances.

**c Resources Expended**

Resources expended are included on an accruals basis, inclusive of VAT which cannot be recovered. Certain expenditure is directly attributable to specific activities and has been included under these cost categories.

**d Funds**

With the adoption of the Statement of Recommended Practice, all income and expenditure is dealt with through the Statement of Financial Activities with the exception of capital grants explained in note I below. Funds are now 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 objects.

Within designated reserves the Board has designated a reserve for the purpose of providing funds for investing for land banking opportunities.

**e Tangible Fixed Assets – Housing Properties (Note 12)**

Housing properties are stated at cost. The capitalised costs of housing properties include the following:

- i. Cost of acquiring land and buildings less grants received to date



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**1 Principal Accounting Policies (Continued)**

**f 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	-	cost (less grants) straight line over 50 years
Furnishings and fittings	-	15% straight line
Equipment	-	20% straight line

**g 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.

**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.

**h Stocks**

Land banking stocks are valued at the lower of cost and net realisable value.

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.

**i Revenue Grants**

Revenue grants received relating to the current year costs are credited directly to the Statement of Financial Activities.

**j Taxation**

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

**k Pension Schemes**

The Trust operates participates in the SFHA pension scheme as stated in Note 21.

The regular cost of providing retirement pensions and related benefits is charged to the Statement of Financial Activities annually on the basis of a constant percentage of earnings.

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**1 Principal Accounting Policies (Continued)**

**l True and Fair Over-ride**

Heritable property held as fixed assets is stated in the balance sheet net of capital grants received.

This does not comply with the Statement of Recommended Practice (2005). As this treatment does not affect the Surplus or the net asset position of the company the directors do not consider that it affects the truth and fairness of the financial statements.

In addition heritable property is rented out and the property should be treated as investment property in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). 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 comply with the Companies Act 2006 treatment and depreciate these properties annually. The directors consider that this treatment is more relevant to showing a true and fair view.

**m Change in Accounting Policy/Prior Year Adjustment**

During the year, the Trust has changed its accounting policy on the treatment of borrowing costs in relation to Land bank. The change involves capitalising borrowing costs less income from investment of surplus loan funds, instead of reporting these through the Statement of Financial Activities . This is in line with Companies Act 2006, and the directors consider this treatment is more relevant to showing a true and fair view.

The change had the impact of increasing assets for the year ended 31 March 2014 by £18,797, and increasing profits by the same amount.

**2 Income**

The total income of the Trust for the year has been derived from its principal activity wholly undertaken in the UK.

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<b>3 Revenue Grants</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Scottish Executive - Voluntary Organisation Grant	65,000	65,000
The Tudor Trust	15,000	-
Westminster Foundation	15,000	15,000
The Robertson Trust	30,000	-
The Gannochy Trust	10,000	-
The Highland Council	16,623	25,622
Scottish Government – “Shovel Ready”	-	50,000
Scottish Government – Greener Homes	254,000	-
The Big Lottery	41,573	-
Comic Relief	20,001	-
SSE	19,000	-
HIE	10,922	9,022
FCS	8,205	12,725
CNPA	10,750	32,885
Shirley Project	7,249	-
Nationwide Foundation	25,000	-
	<u>548,323</u>	<u>210,254</u>
<b>Fee Income</b>		
Other Fees	63,969	56,081
	<u>63,969</u>	<u>56,081</u>
<b>4 Particulars of income and expenditure from lettings</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Income from lettings		
Rents received	<u>159,886</u>	<u>65,452</u>
Expenditure on lettings activities		
Maintenance Costs	8,850	7,193
Depreciation	8,142	7,927
Insurance	7,134	5,090
	<u>24,126</u>	<u>20,210</u>
Total expenditure on lettings	<u>24,126</u>	<u>20,210</u>
Operating surplus on lettings activities	<u>105,460</u>	<u>45,242</u>

**The Highlands Small Communities Housing Trust**  
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**5 Sale of Land**

Sale proceeds	1,158,409	329,145
Cost of sales	(1,201,001)	(114,554)
Grants applied	202,000	-
	159,408	214,591
Surplus on disposal	159,408	214,591

**6 Administration and Management**

	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
<b>2015</b>					
Staff Costs (see notes 7 & 8)	118,915	4,325	92,972	36,419	252,631
Rent	8,661	315	6,771	1,722	17,469
Travel Costs	7,705	280	6,024	2,265	16,275
Recruitment Costs	63	2	49	160	275
Publicity	440	16	344	1263	2062
Post, Stationery and Office Costs	8,633	314	6,749	475	16,171
Telephone	2,687	98	2,100	639	5,523
Consultancy - Innovative Projects	24,931	-	-	-	24,931
Insurance	913	-	913	203	2,029
Meetings, Training ,Venues	1,173	-	-	31,470	32,643
Irrecoverable VAT	(3,564)	-	-	-	(3,564)
	170,557	5,349	115,922	74,616	366,445

	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
<b>2014</b>					
Staff Costs (see notes 7 and 8)	123,916	4,506	112,494	35,344	276,260
Rent	5,356	195	4,187	2,134	11,872
Travel Costs	6,680	243	5,223	7,393	19,539
Recruitment Costs	-	-	-	-	-
Publicity	1,092	40	854	600	2,586
Post, Stationery and Office Costs	7,663	278	5,991	1,409	15,341
Telephone	2,194	80	1,716	660	4,650
Consultancy - Innovative Projects	9,196	334	7,190	-	16,720
Insurance	755	28	480	137	1,400
Meetings, Training Venues	-	-	-	31,806	31,806
Irrecoverable VAT	3,590	967	4,335	653	9,545
	160,442	6,671	142,470	80,136	389,719

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<b>6 Administration and Management (continued)</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
GOVERNANCE COSTS		
Board and Members Expenses	1,871	901
Audit Fees	5,165	3,778
Consultancy - Business Plan	-	-
	<b>7,036</b>	<b>4,679</b>
	<b>7,036</b>	<b>4,679</b>

**7 Operating surplus**

Operating surplus is stated after charging

Staff costs [see note 8]	252,631	276,260
Auditors' fees	5,165	3,778
Depreciation	8,143	7,928
	<b>252,631</b>	<b>276,260</b>
	<b>252,631</b>	<b>276,260</b>

**8 Directors and employees**

Staff costs (see note 6 and 7)

Wages	218,182	230,083
Social security	16,920	20,128
Other pension costs	17,529	26,049
	<b>252,631</b>	<b>276,260</b>
	<b>252,631</b>	<b>276,260</b>

	No	No
Average number of persons employed	<b>8</b>	<b>7</b>
	<b>8</b>	<b>7</b>

Expenses paid to Community Elected Directors on the Trust Board totalled £695 (2014 - £253).

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 21.

The pension charge represents contributions paid by the Trust during the year which amounted to £17,529 (2014: £26,049).

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<b>9</b>	<b>Interest receivable and other income</b>	<b>2015</b>	<b>2014</b>
		<b>£</b>	<b>£</b>
	Interest receivable from banks	<u>1,619</u>	<u>977</u>
<b>10</b>	<b>Interest payable and other charges</b>		
	Bank Interest and charges	<u>31,002</u>	<u>7,367</u>
<b>11</b>	<b>Corporation Tax</b>		

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.

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**12 Fixed Assets**

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
<b>Cost</b>				
Cost 31 March 2014	1,126,060	6,849	4,157	1,137,066
Additions	58,482	-	-	58,482
Disposals	(62,449)	-	-	(62,449)
Cost 31 March 2015	<u>1,122,093</u>	<u>6,849</u>	<u>4,157</u>	<u>1,133,099</u>
<b>Depreciation</b>				
Depreciation 31 March 2014	70,585	6,849	4,157	81,591
Charge for year	8,143	-	-	8,143
Disposals	(6,240)	-	-	(6,240)
Depreciation 31 March 2015	<u>72,488</u>	<u>6,849</u>	<u>4,157</u>	<u>83,494</u>
<b>Grants</b>				
Other Grants 31 March 2014	688,137	-	-	688,137
Additions	7,895	-	-	7,895
Disposals	(42,208)	-	-	(42,208)
Other Grants 31 March 2015	<u>653,824</u>	<u>-</u>	<u>-</u>	<u>653,824</u>
<b>Net Book Value</b>				
31 March 2015	<u>395,781</u>	<u>-</u>	<u>-</u>	<u>395,781</u>
31 March 2014	<u>367,338</u>	<u>-</u>	<u>-</u>	<u>367,338</u>

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**12 Fixed Assets (continued)**

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 long term lease to Housing Associations based in the Highlands

The valuation has not been incorporated in the financial statements.

	Valuation	Cost	Increase in Value
	£	£	£
As at 31 March 2015	<u>1,709,000</u>	<u>1,122,093</u>	<u>586,907</u>

**13 Land Banking Properties**

	Land Banking	Feasibility Studies	Total
	£	£	£
<b>Cost</b>			
31 March 2014	3,343,081	48,966	3,392,047
Prior year adjustment	18,797	-	18,797
Restated 31 March 2014	<u>3,361,878</u>	<u>48,966</u>	<u>3,410,844</u>
Additions	2,122,848	200	2,123,048
Disposals/Written Off	<u>(1,145,237)</u>	<u>-</u>	<u>(1,145,237)</u>
31 March 2015	<u>4,339,489</u>	<u>49,166</u>	<u>4,388,655</u>

**14 Debtors**

	<b>2015</b>	<b>2014</b>
	£	£
Other debtors	107,775	47,928
	<u>107,775</u>	<u>47,928</u>

**15 Creditors due within one year**

Bank loans [see note 16]	-	667,271
Highland Council Loans	590,000	-
Trade Creditors	130,856	193,346
Other taxation and social security	6,085	68
Other creditors	45,336	678
Accruals	21,893	3,864
	<u>794,170</u>	<u>865,227</u>



**The Highlands Small Communities Housing Trust**  
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**16 Creditors:**

**Amounts falling due after more than one year**

	2015 £	2014 £
Bank loans	-	31,460
Scottish Government Loan – Rent to Buy	4,657,088	1,397,433
SBIF	60,000	60,000
Highland Council	186,675	147,175
	<u>4,903,763</u>	<u>1,636,068</u>

The bank loans are secured by specific charges on the Trust's properties and the capital instalments are repayable over periods as indicated at 1.25% over base.

The SBIF loan is unsecured and the Rent to Buy loan is secured by specific charges on land owned by HSCHT and is repayable by 2019 at 2.25% per annum.

The Rent to Buy loans are secured by specific charges on land owned by HSCHT and are repayable in full on 31 March 2019 and 2020. Interest is chargeable on these loans from 1 April 2013 at 2.25% per annum.

Analysis of bank loan repayments:

In the next year	590,000	667,271
In the second year	-	8,600
In the third to fifth year	4,903,763	82,860
In more than five years	-	1,544,608
	<u>4,903,763</u>	<u>1,636,068</u>
 Total	 <u>5,493,763</u>	 <u>2,303,339</u>

**17 Analysis of Net Assets between funds**

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible Fixed Assets	395,781	-	395,781
Net Current Assets	5,185,969	1,182,709	6,368,678
Creditors falling due after more than one year	(4,903,763)	-	(4,903,763)
	<u>677,987</u>	<u>1,182,709</u>	<u>1,860,693</u>

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<b>18 Reserves</b>	Restricted Reserves Development	Reserves Land- bank	CCSP	Designated Reserve Land-bank	Revenue Reserve	Total
	£	£	£	£	£	£
31 March 2014	971,050	150,000	(15,117)	264,469	168,901	1,539,303
Prior year adjustment	-	-	-	18,797	-	18,797
Restated 31 March 2014	971,050	150,000	(15,117)	283,266	168,901	1,558,100
Result for the year	-	254,000	24,776	(157,964)	181,784	302,596
Transfer between funds	-	(202,000)	-	202,000	-	-
31 March 2015	971,050	202,000	9,659	327,302	350,685	1,860,696

**19 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.

	<u>Transactions</u>	<u>Balances at 31 March 2015</u>		
	Sold to	Purchased from	Due to the Trust	Due from the Trust
Highland Council	45,034	-	-	590,000
Albyn Housing Society Ltd	-	6,677	-	-
Lochaber Housing Association Ltd	44,274	1,377	-	-
Lochalsh & Skye Ltd	2,291	1,940	-	-
Pentland Housing Association Ltd	9,636	-	-	-
			-	-

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

**20 Disclosure of Control**

The Highlands Small Communities Housing Trust is a charitable company limited by guarantee, not having 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.

**The Highlands Small Communities Housing Trust**  
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**21 Scottish Housing Associations' Pension Scheme**

The Highlands Small Communities Housing Trust participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

The Scheme offers six benefit structures to employers, namely;

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

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

The Highlands Small Communities Housing Trust has elected to operate the career average revalued earnings with a 1/80th accrual rate (from 1 April 2014) benefit option for active members as at 31 March 2015 and the career average revalued earnings with a 1/80th accrual rate (from 1 April 2011) benefit option for new entrants from 1 April 2014.

During the accounting period The Highlands Small Communities Housing Trust paid contributions at the rate of 8.5% of pensionable salaries. Member contributions were 8.4%.

As at the balance sheet date there were 4 active members of the Scheme employed by The Highlands Small Communities Housing Trust. The annual pensionable payroll in respect of these members was £133,806.96.

The Highlands Small Communities Housing Trust continues to offer membership of the Scheme to its employees.

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**21 Scottish Housing Associations' Pension Scheme (cont'd)**

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

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

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

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

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

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

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

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

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**21 Scottish Housing Associations' Pension Scheme (cont'd)**

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

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

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

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

**Potential employer debt is treated as a contingent liability**

The Highlands Small Communities Housing Trust has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for The Highlands Small Communities Housing Trust was £285,514.

**22 Contingent Liabilities**

Under the Scottish Government Rent to Buy Scheme, the trust recognises that there is potential for future liability as tenants exercise their rights under the scheme and cash is returned to them. The trustees are unable to estimate the likely financial effect of this.