

**THE HIGHLANDS SMALL COMMUNITIES HOUSING
TRUST**

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

**REPORT OF DIRECTORS
AND FINANCIAL STATEMENTS**

31 MARCH 2017

**Company Number SC182862
Charity Number SCO27544**

**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 2017**

Board of Trustees

Derek Flynn	(Resigned 14 June 2017)
Janet Lyn Forbes	(Resigned 16 September 2016)
David Hannah	
Alasdair Christie	
David Goodall	
Jennifer Lawless	
James McIntyre	
Steve Robertson	(Resigned 16 September 2016)
Agnes Slimon	
Julia Campbell	
John Laing (Chair)	
Iain Clark	
Maxine Smith	(Resigned 14 June 2017)
Audrey Sinclair	(Appointed 17 June 2016 and Resigned 6 June 2017)
William Hall	(Resigned 6 June 2017)
Neil Cameron	(Appointed 14 February 2017)
Alex Matheson	(Appointed 2 March 2017)
Alexander Gracie	(Appointed 3 August 2017)

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 2017

The Trustees present their report and the audited financial statements for the year to 31 March 2017. 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 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 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 and explained in the following Output and Performance Report.

Review of year-end financial position

HSCHT continues to expand its scope of work in its progress towards sustainability and reducing its reliance on grant aid. In 2016-17 grants accounted for 22% of total income compared to 31% in the previous year and 45% in 2012.

The increase in rental income through the Rent to Buy scheme has led to a marginal increase in reserves.

The Highlands Small Communities Housing Trust
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The Report of the Trustees
for the year ended 31 March 2017

Unrestricted reserves policy

Unrestricted reserves comprise

- Designated Reserve – Landbanking Fund: comprises the surpluses made on the sale of land over the past years. This reserve is able to be utilised by the Board of Trustees to meet HSCHT'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 CSP

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 HSCHT's activities

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 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.

It is HSCHT'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 is resulting in a growing demand for our expertise and we are confident in our ability to provide the support required.

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.

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

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 2017

Levels of funds held

Reserves currently stand at £1,903,463 (2016: £1,847,324). Of this £1,229,954 are restricted (2016: £1,226,888).

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: -

Derek Flyn
Janet Lyn Forbes
David Hannah
Alasdair Christie
David Goodall
Jennifer Lawless
James McIntyre
Steve Robertson
Agnes Slimon
Julia Campbell
John Laing
Iain Clark
Maxine Smith
Audrey Sinclair
William Hall
Neil Cameron
Alex Matheson

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 2017**

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.

The following Output and Performance Report sets out the achievements and performance of the trust during the year ended 31 March 2017 and forms part of the Report of the Trustees.

On Behalf of the Board



Ronald MacRae
Secretary

Date:

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 2017

During 2016-17, HSCHT has continued to focus on its core functions of housing enabling and improving community sustainability both economically and socially through the provision of affordable housing options in the rural communities in the Highlands and beyond. Developing innovative solutions to address current problems remains at the forefront of our activities and demand for our services continues to increase from a wide range of communities, landowners, individuals and strategic partners. As a community focused organisation we are pleased to report an increase in members to 69 communities.

We continue to spread the word through both social media and attendances at various conferences. We have given presentations on our work at various events and conferences as well as community meetings throughout the Highlands and beyond. This has ensured a wide audience for HSCHT's work which has increased awareness throughout Scotland of alternative methods of providing affordable homes in rural communities. We also commissioned a promotional video in which individuals, communities and other stakeholders describe the impact our work has had on them.

We continue to develop new housing finance models to add to our existing schemes: "Rent to Buy" the third phase has secured further Scottish Government loans of almost £3 million., "Greener Homes", "Bringing Empty Properties back into use", "Shared Equity" sales and "Long Leases". Houses sold under the different schemes continue to have a Rural Housing Burden attached and HSCHT retains an equity share of between 20% and 40% in each property to protect the future affordability of each house in perpetuity.

The arrival of the Rural and Islands Housing Funds have opened up further opportunities for both ourselves and the communities with which we work and we continue to exploit this opportunity to provide affordable housing for rent in some of the more remote communities e.g. Bettyhill, Aultbea, Gairloch and Durness. The fund also allows communities to own homes resulting in a growth in demand for our project management service and housing management service which are tailored to affordable rural developments.

The Highland Self Build Loan Fund was formerly launched in 2016 to promote self-build and encourage economic activity. HSCHT operates as agents for the Scottish Government to administer this £4m scheme to provide loans of up to £175,000 to eligible applicants in the Highland region. The fund has already proved popular with almost 1645 direct enquires and 30 applications received in 2016-17. The fund is available to issue loans until March 2018 which are repayable by March 2019 and we are hopeful that this scheme will be extended geographically in the future.

We have been supporting an increasing number of communities to develop their own projects and are exploring, with an ever increasing number of communities, how some of our innovative methods could take projects forward in their areas. This has led to an increase in the number of Housing & Community Needs surveys and feasibility studies being undertaken.

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 2017

In Strontian, the first elements of the new master plan for the village have need completed, i.e. 3 houses under HSCHT Rent to Buy Scheme and 3 social rent units for Lochaber Housing Association and a self-build plot. The development of a new community owned primary school which will be leased to Highland Council has secured sufficient support through a community shares issue for the project to proceed and HSCHT as one of the early proponents has been engaged as the Development Agent for this innovative project.

Under the Nationwide Foundation loan/grant funding was secured to renovate 2 empty community owned houses and make them available for affordable rent. The second property in Achiltibuie which was converted into two flats has been completed to everyone's satisfaction. This brings the total to 3 rented units under this scheme.

The movement towards a more self-sustaining model continues with just 22% of income for 2016-17 derived from grants. 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 Lochaber Housing Association development partnership has completed its first three year term and has successfully delivered its objectives. The partnership has been renewed for a further three years with an ambitious build programme over the next three years. We continue to act as agents for the Highland Council in rural developments.

The Construction Skills Project (CSP) has been re-branded as the Skills Development Programme (SDP) in recognition of its wider remit both geographical and sector training opportunities.

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 2017

Rural Housing Enabler Development	Outcomes
Housing Need & Feasibility Studies	<ul style="list-style-type: none"> • 10 Housing needs surveys carried out Raasay, Resolis, Lairg, North and South Uist, Berneray, Eriskay, Ballachulish, Lochcarron, Applecross, and Westray. • Feasibility studies in over 20 communities.
Community Housing Surgeries and Advice to individuals	<ul style="list-style-type: none"> • Meetings were held in 68 communities including Glendale, Isle of Rum, Applecross, Staffin, Dores, Westray, Sleat, Gorthleck, Edderton, Staffin, Kilbeg, Strontian, Duror and the Orkney Isles. • Advice was given to individuals by phone, email, Facebook and Twitter. • Over 650 enquiries for housing opportunities were received by phone, email or website • Attendance at conferences and exhibitions Info days and presentations • Around 1,000 unique visitors to the website per week with one of the most popular pages being Current Opportunities.. • 3,829 Facebook page followers
Innovative Housing developed	<ul style="list-style-type: none"> • Rothiemurchus Cross subsidy model, development in the CNPA with 2 open market plots and 4 affordable plots, where HSCHT is the vehicle to attach a RHB and retain an equity share, finally received planning permission. The land transactions are currently underway. This model is attracting great interest from Estates. • Rent to Buy Phase 2, 20 completed and 2 units under construction, • Rent to Buy Phase 3, 8 completed a further 12 units confirmed • Empty Homes renovation and conversion 2 units completed in Achiltibuie. • HSCHT Rural & Island Housing Fund proposals being developed to provide 8 homes in 3 communities in 2017-18

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 2017

Highland Self Build Loan Fund	<ul style="list-style-type: none"> • 1645 direct enquiries, • 30 applications to date. • 45,976 views of the SBLF webpage
Buy backs of properties with a Rural Housing Burden	<ul style="list-style-type: none"> • 2 properties purchased, Ardgour and Glenfinnan. • 1 re-allocated under Rent to Buy scheme • 1 re-sold on SE basis
Rent to Buy & tenancy management	<ul style="list-style-type: none"> • 69 Tenancies managed: 53 Rent to Buy units and 16 other rented properties • Management agreement in place for 2 Community owned houses in Kinlochbervie.
Advice to Landowners and Developers including Grant Enquiry and Support	<ul style="list-style-type: none"> • HSCHT continues to work closely with landowners and developers to secure positive outcomes for communities
Support for Community led grants	<ul style="list-style-type: none"> • 15 Communities supported for Rural Housing Fund applications, grant applications for Community led projects
Advice and support to Community Land Trusts and other community groups	<ul style="list-style-type: none"> • 68 Communities provided with advice and support. • Work continuing in Rum and communities e.g. Applecross, Glendale, Findhorn, Culbokie, Lochaline, Garve, Tongue, Strontian, Lairg, Raasay, North & South Uist and Lochcarron.
Partnership Working & Policy Development	<ul style="list-style-type: none"> • Regular meetings with over 49 stakeholder groups including, the Highland Council, Scottish Government, Highland Liaison Group, Highland Housing Supply Group, Joint Housing Delivery Plan, 6 Housing Associations, Development Trusts Association Scotland, Community Woodlands Association, Scottish Crofting Federation, Cairngorms National Park Authority, Forestry Commission Scotland, Scottish Land & Estates, Inclusive Cairngorms, National Health Service, Community Land Scotland, local businesses and estates.

The Highlands Small Communities Housing Trust
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Output and Performance Report
for the year ended 31 March 2017

Lochaber and Highland Council Development Agency projects	<ul style="list-style-type: none"> • First Development Agency Agreement with LHA completed • Renewed LHA Agreement for a further three years. • Development Agents for Strontian Community School, a community led solution to temporary primary school provision. The building is designed on the footprint of 4 houses for ease of conversion at the end of use as school. It will be leased to HC for a minimum of 10 years.
Site investigations/Feasibility Studies	<ul style="list-style-type: none"> • Sites for over 100 units investigated.
Land Acquisition (Sites)	<ul style="list-style-type: none"> • Sites for 20 units purchased. Negotiation for land purchase in other communities on-going.
Low cost houses/plots sold	<ul style="list-style-type: none"> • One house sold in Aviemore under shared equity with RHB • Plot sold in Skeabost, house build supported by HSBLF
Annual Conference and Regional Seminars	<ul style="list-style-type: none"> • Information Day and AGM • Attended by delegates from 47 different organisations.
Promoting and establishing Woodland Crofts	<ul style="list-style-type: none"> • Attending stakeholder meetings and meetings with landowners and interested parties. • Register of potential woodland croft purchasers/tenants maintained. • Negotiations with landowners to explore the provision of new woodland crofts

he Highlands Small Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Trustees' Responsibilities Statement
for the year ended 31 March 2017

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 charity and of the surplus or deficit of the charity for that year. 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity 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 charity 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:

The Highlands Small Communities Housing Trust
(A company limited by guarantee)
Independent auditor's report to the 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 2017 which comprise the statement of financial activities (including income and expenditure account), statement of financial position, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity'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 charity'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 charity and the charity'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 11, the trustees (who are also the directors 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 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 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 trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 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 2017 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, 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' 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 record; 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 CA (Senior Statutory Auditor)

For and on behalf of

FKF Accounting Limited

Chartered Accountants & Statutory Auditor

Metropolitan House

31-33 High Street

Inverness

IV1 1HT

29.08.17

FKF Accounting Limited is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The Highlands Small Communities Housing Trust
Statement of Financial Activities (including Income and Expenditure Account)

For the year ended 31 March 2017

Notes		2016/17										2015/16			
		Unrestricted Funds		Restricted Funds		Total		Unrestricted Funds		Restricted Funds		Total			
		Operational Activity	Rental Properties	Sale of Houses and Land	Pension Fund	SDP	Restricted Reserve	Operational Activity	Rental Properties	Sale of Houses and Land	Pension Fund	SDP	Restricted Reserve		
	£	£	£	£	£	£	£	£	£	£	£	£	£		
	Income														
	Income from charitable activities														
4	Revenue Grants	102,485	-	-	-	96,624	-	199,109	133,446	-	-	135,179	-	268,625	
5	Rental Income	-	349,130	-	-	-	-	349,130	-	-	-	-	-	238,641	
6	Sale Proceeds on Land Disposals	-	-	144,500	-	-	-	144,500	-	-	178,944	-	-	178,944	
7	Fee Income	175,561	-	-	-	-	-	175,561	84,906	-	-	-	-	84,906	
8	Investment Income	8,213	-	-	-	23	-	8,236	813	407	6,913	126	-	8,259	
	Total Income	286,259	349,130	144,500	-	96,647	-	876,536	219,165	239,048	185,857	135,305	-	779,374	
	Expenditure														
	Expenditure on Charitable Activities														
	Administration and Management	276,700	117,569	76,068	(6,307)	84,775	-	548,825	202,153	88,564	70,851	(6,123)	91,078	446,523	
5	Rental Expenditure	-	64,695	-	-	-	-	64,695	-	36,995	-	-	-	36,995	
6	Cost of sale of Land Disposals	-	-	144,500	-	-	-	144,500	-	-	140,290	-	-	140,290	
6/15	Bank and Loan Interest Payable	482	75,449	-	1,634	56	-	77,620	2,202	86,083	-	1,686	48	90,019	
	Total Expenditure	277,181	257,733	220,568	(4,673)	84,831	-	835,641	204,355	211,642	211,141	(4,437)	91,126	713,827	
	Income/(expenditure) and net movement in funds	9,077	91,397	(76,068)	4,673	11,816	-	40,895	14,810	27,406	(25,285)	4,437	44,179	65,540	
	Transfer between fund	(9,077)	9,077	-	-	-	-	-	(14,810)	14,810	-	-	-	-	
	Net movement in funds	-	100,474	(76,068)	4,673	11,816	-	40,895	-	42,216	(25,284)	4,437	44,179	65,548	
	Other recognised gains/(losses):														
20	Actual gains/(losses) on defined benefit pension schemes	-	-	-	15,244	-	-	15,244	-	-	-	296	-	296	
		100,474	(76,068)	19,917	11,816	-	-	56,139	-	42,216	(25,284)	4,733	44,179	65,844	
	Reconciliation of funds														
	Total funds brought forward	392,801	302,018	302,018	(74,483)	53,838	1,173,050	1,847,324	350,685	327,302	(79,216)	9,659	1,173,050	1,781,480	
	Total funds carried forward	493,375	225,950	225,950	(54,566)	65,654	1,173,050	1,903,463	392,901	302,018	(74,483)	53,838	1,173,050	1,847,324	

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derives from continuing activities.

The notes on pages 17 to 36 form part of these accounts

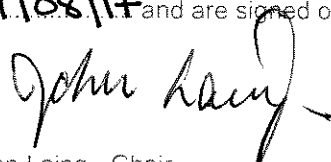
The Highlands Small Communities Housing Trust
(A company limited by guarantee)

Balance Sheet
As at 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	17		815,467		679,638
Current assets					
Land banking and Development properties	18	7,257,480		6,046,364	
Debtors	19	411,894		48,116	
Cash at bank and in hand		1,401,133		2,359,484	
Total Current Assets		<u>9,070,507</u>		<u>8,453,965</u>	
Liabilities					
Creditors falling due within one year	20	<u>(208,413)</u>		<u>(530,214)</u>	
Net current assets			8,862,094		7,923,750
Total assets less current liabilities			<u>9,677,563</u>		<u>8,603,388</u>
Creditors amounts falling due after more than one year	21		(7,719,532)		(6,681,581)
Net assets excluding pension liability			<u>1,958,031</u>		<u>1,921,807</u>
Defined benefit pension liability	26		(54,566)		(74,483)
Net assets			<u><u>1,903,463</u></u>		<u><u>1,847,324</u></u>
The fund of the charity					
Restricted income funds - Development	22		971,050		971,050
- Development Grants			202,000		202,000
- SDP			65,654		53,838
Unrestricted income funds					
Designated reserves - land banking fund	22		225,950		302,018
Revenue reserves	22		493,375		392,901
Pension reserves	22		(54,566)		(74,483)
Total charity funds			<u><u>1,903,463</u></u>		<u><u>1,847,324</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 members of the committee and authorised for issue on the ~~29/03/17~~ 29/03/17 and are signed on their behalf by:



John Laing - Chair

The notes on pages 17 to 36 form part of these accounts

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

Statement of cash flows
31 March 2017

	2017	2016
	£	£
Cash flows from operating activities		
Net (expenditure)/income	40,895	65,548
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	12,472	7,005
(Profit)/Loss on sale of tangible fixed assets	—	-
Other interest receivable and similar income	(8,236)	(8,259)
Defined benefit pension charges	(4,673)	(4,437)
Accrued expenses/(income)	-	-
<i>Changes in:</i>		
Trade and other debtors	(363,778)	59,639
Stock	(1,211,116)	(1,657,709)
Trade and other creditors	716,150	1,513,862
Cash generated from operations	<u>(818,284)</u>	<u>(24,331)</u>
Interest received	8,236	8,259
Net cash (used in)/from operating activities	<u>(810,048)</u>	<u>(16,072)</u>
Cash flows from investing activities		
Purchase of tangible assets	(148,303)	(312,966)
Grants received for tangible asset	—	22,104
Proceeds from sale of tangible assets	—	—
	<u>—</u>	<u>—</u>
Net (decrease)/increase in cash and cash equivalents	(958,351)	(306,934)
Cash and cash equivalents at beginning of year	2,359,484	2,666,418
Cash and cash equivalents at end of year	<u>1,401,133</u>	<u>2,359,484</u>

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

Notes to the accounts
Year ended 31 March 2017

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 (as amended).

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

There are no material uncertainties about the charity's ability to continue.

c Transition to FRS 102

The entity transitioned from previous FRSSSE to FRS 102 as at 1 April 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 29.

The Highlands Small Communities Housing Trust
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3 Principal Accounting Policies (Continued)

d Income Recognition Policies

Items of income are recognised and included in the accounts when all of the following criteria are met:

- The charity or its subsidiary have 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.

e 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.

f Fund accounting

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.

g Tangible Fixed Assets – Housing Properties (Note 17)

Housing properties are stated at cost. The capitalised costs of housing properties include the following. Cost of acquiring land and buildings less grants received to date.

h 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

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

3 Principal Accounting Policies (Continued)

i 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.

j 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 that a project will not be developed.

k 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.

l Taxation

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

m Pension Schemes

The Trust operates participates in the SFHA pension scheme as stated in Note 26.

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.

The present value of future contributions payable under the deficit recovery agreement agreed with the pension fund trustee is recognised in the accounts as a liability. Expenses relating to the unwinding of the discount rate on these contributions is shown as a finance cost in the SOFA in the period in which it arises.

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

3 Principal Accounting Policies (Continued)

n 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. 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 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 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.

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

4 Income from Charitable activities

Revenue Grants

	2017		Total £
	Unrestricted £	Restricted £	
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	-	-	-
Westminster Foundation	-	-	-
The Robertson Trust	15,000	15,000	30,000
The Highland Council	-	-	-
The Big Lottery	-	-	-
Comic Relief	-	22,126	22,126
SSE	-	27,750	27,750
HIE	15,485	-	15,485
FCS	5,000	-	5,000
Miscellaneous Grants	2,000	-	2,000
Peoples & Communities Fund	-	31,748	31,748
	102,485	96,624	199,109

4 Income from Charitable activities (continued)

Revenue Grants

	2016		Total £
	Unrestricted £	Restricted £	
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	15,000	-	15,000
Westminster Foundation	-	15,000	15,000
The Robertson Trust	30,000	-	30,000
The Highland Council	-	35,000	35,000
The Big Lottery	-	55,116	55,116
Comic Relief	-	11,063	11,063
SSE	-	19,000	19,000
HIE	5,558	-	5,558
FCS	10,000	-	10,000
Miscellaneous Grants	7,888	-	7,888
Peoples & Communities Fund	-	-	-
	133,446	135,179	268,625

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

5 Particulars of income and expenditure from lettings

Income from lettings	2017 Unrestricted £	2016 Unrestricted £
Rents received	349,130	238,641
Expenditure on lettings activities	2017 Unrestricted £	2016 Unrestricted £
Maintenance Costs	23,721	21,072
Void Costs	1,863	-
Lease & Legal Fees	12,388	-
Depreciation	12,472	7,005
Insurance	14,251	8,918
	64,695	36,995
Loan interest	75,449	86,083
Total expenditure on lettings	104,144	123,078
Operating surplus on lettings activities	208,986	115,563

6 Sale of Land

	2017 Unrestricted £	2016 Unrestricted £
Sale proceeds	144,500	178,944
Cost of sales	(144,500)	(140,290)
Grants Applied	-	-
Surplus on disposal	-	38,654

7 Fee Income

	2017 Unrestricted £	2016 Unrestricted £
Other Fees	175,561	84,906

8 Investment Income

	2017 Unrestricted £	2017 Restricted £	Total £
Interest receivable from banks	8,213	23	8,236

All the trust's investment income arises from money held in interest bearing deposit accounts.

The Highlands Small Communities Housing Trust
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8 Investment Income (continued)

	2016		Total
	Unrestricted	Restricted	£
	£	£	£
Interest receivable from banks	8,133	126	8,259

9 Administration and Management

	Community Engagement	Rental Activity	Landbanking Activities	2017 SDP	Pension Fund	Total
	£	£	£	£	£	£
Staff Costs (see note 13)	216,042	90,017	54,010	34,453	(6,307)	388,216
Rent	8,375	3,807	3,045	1,633	-	16,861
Travel Costs	11,646	35,294	4,235	2,442	-	23,617
Recruitment Costs	233	106	85	218	-	642
Publicity	2,686	1,221	977	606	-	5,490
Post Stationary and Office Costs	9,696	4,407	3,526	673	-	18,303
Telephone and IT Consultancy - Innovative Projects	4,918	2,236	1,789	1,151	-	10,094
Insurance	7,992	3,633	2,906	270	-	14,802
Meetings, Training & Venues	894	406	325	97	-	1,722
Sundry Expenses	2,478	1,126	901	42,793	-	47,298
Unrecoverable VAT	-	-	-	-	-	-
Board and Members Expenses	8,232	3,742	2,994	-	-	14,968
Audit Fees	1,338	608	486	-	-	2,432
	2,168	986	789	438	-	4,380
	276,700	117,589	76,068	84,775	(6,307)	548,825

The above expenditure on charitable activities was £548,825 (2016: £446,523) of which £464,050 was unrestricted (2016: £355,445) and £84,775 was restricted (2016: £91,078).

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

9 Administration and Management (continued)

	Community Engagement £	Rental Activity £	Landbanking Activities £	SDP £	2016 Pension Fund £	Total £
Staff Costs (see notes 13)	146,173	66,442	53,154	36,751	(6,123)	296,397
Rent	8,507	3,867	3,093	1,921	-	17,388
Travel Costs	8,610	3,914	3,131	3,121	-	18,776
Recruitment Costs	237	108	86	130	-	561
Publicity	671	305	244	1,949	-	3,169
Post Stationary and Office Costs	9,490	4,314	3,451	1,228	-	18,483
Telephone	4,864	2,211	1,769	1,152	-	9,996
Consultancy - Innovative Projects	6,812	3,096	2,477	3,001	-	15,386
Insurance	2,199	1,000	800	31	-	4,030
Meetings, Training Venues	1,490	677	542	41,176	-	43,885
Sundry Expenses	-	-	-	-	-	-
Irrecoverable VAT	5,786	2,630	2,104	619	-	11,139
Board and Members Expenses	2,584	-	-	-	-	2,584
Audit Fees	4,730	-	-	-	-	4,730
	<u>202,153</u>	<u>88,564</u>	<u>70,851</u>	<u>91,078</u>	<u>(6,123)</u>	<u>446,523</u>

10 Summary analysis of expenditure related income for charitable activities

This table shows the cost of the four main charitable activities and the sources of income directly to support those activities.

	Community Engagement £	Rental Activity £	Landbanking Activities £	SDP £	2017 Pension Fund £	Total £
Costs	276,700	117,589	76,068	84,775	(6,307)	548,824
Direct grant support	(102,485)	-	-	(96,624)	-	(199,109)
Net cost funded from other income	<u>174,215</u>	<u>117,589</u>	<u>76,068</u>	<u>(11,849)</u>	<u>(6,307)</u>	<u>349,715</u>

11 Analysis of governance costs

	2017 Unrestricted £	2016 Unrestricted £
Board and Members Expenses	2,432	2,584
Audit Fees	4,380	4,730
	<u>6,812</u>	<u>7,314</u>

The Highlands Small Communities Housing Trust
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12	Operating surplus	2017	2016
		£	£
	Operating surplus is stated after charging		
	Auditors' fees	4,380	4,730
	Depreciation	12,472	7,006
		<hr/> <hr/>	<hr/> <hr/>

13	Directors and employees	2017	2016
		£	£
	Staff costs (see note 9)		
	Wages	322,570	255,758
	Social security	33,274	19,959
	Other pension costs	32,373	20,681
		<hr/> <hr/>	<hr/> <hr/>

No employees had emoluments in excess of £60,000 (2016: Nil).

Average number of persons employed	<hr/> <hr/>	<hr/> <hr/>
	11	9

Expenses paid to Community Elected Directors on the Trust Board totalled £784 (2016 - £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 26.

The Pension Charge represents contributions paid by the Trust during the year which amounted to £32,373 (2016 - £20,681).

The Highlands Small Communities Housing Trust
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14	Trustees' remuneration and costs of key management personnel	2017	2016
		£	£
	Staff costs		
	Wages	93,411	88,784
	Social security	10,652	7,829
	Other pension costs	7,723	9,275
		111,786	105,888

No employees had emoluments in excess of £60,000 (2016: Nil).

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

		2017		
15	Interest payable and other charges	Unrestricted	Restricted	Total
		£	£	£
	Bank interest and charges	75,930	56	75,986
	Defined benefit pension fund charge (note 26)	1,634		1,634
		77,564	56	77,620

		2016		
		Unrestricted	Restricted	Total
		£	£	£
	Bank Interest and charges	88,285	48	88,333
	Defined benefit pension fund charge (note 26)	1,686	-	1,686
		89,971	48	90,019

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.

The Highlands Small Communities Housing Trust
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17 Fixed Assets

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
Cost				
Cost at 31 March 2016	1,435,059	6,849	4,157	1,446,065
Additions	148,303	-	-	148,303
Cost at 31 March 2017	<u>1,583,362</u>	<u>6,849</u>	<u>4,157</u>	<u>1,594,368</u>
Depreciation				
Depreciation at 31 March 2016	79,494	6,849	4,157	90,500
Charge for year	12,472	-	-	12,472
Depreciation at 31 March 2017	<u>91,966</u>	<u>6,849</u>	<u>4,157</u>	<u>102,972</u>
Grants				
Other Grants at 31 March 2016	675,929	-	-	675,929
Additions	-	-	-	-
Other Grants at 31 March 2017	<u>675,929</u>	<u>-</u>	<u>-</u>	<u>675,929</u>
Net Book Value				
As at 31 March 2017	<u>815,467</u>	<u>-</u>	<u>-</u>	<u>815,467</u>
As at 31 March 2016	<u>679,638</u>	<u>-</u>	<u>-</u>	<u>679,638</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 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 2017	<u>1,583,362</u>	<u>1,583,362</u>	<u>-</u>

The directors consider that there has been no material impairment in the market value of heritable property in the year ended 31 March 2017 and the market value at 31 March 2017 remains in excess of historic costs.

The Highlands Small Communities Housing Trust
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18 Land Banking and Development Properties

	Land Banking £	Feasibility Studies £	Total £
Cost			
As at 31 March 2016	5,995,959	50,406	6,046,364
Additions	1,357,913	300	1,358,213
Transfers	2,464	(5,062)	(2,598)
Disposals/Written Off	(144,500)	-	(144,500)
As at 31 March 2017	<u>7,211,836</u>	<u>45,644</u>	<u>7,257,480</u>

19 Debtors

	2017 £	2016 £
Other debtors	411,894	48,116
	<u>411,894</u>	<u>48,116</u>

20 Creditors due within one year

	2017 £	2016 £
Highland Council Loans	-	240,000
Trade Creditors	137,937	266,823
Other taxation and social security	6,466	7,161
Other creditors	60,000	-
Accruals	4,010	16,230
	<u>208,413</u>	<u>530,214</u>

The Highlands Small Communities Housing Trust
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21 Creditors:

Amounts falling due after more than one year	2017 £	2016 £
Scottish Government loan - Rent to Buy	7,392,833	6,399,906
SBIF	-	60,000
Highland Council	213,999	186,675
Nationwide Foundation Loan	68,900	35,000
Lochaber Housing Association	43,800	-
	<u>7,719,532</u>	<u>6,681,581</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 and Nationwide loans are 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 Rent to Buy loans are secured by specific charges on land owned by HSCHT and is repayable in full on 31st March 2019 and 2020. Interest is chargeable on this loan from 1 April 2013 at 2.25% per annum.

	2017 £	2016 £
Analysis of loan repayments		
In the next year	<u>60,000</u>	<u>240,000</u>
In the second year	-	-
In the third to fifth year	1,724,132	4,578,793
In more than five years	<u>5,995,400</u>	<u>2,102,788</u>
	<u>7,719,532</u>	<u>6,681,581</u>
	<u>7,779,532</u>	<u>6,921,581</u>

22 Analysis of Net Assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible Fixed Assets	815,467	-	815,467
Net Current Assets	7,623,390	1,238,704	8,862,094
Creditors falling due after more than one year	<u>(7,774,098)</u>	-	<u>(7,774,098)</u>
	<u>664,759</u>	<u>1,238,704</u>	<u>1,903,463</u>

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

23 Funds	Restricted Reserves			Designated Reserve Landbanking	Revenue Reserve	Pension Reserve	Total
	Development	Landbanking	SDP				
	£	£	£				
Balance at 31 March 2016	971,050	202,000	53,838	302,018	392,901	(74,483)	1,847,324
Result for the Year	-	-	11,816	(76,068)	100,474	19,917	56,139
Balance at 31 March 2017	971,050	202,000	65,654	225,950	493,375	(54,566)	1,903,463

Revenue Reserve

£

General Activities	228,501
Sinking Fund Properties	75,643
Cashback Reserve	197,983
	<u>502,127</u>

Development fund – The development fund comprises grants specifically received to purchase and develop land.

Land banking fund – The land banking fund comprises grants received from Scottish Government for a specific development project.

CCSP – The Cairngorm Construction Skills Project is a project which offers training and work experience to young unemployed adults within the Cairngorm National Park.

The Highlands Small Communities Housing Trust
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24 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.

	2017			
	<u>Transactions</u>		<u>Balances as at 31 March</u>	
	Sold to	Purchased from	Due to the Trust	Due from the Trust
	£	£	£	£
Highland Council	21,510	2,773	8,517	-
Albyn Housing Society Ltd	-	-	-	-
Lochaber Housing Association Ltd	8,876	80,540	59,915	348
Lochalsh & Skye Ltd	-	2,367	-	-
Pentland Housing Association Ltd	-	9,636	-	-

	2016			
	<u>Transactions</u>		<u>Balances as at 31 March</u>	
	Sold to	Purchased from	Due to the Trust	Due from the Trust
	£	£	£	£
Highland Council	-	2,549	7,644	-
Albyn Housing Society Ltd	-	-	-	25,190
Lochaber Housing Association Ltd	39,950	787	10,200	-
Lochalsh & Skye Ltd	2,344	467	-	-
Pentland Housing Association Ltd	9,636	-	-	-

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

25 Legal status of the trust

The Highlands Small 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.

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

26 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.

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

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

The scheme is classified as a 'last-man standing arrangement'. Therefore the 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 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m.

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

Deficit contributions

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.

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

The Highlands Small Communities Housing Trust
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26 Scottish Housing Associations' Pension Scheme (continued)

Present Values of Provisions

	31 March 2017	31 March 2016	31 March 2015
	(£s)	(£s)	(£s)
Present value of provision	54,566	74,483	79,216

Reconciliation of opening and closing provisions

	Period Ending	Period Ending
	31 March 2017	31 March 2016
	(£s)	(£s)
Provision at start of period	74,483	79,216
Unwinding of the discount factor (interest expense)	1,634	1,686
Deficit contribution paid	(6,307)	(6,123)
Remeasurements – impact of any change in assumptions	1,588	(296)
Remeasurements – amendments to the contribution schedule	(16,832)	-
Provision at end of period	54,566	74,483

Income and expenditure impact

	Period Ending	Period Ending
	31 March 2017	31 March 2016
	(£s)	(£s)
Interest expense	1,634	1,686
Remeasurements – impact of any change in assumptions	1,588	(296)
Remeasurements – amendments to the contribution schedule	(16,832)	-
Costs recognised in income and expenditure account	32,373	20,681

The Highlands Small Communities Housing Trust
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26 Scottish Housing Associations' Pension Scheme (continued)

Assumptions

	31 March 2017	31 March 2016	31 March 2015
	% per annum	% per annum	% per annum
Rate of discount	1.06	2.29	2.22

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

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

Deficit Contributions Schedule

Year ending	31 March 2017	31 March 2016	31 March 2015
	(£s)	(£s)	(£s)
Year 1	10,738	6,307	6,123
Year 2	11,060	6,496	6,307
Year 3	11,392	6,691	6,496
Year 4	11,734	6,892	6,691
Year 5	11,078	7,099	6,892
Year 6	-	7,312	7,099
Year 7	-	7,531	7,312
Year 8	-	7,757	7,531
Year 9	-	7,990	7,757
Year 10	-	8,229	7,990
Year 11	-	8,476	8,229
Year 12	-	4,365	8,476
Year 13	-	-	4,365

27 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 2016. As of this date the estimated employer debt for The Highlands Small Communities Housing Trust was £615,796.

28 Controlling interest

The charity is controlled by the trustees.

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29 Transition to FRS 102

These are the first financial statements that comply with FRS 102. The charity transitioned to FRS 102 on 1 April 2015.

Reconciliation of equity

	At 1 April 2015			At 31 March 2016		
	Previously stated £	Effect of transition £	FRS 102 (restated) £	Previously stated £	Effect of transition £	FRS 102 (restated) £
Fixed assets	395,781	-	395,781	679,638	-	679,638
Current assets	7,162,848	-	7,162,848	8,453,965	-	8,453,965
Creditors amounts falling due within 1 year	(794,170)	-	(794,170)	(530,214)	-	(530,214)
Net current assets	6,368,678	-	6,368,678	7,923,750	-	7,923,750
Total assets less current liabilities	6,764,459	-	6,764,459	8,603,388	-	8,603,388
Creditors amounts falling due after more than one year	(4,903,763)	-	(4,903,763)	(6,681,581)	-	(6,681,581)
Net assets excluding pension liability	1,860,696	-	1,860,696	1,921,807	-	1,921,807
Defined benefit pension liability	-	(79,216)	(79,216)	-	(74,483)	(74,483)
Net assets	1,860,696	(79,216)	1,781,480	1,921,807	(74,483)	1,847,324
Equity	1,860,696	(79,216)	1,781,480	1,921,807	(74,483)	1,847,324

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29 Transition to FRS 102 (continued)

Reconciliation of profit or loss for the year

	At 31 March 2016		
	Previously stated £	Effect of transition £	FRS 102 (restated) £
Total Income	779,374	-	779,374
Total Expenditure	718,263	(4,437)	713,826
Income/(expenditure) and net movement in funds	61,111	4,437	65,548
Transfer between funds	-	-	-
Net movement in funds	61,111	4,437	65,548
Other recognised gains/(losses):			
Actuarial gains/(losses) on defined benefit pension schemes	-	296	296
	61,111	4,733	65,844
Reconciliation of funds			
Total funds brought forward	1,860,696	(79,216)	1,781,480
Total funds carried forward	1,921,807	(74,483)	1,847,324