

THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

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

REPORT OF DIRECTORS

AND FINANCIAL STATEMENTS

31 MARCH 2019

**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 2019**

Board of Trustees

Julia Campbell	
Alasdair Christie	
John Fotheringham	
David Goodall	
Jennifer Hodgson	
John Laing	
Corrine Mackay	Appointed 12 March 2019
Ronald Macwilliam	
Alex Matheson	
Maureen McDonald Cooke	Appointed 1 February 2019
Peter Mcluckie	Appointed 18 September 2018
Brendan O'Hanrahan	
Audrey Sinclair	Appointed 28 September 2019
Agnes Slimon	
Alexander Gracie	Resigned 12 March 2019
Helen Houston	Resigned 31 July 2018
David Hannah	Resigned 18 September 2018
Jennifer Lawless	Resigned 30 July 2018

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 2019

The Trustees present their report and the audited financial statements for the year to 31 March 2019. The Company is recognised by HM Revenue & Customs as a Scottish Charity (charity reference number SC027544).

Principal Activities

To provide, or assist in the provision of housing for persons in necessitous circumstances, in the Highlands and Islands Electoral Region of the Scottish Parliament or such other area that may replace it ("the Primary Operating Area") and outside the said Highlands and Islands Electoral Region but always within Scotland ("the Secondary Operating Area")

To relieve the needs of persons suffering from mental or physical disability, illness or impairment or old age, through the provision, or assistance in the provision, of housing specially adapted to meet their requirements, primarily, but not exclusively, in the Primary Operating Area.

To promote education, particularly in the field of housing, primarily, but not exclusively, in the Primary Operating Area.

To promote, establish, operate and/or support schemes and projects of a charitable nature, which promote inclusion, sustainability and wellbeing, provided always that these are not dealt with on a commercial basis, for the benefit of communities in the Primary and Secondary Operating Areas.

To promote the advancement of citizenship or community development (including rural or urban regeneration and the promotion of civic responsibility, volunteering, the voluntary sector or the effectiveness or efficiency of charities) in the Primary and Secondary Operating Area.

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

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 2019

Unrestricted reserves policy:

Unrestricted reserves comprise

- Designated Reserve – Landbanking Fund: comprises the surpluses made on the sale of land over 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 of Association.

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 and making the best use of the available grant.

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 as well as secure new development opportunities to make the most effective use of current grant funding opportunities.

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

Levels of funds held

Reserves currently stand at £2,566,357 (2018: £2,136,282). Of this £1,720,613 are restricted (2018: £1,262,997).

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

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 2019

Board of Trustees

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

Julia Campbell
Alasdair Christie
John Fotheringham
David Goodall
Jennifer Hodgson
John Laing
Corrine Mackay
Ronald Macwilliam
Alex Matheson
Maureen McDonald Cooke
Peter Mcluckie
Brendan O'Hanrahan
Audrey Sinclair
Agnes Slimon
Alexander Gracie
Helen Houston
David Hannah
Jennifer Lawless

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

Recruitment and Appointment of Trustees

Various organisations have the right to nominate Trustees to the Trust. These are the Highland Council, Albyn Housing Society Limited, Lochaber Housing Association Limited, Lochalsh and Skye Housing Association Limited, Pentland Housing Association Limited, the Scottish Crofting Foundation and Scottish Land and Estates. Community Councils may nominate members of Community Councils and vote for six Trustees to be appointed annually at the AGM. Up to an additional four independent Trustees can be appointed by the members at AGM.

Induction and Training of Trustees

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

Auditors

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

Ronald MacRae
Secretary

13 September 2019



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 2019

This has been a year of significant milestones and achievements. HSCHT celebrated its 20th Anniversary at our Annual Conference event which was attended by 85 delegates; we were named Social Enterprise of the Year in the Highland Business Awards; the first tranche of our Rent to Buy and Greener Homes sales were concluded; we were appointed agents for the Scotland wide Self-Build Loan Fund; we appointed our first Community Housing Scotland Officer under the Nationwide Foundation funded area expansion programme; the Strontian School was opened to pupils in October; commenced the servicing of four self-built plots in the Cairngorms National Park using the Dr and Mrs J. Steven Faulds Memorial Fund to help finance the project.

Alongside these achievements we have continued to focus on our core functions of housing enabling and improving community sustainability both economically and socially through the provision of affordable housing options in rural communities in the Highlands and beyond.

Developing and expanding on 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 82 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.

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 due to RH&IF support work is well underway on affordable housing for rent in some of the more remote communities e.g. Aultbea, Flodigarry, Gairloch and Durness as well as 4 houses for discounted sale in Abriachan. We believe this fund is critical to providing homes in remote and rural communities and to support communities who want to provide solutions to their housing needs. Due to the increasing number of communities proactively addressing their housing needs there is a growth in demand for our project management service and housing management service which are tailored to affordable rural developments.

The Scotland wide Self Build Loan Fund is now in operation and the first loan has been granted. We are delighted to have been successful in our tender to act as SG's agent for this invaluable loan fund. With enquiries coming from across Scotland, e.g. Orkney Isles, Falkirk, Aberdeenshire and over 34,000 website page views between September 2018 and March 2019 we are confident in the demand for this loan facility.

As previously mentioned, our work in supporting an increasing number of communities to develop their own housing projects has led to an increase in the number of Housing & Community Needs surveys and feasibility studies being undertaken.

In Strontian, the community owned primary school developed with HSCHT support, welcomed it's its pupils in October 2018. A huge achievement for the community and the immense input by the Board over the development process is awe inspiring and representative of the enormous efforts communities expend in progressing their aims and objectives with little recognition. We are fortunate to work with some truly inspiring communities.

The movement towards a more self-sustaining model continues and the Social Enterprise of the Year award is testament to our progress towards this goal.

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 2019

Our ability to provide our services outwith the Highland has been strongly supported by The Nationwide Foundation grant of £380,000 over 5 years to support the employment of community led housing development officers and the first two Community Housing Officers were employed this year.

Development Agency work has increased after a successful tender to provide this service for Link Housing Association's development at Upper Achintore. The Lochaber Housing Association development partnership is now well into its second three year agreement and is successfully delivering its objectives. We continue to act as agents for the Highland Council in rural developments and are currently providing development agency and project management services to a number of other community based organisations.

HSCHT continues to operate the Woodland Trust's bridging finance facility for woodland creation and/or management schemes to qualifying crofters and land managers. The loan fund has been increased and it is possible that this scheme will be extended into 2020.

HSCHT remains a partner in the Forest Croft Partnership leading the promotion of the forest croft agenda from FCS.

Annual Outputs	
1. Housing Need & Feasibility Studies	<ul style="list-style-type: none"> • During the last year, we have carried out housing needs surveys in Torridon, Tarbert, Achiltibuie, Assynt, The Cabrach, Arisaig and Strathglass. Feasibility studies have been carried out in over 20 communities including: Stoer, Raasay, Arisaig, Assynt and Torridon. • This information is valuable for local authorities, funders as well as communities who may then decide to embark on new housing options.
2. Community Housing Surgeries/ Advice	<ul style="list-style-type: none"> • We have provided advice to over 1000 individuals through the year and enquiries received, through our website, email and telephone as well as exhibiting at a number of events, have been beyond our expectations. The surge in enquiries has been partly due to communities wishing to undertake community led developments. Whilst most come from community groups or organisations, we also receive enquiries from landowners, individuals, local authorities, RSL's and a range of other organisations. • Attended 10 events and exhibited /provided advice. Events attended include: Community Land Scotland Conference, Scottish Land & Estates Conference, Homebuilding & Renovating Show, Scottish Council for Volunteer Organisations (SCVO) gathering in Glasgow and The Scottish Rural Parliament organised by Scottish Rural Action.
3. Innovative Housing Projects developed	<p>Ongoing, projects include:</p> <ul style="list-style-type: none"> • Working with Sabhal Mor Ostaig (Scotland's Gaelic college) on facilitating a new village development in Kilbeg. The vision for this development is to include a mix of housing for the elderly, commercial, education and leisure facilities. HSCHT have already provided 2 homes under our Rent to Buy scheme and proposals for Phase 2 of housing, 26 units are being taken forward. • HSCHT are in partnership with Lochalsh & Skye Housing Association and Staffin Community Trust on a project to provide 6 homes of mixed tenure, including community owned housing, the renovation of a property and new business units. HSCHT have so far assisted Staffin CT with Business Plan for Scottish Land Fund application the purchase of land from Scottish Ministers, and negotiations with NHS Highland. • Strontian Community School completed and pupils moved in in October 2018. This is Scotland's first community owned school that has been designed to be easily convertible to affordable housing or another use in future. HSCHT have supported the community fulfil this ambitious and ground-breaking goal.

The Highlands Small Communities Housing Trust
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Output and Performance Report
for the year ended 31 March 2019

3. Innovative Housing Projects developed	<ul style="list-style-type: none"> • Providing homes under the Rural Housing Fund and Rent to Buy under the final phase of housing in the Gairloch Community Project. 5 homes will be available in the final phase, 2 Rent to Buy and 3 for Social rent. This former brownfield site already has 20 affordable homes on site, a newly built community building, a commercial business and new Army Training Corps Centre. • Managing a renovated community owned house on behalf of Kinlochberrie Community Company. Work is underway on the property and HSCHT secured funding through RHF to complete the project on behalf of KCC.
4. Self Build Discounted Plot Enquiries	<ul style="list-style-type: none"> • Attended MFR Highland Home Road Show to promote self-build and dealt with enquiries at the event. • Advertising 8 different locations for self-build plots on our website. • 122 people registered interest in plots via our website. • Appointed agents by The Scottish Government to administer national Self-Build Loan Fund. A total of 14 loans were previously provided under the pilot Highland Self Build Loan Fund. Under the new nationwide fund, 2 applicants will be making drawdowns from the fund in the near future. • Launched Scotland's Self Build & Custom Portal to provide information to potential self and custom builders.
5. Self Build Discounted Plots	<ul style="list-style-type: none"> • Selling 4 plots to a self-build group. HSCHT serviced the sites prior to selling each family their plot. This process has been facilitated by the new fund administered by HSCHT, the Dr & Mrs. Steven Fauld's Memorial Fund. • Acting as Rural Housing Body on behalf of Sleat Community Trust to sell 2 discounted plots.
6. Advice to Landowners and Developers	<ul style="list-style-type: none"> • We are working on behalf of LINK Group to procure 319 new homes at Upper Achintore, due to commence on site later this year. • LHA's development programme remains strong, having committed finances for a further 75 units to 2021, in addition to the 86 units which have been completed or already have funding approval, since the start of our Agency Agreement with them in 2014. • Onsite at Lochyside School in a 31 Unit project for Highland Council and LHA.
7. Advice and support to communities	<p>Ongoing examples include:</p> <ul style="list-style-type: none"> • Working with Lochcarron Community Development Company on a project to provide 20-30 homes within a woodland setting over phased development. HSCHT have undertaken a feasibility study and a pre-app for the development has been submitted. • Held an open day and prepared a business plan for Raasay Development Trust. The group have SLF stage 2 approved and land acquisition is underway. • Having previously carried out a housing needs survey in Arisaig, we are now working with the community with a feasibility study to purchase a local site via the Scottish Land Fund. • Completed a housing strategy report for Lairg & District Community with potential development opportunities on the site purchased through the Scottish Land Fund. • Undertaking a land audit in Torridon to explore viable sites following a housing needs survey. • Preparing a proposal for Isle of Canna task force who wish to increase the number of permanent residents on the island and provide more housing options. • Providing support and information to Edinbane Community Company on their proposal to own 6 houses. HSCHT are undertaking the role of facilitator and are working with the community group and developer. • We have expanded our operating area and have received around 150 enquiries from community groups and organisations out with Highland and are working with 4 different local authorities.

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 2019

8. Partnership Working & Policy	<ul style="list-style-type: none"> • Attend weekly meetings held by The Highland Council and Scottish Government to discuss delivery of the Strategic Housing Investment Plan and enabling more housing in Highland. • Member of the recently formed Rural Repopulation & Renewal Working Group. Along with Highlands & Islands Enterprise, Community Land Scotland and DTAS, we are exploring how rural communities can increase their population in sustainable ways. • Regular meetings with the Forestry Commission re the Woodland Croft Partnership. • Meetings with Cairngorms National Park Authority and inputted into discussion on both Community Led Housing and Sustainable Housing Renovation in the Cairngorms.
9. Negotiations with developers	<ul style="list-style-type: none"> • Negotiation with developers the Kilbeg village site for 26 units • Discussions on going for 36 unit development in Tarland • Ongoing discussions re potential development in Tomatin.
10. Housing Land Identification and Release	<ul style="list-style-type: none"> • Undertook extensive study for Islay to identify suitable land for development. Working with Assynt Development Trust to identify development sites in and around Lochinver. Torridon (12), Tomatin (13), Lochcarron (30), Stoer (6).
11. Site investigations /Feasibility Studies	<ul style="list-style-type: none"> • Undertaken 20 feasibility studies and 45 site investigations.
12. Land Acquisition (Sites)	<ul style="list-style-type: none"> • Purchase underway at Lochcarron for 20-30 units. • Purchase at Kilbeg for 11 units.
13. Land Sales to RSL's (capacity)	<ul style="list-style-type: none"> • Discussing the sale of a site with a local RSL that would see the development of up to 70 homes.
14. Low cost houses developed for sale/ rent	<ul style="list-style-type: none"> • In the last year, a further 6 homes have been developed under our Rent to Buy Scheme and have provided new affordable homes in Cromdale, Duror and Achabeag. This brings the total number of homes constructed under the scheme to 62 homes in 25 communities. • Nine house sales have been concluded under Phase 1 of the Rent to Buy Scheme • With funding assistance through the Rural and Islands Housing Fund, development of 15 homes are on site: Abriachan (3 units), Aultbea (4 units), Durness (3 units) and Gairloch (5 units). • Construction started on 3 homes for discounted sale in Abriachan. Funding provided under the RHF and expected completion August 2019.
15. Annual Conference and Regional Seminars	<ul style="list-style-type: none"> • 20th Annual Conference & AGM held in September 2018. Over 80 delegates attended the event and key note speakers included Drew Hendry MP. • To mark our 20th Anniversary last year, we produced a brochure to celebrate our successes over the years. This brochure was widely distributed at our Annual Conference event (attended by 85 delegates), sent to all of our 82 community members and sent to all partner organisations that we work with. The brochure is a great showcase for HSCHT and we continue to distribute it at events we attend.

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

We have audited the financial statements of The Highlands Small Communities Housing Trust (the 'charity') for the year ended 31 March 2019 which comprise the statement of financial activities (including income and expenditure account), statement of financial position, statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 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.

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2019 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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


Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Colin Gray B.Com CA (Senior Statutory Auditor)

For and on behalf of
FKF Accounting Limited
Chartered accountant & statutory auditor
Metropolitan House
31-33 High Street
Inverness
IV1 1HT

13 September 2019

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 2019

Notes	2019											2018										
	Unrestricted Funds			Restricted Funds			Total	Unrestricted Funds			Restricted Funds			Total								
	Operational Activity	Rental Properties	Sale of Houses and Land	Operational Activity	SDP	Pension fund		CHS	Reserve	Faults Reserve	Restricted Reserve	Operational Activity	Rental Properties		Sale of Houses and Land	Operational Activity	SDP	Pension fund	Faults Reserve	Restricted Reserve		
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£			
Income Resources																						
Incoming resources from charitable activities																						
Revenue Grants	106,001	-	-	-	146,199	-	507,563	-	759,763	-	11,180	-	99,444	-	132,168	-	375,472					
Rental Income	-	438,653	-	-	-	-	-	438,653	-	-	-	413,946	-	-	-	-	-	413,946				
Sale Proceeds on Land Disposals	-	-	1,119,162	-	-	-	-	1,119,162	-	-	-	298,249	-	-	-	-	-	298,249				
Fee Income	255,635	-	-	-	-	-	-	177,039	255,635	-	-	-	-	-	-	-	-	177,039				
Investment Income	2,823	-	-	14	-	-	-	4,096	2,837	-	-	-	20	-	-	-	-	4,116				
Total Incoming Resources	364,459	438,653	1,119,162	-	146,213	-	507,563	2,576,050	313,815	413,946	309,429	-	99,464	132,168	-	1,268,822						
Resources Expended																						
Charitable Activities																						
Administration and Management	263,128	116,150	75,262	72,035	196,140	-	-	722,715	277,531	122,115	78,293	(10,738)	75,132	-	-	-	542,333					
Rental Expenditure	-	82,877	-	-	-	-	-	82,877	-	81,343	-	-	-	-	-	-	81,343					
Cost of sale of Land Disposals	-	-	1,086,402	-	-	-	-	1,086,402	-	-	-	-	-	-	-	-	291,980					
Bank and Loan Interest Payable	140	135,321	500	-	20	-	-	135,981	148	119,523	500	517	39	-	-	-	120,727					
Cash Backs on Rent to Buy Sales	-	104,000	-	-	-	-	-	104,000	-	-	-	-	-	-	-	-	-					
Total Resources Expended	263,268	438,348	1,162,164	72,035	196,160	-	-	2,131,975	277,679	322,981	370,773	(10,221)	75,171	-	-	1,036,383						
Income/(expenditure) and net movement in funds	101,191	305	(43,002)	(72,035)	(49,947)	-	507,563	444,075	36,136	90,965	(61,344)	10,221	24,293	132,168	-	232,439						
Transfer Between funds	101,191	-	-	-	-	-	-	-	-	36,136	-	-	-	-	-	-	-					
Net Movement in funds	101,496	(43,002)	(43,002)	(72,035)	(49,947)	-	507,563	444,075	127,101	(61,344)	10,221	24,293	132,168	-	232,439							
Other recognised gains/losses																						
Actuarial gains/(losses) on defined benefit pension schemes	-	-	-	(14,000)	-	-	-	(14,000)	-	-	-	380	-	-	-	380						
	101,496	(43,002)	(43,002)	(86,035)	(49,947)	-	507,563	430,075	127,101	(61,344)	10,601	24,293	132,168	-	232,819							
Funds at 31 March 2018	620,476	164,606	(43,965)	89,947	132,168	1,173,050	65,654	2,136,282	493,375	225,950	(54,566)	65,654	1,173,050	1,903,463								
Funds at 31 March 2019	721,972	121,604	(130,000)	40,000	132,168	1,680,613	89,947	2,566,357	620,476	164,606	(43,965)	89,947	1,173,050	2,136,282								

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 16 to 34 form part of these financial statements.

The Highlands Small Communities Housing Trust
Balance Sheet
As at 31 March 2019

	Notes	2019		2018	
		£	£	£	£
Tangible fixed assets	17		633,892		792,169
Current assets					
Land banking and Development properties	18	8,545,629		8,081,926	
Debtors	19	133,845		107,838	
Cash in hand		1,094,375		1,058,553	
		<u>9,773,848</u>		<u>9,248,317</u>	
Current liabilities					
Creditors due within one year	20	<u>(3,277,590)</u>		<u>(1,702,079)</u>	
Net current assets			6,496,259		7,546,238
Total assets less current liabilities			<u>7,130,151</u>		<u>8,338,407</u>
Creditors:	21				
amounts falling due after more than one year			(4,433,794)		(6,158,160)
Net assets excluding pension liability			<u>2,696,357</u>		<u>2,180,247</u>
Defined Pension Liability			(130,000)		(43,965)
Net Assets			<u><u>2,566,357</u></u>		<u><u>2,136,282</u></u>
Capital and reserves					
Restricted Reserves- Development	23		971,050		971,050
- Development Grants			709,563		202,000
- SDP			40,000		89,947
Designated reserves - land banking fund	23		121,604		164,606
Faulds Memorial Reserve			132,168		132,168
Revenue reserves	23		721,972		620,476
Pension Reserves			<u>(130,000)</u>		<u>(43,965)</u>
			<u><u>2,566,357</u></u>		<u><u>2,136,282</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 13 September 2019 and are signed on their behalf by:

John Laing (Chair)
Trustee

Company Registration No. SC182862

The notes on pages 16 to 34 form part of these financial statements.

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

Statement of cash flows
For the year ended 31 March 2019

	2019	2018
	£	£
Cash flows from operating activities		
Net (expenditure)/income	516,110	232,819
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	19,090	18,658
(Profit)/Loss on sale of tangible fixed assets	-	(6,269)
Other interest receivable and similar income	(2,837)	(4,116)
Defined benefit pension charges	-	(10,601)
<i>Changes in:</i>		
Trade and other debtors	(26,007)	304,056
Stock	(308,062)	(824,446)
Trade and other creditors	206,411	(81,766)
Cash generated from operations	404,705	(371,655)
Interest received	2,837	4,116
Net cash generated from/(used in) operating activities	<u>407,542</u>	<u>(367,549)</u>
Cash flows from investing activities		
Purchase of tangible assets	(16,454)	(390,098)
Proceeds from sale of tangible assets	-	401,007
	<u>(16,454)</u>	<u>10,909</u>
Cash flows from financing activities		
Repayment of borrowing	(355,266)	(65,000)
Cash inflows from new borrowing	-	79,060
	<u>(355,266)</u>	<u>14,060</u>
Net (decrease)/increase in cash and cash equivalents	35,822	(342,580)
Cash and cash equivalents at beginning of year	1,058,553	1,401,133
Cash and cash equivalents at end of year	<u>1,094,375</u>	<u>1,058,553</u>

(The notes on pages 16 to 32 form part of these financial statements)

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

**Notes to the accounts
Year ended 31 March 2019**

1 General information

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

2 Statement of compliance

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

3 Principal Accounting Policies

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

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

a Basis of Preparation

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

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

b Going concern

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

c Income Recognition Policies

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

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

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

Investment income is recognised when receivable.

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

**Notes to the accounts
Year ended 31 March 2019**

3 Principal Accounting Policies (Continued)

d Resources Expended

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

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

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

e Fund accounting

Funds are classified as restricted or unrestricted as defined below:

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

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

f Tangible Fixed Assets – Housing Properties (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.

g Tangible Fixed Assets – Depreciation

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

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

h Capital Grants

Housing Properties

Capital Grants are receivable from Communities Scotland and the Highland Council for the provision of housing properties for rent. These grants are utilised to reduce the capital costs of housing properties.

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.

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

Notes to the accounts
Year ended 31 March 2019

3 Principal Accounting Policies (Continued)

i 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.

j Financial Instruments

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

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

k Taxation

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

l Employee benefits

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

m Pension Schemes

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. The Trust also participates in the SFHA pension scheme as stated in Note 26.

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

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

From 1 April 2018 the charity recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of the plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Changes in the net defined benefit asset or liability arising from employee service are recognised in the SOFA as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in the SOFA in the period in which they occur. Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in the SOFA.

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

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.

4 Income from Charitable activities

Revenue Grants

	2019		Total
	Unrestricted	Restricted	
	£	£	£
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	10,000	-	10,000
Nationwide Foundation	5,338	120,000	125,338
The Robertson Trust	18,000	-	18,000
SG Rural Housing Fund	-	507,563	507,563
Grants: SDP Highland Council ESF	-	26,199	26,199
HIE - Employment Grants	7,663	-	7,663
	106,001	653,762	759,763

	2018		Total
	Unrestricted	Restricted	
	£	£	£
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	15,000	-	15,000
Westminster Foundation	5,000	-	5,000
The Robertson Trust	18,000	18,000	36,000
Comic Relief	-	11,062	11,062
HIE	8,679	-	8,679
FCS	5,000	-	5,000
Miscellaneous Grants	12,680	382	13,062
Peoples & Communities Fund	-	30,000	30,000
SG Self & Custom Build	-	30,000	30,000
Garfield Weston	-	10,000	10,000
Anne Duchess of Westminster	2,500	-	2,500
Woodland Trust	12,000	-	12,000
Faulds Donation	-	132,168	132,168
	143,859	231,612	375,472

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

5 Particulars of income and expenditure from lettings

Income from lettings	2019	2018
	Unrestricted	Unrestricted
	£	£
Rents received	438,653	413,946
<hr/>		
Expenditure on lettings activities	2019	2018
	Unrestricted	Unrestricted
	£	£
Maintenance Costs	28,740	30,980
Void Costs	80	1,323
Lease & Legal Fees	13,850	12,939
Depreciation	19,090	18,657
Insurance	21,117	17,444
	<hr/>	<hr/>
	82,877	81,343
Loan interest	135,321	119,523
Total expenditure on lettings	<hr/>	<hr/>
	218,198	200,866
Operating surplus on lettings activities	<hr/>	<hr/>
	220,455	213,080

6 Sale of Land

	2019	2018
	Unrestricted	Unrestricted
	£	£
Sale proceeds	1,119,162	298,249
Cost of sales	(1,086,402)	(291,980)
Surplus on disposal	<hr/>	<hr/>
	32,760	6,269

7 Fee Income

	2019	2018
	Unrestricted	Unrestricted
	£	£
Other Fees	<hr/>	<hr/>
	255,635	177,039

8 Investment Income

	2019		
	Unrestricted	Restricted	Total
	£	£	£
Interest receivable from banks	<hr/>	<hr/>	<hr/>
	2,823	14	2,837

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

	2018		
	Unrestricted	Restricted	Total
	£	£	£
Interest receivable from banks	<hr/>	<hr/>	<hr/>
	4,096	20	4,116

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

9 Administration and Management

	Community Engagement	Rental Activity	Landbanking Activities	2019 CHS SDP	Pension Fund	Total
	£	£	£	£	£	£
Staff Costs (see note 13)	193,343	80,560	48,336	141,931	72,035	536,205
Rent	7,420	3,373	2,698	8,998	-	22,489
Travel Costs	13,774	6,261	5,009	8,870	-	33,914
Recruitment Costs	725	330	264	-	-	1,319
Publicity	2,942	1,335	1,069	1,337	-	6,683
Post Stationary and Office Costs	11,267	5,121	4,097	9,475	-	29,960
Telephone and IT	4,406	2,003	1,602	7,769	-	15,780
Consultancy - Innovative Projects	19,831	9,014	7,211	4,006	-	40,062
Insurance	792	360	288	254	-	1,694
Meetings, Training & Venues	249	-	-	8,971	-	9,220
Unrecoverable VAT	2,578	5,156	2,578	2,578	-	12,890
Board and Members Expenses	3,728	1,695	1,356	1,286	-	8,065
Audit Fees	2,073	942	754	665	-	4,434
	<u>263,128</u>	<u>116,150</u>	<u>75,262</u>	<u>196,140</u>	<u>72,035</u>	<u>722,715</u>

The above expenditure on charitable activities was £722,715 (2018: £542,333) of which £526,575 was unrestricted (2018: £467,201) and £196,140 was restricted (2018: £75,132).

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

9 Administration and Management (continued)

	Community Engagement £	Rental Activity £	Landbanking Activities £	2018 SDP £	Pension Fund £	Total £
Staff Costs (see note 13)	213,848	89,104	53,462	39,470	(10,738)	385,146
Rent	12,340	5,609	4,487	1,563	-	23,999
Travel Costs	12,096	5,498	4,399	1,074	-	23,066
Recruitment Costs	436	198	159	-	-	793
Publicity	995	452	362	484	-	2,294
Post Stationary and Office Costs	9,685	4,402	3,522	760	-	18,370
Telephone and IT	4,370	1,987	1,589	950	-	8,896
Consultancy - Innovative Projects	15,878	7,217	5,774	277	-	29,147
Insurance	1,013	460	368	155	-	1,997
Meetings, Training & Venues	292	133	106	29,964	-	30,494
Unrecoverable VAT	2,630	5,260	2,630	-	-	10,520
Board and Members Expenses	1,684	765	612	-	-	3,062
Audit Fees	2,263	1,029	823	435	-	4,549
	<u>277,531</u>	<u>122,115</u>	<u>78,293</u>	<u>75,132</u>	<u>(10,738)</u>	<u>542,333</u>

10 Summary analysis of expenditure related to 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.

	2019						
	Community Engagement £	Rental Activity £	Land banking Activities £	SDP £	Pension Fund £	Faulds Reserve	Total £
Costs	263,128	438,348	1,162,164	196,140	72,035	-	2,131,815
Direct grant support	(106,001)	-	(506,563)	(146,199)	-	-	(759,763)
Net cost funded from other income	<u>157,127</u>	<u>438,348</u>	<u>655,601</u>	<u>49,941</u>	<u>72,035</u>	<u>-</u>	<u>1,372,052</u>

11 Analysis of governance costs

	2019 Unrestricted £	2018 Unrestricted £
Board and Members Expenses	8,065	3,062
Audit Fees	4,435	4,549
	<u>12,500</u>	<u>7,611</u>

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

12 Operating surplus	2019	2018
	£	£
Operating surplus is stated after charging		
Auditors' fees	4,435	4,549
Depreciation	19,090	18,658
	<hr/> <hr/>	<hr/> <hr/>

13 Directors and employees	2019	2018
	£	£
Staff costs (see note 9)		
Wages	389,193	333,619
Social security	35,372	25,158
Other pension costs	39,605	37,107
	<hr/> <hr/>	<hr/> <hr/>

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

	2019	2018
	Number	Number
£60,000 - £69,999	1	0

In 2018 no employees received remuneration in excess of £60,000.

Average number of persons employed	<hr/> <hr/>	<hr/> <hr/>
	15	11

Expenses paid to Community Elected Directors on the Trust Board totalled £473 (2018 - £302).

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 £39,605 (2018 - £37,107).

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

14	Trustees' remuneration and costs of key management personnel	2019	2018
		£	£
	Staff costs		
	Wages	95,507	88,369
	Social security	10,855	10,306
	Other pension costs	7,895	7,511
		114,257	106,186

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

		2019		
15	Interest payable and other charges	Unrestricted	Restricted	Total
		£	£	£
	Bank interest and charges	135,961	20	135,981
	Defined benefit pension fund charge (note 27)	-	-	-
		135,961	20	135,981

		2018		
		Unrestricted	Restricted	Total
		£	£	£
	Bank Interest and charges	120,171	39	120,210
	Defined benefit pension fund charge (note 27)	517	-	517
		120,688	39	120,727

16 Corporation Tax

The Trust is recognised by HM Revenue & Customs as a Scottish Charity. All income is applicable and applied to charitable purposes and relief is given to the Trust under Section 478 of the Corporation Tax Act 2010.

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

17 Fixed Assets

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
Cost				
At 31 March 2018	1,578,722	6,849	4,157	1,589,728
Additions	16,454	-	-	16,454
Disposals	(155,641)	-	-	(155,641)
At 31 March 2019	<u>1,439,355</u>	<u>6,849</u>	<u>4,157</u>	<u>1,450,541</u>
Depreciation				
At 31 March 2018	110,624	6,849	4,157	121,630
Charge for year	19,090	-	-	19,090
At 31 March 2019	<u>129,714</u>	<u>6,849</u>	<u>4,157</u>	<u>140,720</u>
Grants				
Other Grants at 31 March 2018	675,929	-	-	675,929
Additions	-	-	-	-
Other Grants at 31 March 2019	<u>675,929</u>	<u>-</u>	<u>-</u>	<u>675,929</u>
Net Book Value				
As at 31 March 2019	<u>633,892</u>	<u>-</u>	<u>-</u>	<u>633,892</u>
As at 31 March 2018	<u>792,169</u>	<u>-</u>	<u>-</u>	<u>792,169</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 2015	<u>1,583,362</u>	<u>1,439,532</u>	<u>143,830</u>

The directors consider that there has been no material impairment in the market value of heritable property in the year ended 31 March 2019 and the market value at 31 March 2019 remains in excess of historic costs.

The Highlands Small Communities Housing Trust

(A company limited by guarantee)

18 Land Banking and Development Properties

	Land Banking £	Feasibility Studies £	Total £
Cost			
As at 31 March 2018	8,035,082	46,844	8,081,926
Additions	1,421,921	140,204	1,562,125
Transfers	138,348	(138,348)	-
Disposals/Written Off	(1,098,422)	-	(1,098,422)
As at 31 March 2019	8,496,929	48,700	8,545,629

19 Debtors

	2019 £	2018 £
Other debtors	133,845	107,838

20 Creditors due within one year

	2019 £	2018 £
Highland Council Loans	612,823	214,000
Scottish Gov Loan– Rent to Buy	2,347,909	1,397,433
Trade Creditors	254,673	48,673
Other taxation and social security	14,375	14,238
Other creditors	43,800	24,315
Accruals	4,010	3,420
	3,277,590	1,702,079

21 Creditors:

Amounts falling due after more than one year

	2019 £	2018 £
Scottish Government loan - Rent to Buy	4,334,894	6,050,460
Highland Council	40,000	-
Nationwide Foundation Loan	58,900	63,900
Lochaber Housing Association	-	43,800
	4,433,794	6,158,160

The Rent to Buy loans are secured by specific charges on land owned by HSCHT and are repayable in full on 31 October 2019, 31 March 2020, 2021 and the sixth anniversary of the completion date. Interest is chargeable on this loan from 1 April 2013 at 2.25% per annum.

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

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

The Highlands Small Communities Housing Trust
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	2019 £	2018 £
Analysis of loan repayments		
In the next year	3,004,532	1,611,433
In the second year	944,470	3,002,703
In the third to fifth year	3,430,424	1,707,787
In more than five years	58,900	1,447,670
	<u>4,433,794</u>	<u>6,158,160</u>
	<u>7,438,326</u>	<u>7,779,532</u>

22 Analysis of Net Assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Tangible Fixed Assets	633,892	-	633,892
Net Current Assets	4,775,646	1,720,613	6,496,259
Creditors falling due after more than one year	(4,563,794)	-	(4,563,794)
	<u>845,744</u>	<u>1,720,613</u>	<u>2,566,357</u>

The Highlands Small Communities Housing Trust
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23 Funds	Restricted Reserves		Unrestricted Funds			Total		
	Development	Landbanking	SDP	Faulds Memorial	Landbanking Reserve		Revenue Reserve	Pension Reserve
	£	£	£	£	£	£	£	
Balance at 31 March 2018	971,050	202,000	89,947	132,168	164,606	620,476	(43,965)	2,136,282
Result for the Year	-	507,563	(49,947)	-	(43,002)	101,496	(86,035)	430,075
Balance at 31 March 2019	971,050	709,563	40,000	132,168	121,604	721,972	(130,000)	2,566,357

Revenue Reserve

General Activities
Sinking Fund Properties
Cashback reserve

	2019	2018
	£	£
General Activities	493,329	287,833
Sinking Fund Properties	87,643	87,643
Cashback reserve	141,000	245,000
	<u>721,972</u>	<u>620,476</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.

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

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24 Capital Commitments

At 31 March 2019 the charity had capital commitments as follows:

Contracted for but not provided in the financial statements:

	2019	2018
	£	£
Developments at:		
Durness	304,744	-
Gairloch	415,632	-
Aultbea	421,886	-
Rothiemurcus	93,892	-
Tain	225,207	-
Abriachan	93,048	-
Flodigarry	182,188	-
	1,736,597	-

25 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.

	2019			
	<u>Transactions</u>		<u>Balances as at 31 March 2019</u>	
	Sold to	Purchased	Due to	Due from
	£	from	the Trust	the Trust
	£	£	£	£
Highland Council	35,224	-	6,715	-
Lochaber Housing Association Ltd	44,871	-	-	-
Lochalsh & Skye Ltd	1,881	-	-	-
Pentland Housing Association Ltd	2,559	2,852	-	-

	2018			
	<u>Transactions</u>		<u>Balances as at 31 March 2018</u>	
	Sold to	Purchased	Due to	Due from
	£	from	the Trust	the Trust
	£	£	£	£
Highland Council	26,723	7,675	13,292	-
Lochaber Housing Association Ltd	59,676	2,103	727	60
Lochalsh & Skye Ltd	2,412	2,918	-	788
Pentland Housing Association Ltd	9,636	-	-	-

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

26 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
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27 Scottish Housing Associations' Pension Scheme

TPT Retirement Solutions – Scottish Housing Associations' Pension Scheme

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

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

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

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

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

Deficit contributions

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

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

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

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

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

Comparative disclosures for deficit funding liability

Present Values of Provisions

	31 March 2018
	(£s)
Present value of provision	43,965

Reconciliation of opening and closing provisions

	Year Ending
	31 March 2018
	(£s)
Provision at start of period	54,566
Unwinding of the discount factor (interest expense)	517
Deficit contribution paid	(10,738)
Remeasurements – impact of any change in assumptions	(380)
Provision at end of period	43,965

Income and expenditure impact

	Year Ending
	31 March 2018
	(£s)
Interest expense	517
Remeasurements – impact of any change in assumptions	(380)

Disclosures related to the defined benefit fund liability

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

	Year Ending	Year Ending
	31 March 2019	31 March 2018
	(£'000)	(£'000)
Fair value of plan assets	485	456
Present value of defined benefit obligation	615	579
Deficit in plan	(130)	(123)
Defined benefit liability recognised	(130)	(123)

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27 Scottish Housing Associations' Pension Scheme (continued)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year Ending
	31 March 2019
	(£'000)
Defined benefit obligation at start of period	579
Interest expense	15
Actuarial gains due to scheme experience	(23)
Actuarial losses due to changes in demographic assumptions	1
Actuarial losses due to changes in financial assumptions	44
Benefits paid and expenses	(1)
Defined benefit obligation at end of period	615

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

	Year Ending
	31 March 2019
	(£'000)
Fair value of plan assets at start of period	456
Interest income	12
Experience on plan assets - gain	8
Contributions by the employer	10
Benefits paid and expenses	(1)
Fair value of plan assets at end of period	485

Defined benefit costs recognised in Statement of Financial Activities

	Year Ending
	31 March 2019
	(£'000)
Net interest expense	3
Transition from deficit funding liability to defined benefit liability	69
Defined benefit cost recognised in SOFA	72

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

Defined benefit cost recognised in other comprehensive income

	Year Ending
	31 March 2019
	(£'000)
Experience on plan assets (excluding amounts included in net interest cost) - gain	8
Experience gains and losses arising on the plan liabilities – gain	23
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation -loss	(1)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation -loss	(44)
Total actuarial gains and losses - loss	(14)
Total amount recognised in other comprehensive income - loss	(14)

Key Assumptions

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount rate	2.35	2.60
Inflation (RPI)	3.25	3.14
Inflation (CPI)	2.25	2.14
Salary Growth	3.25	3.14
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy
	At age 65
	(Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

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

Assets

Year ending		31 March 2019	31 March 2018
		(£'000)	(£'000)
Global equity		78	82
Absolute return		41	54
Distressed Opportunities		8	2
Credit Relative Value		8	-
Alternative Risk Premia		27	17
Fund of Hedge Funds		1	13
Emerging Markets Debt		16	16
Risk Sharing		14	4
Insurance-Linked Securities		13	12
Property		10	18
Infrastructure		20	8
Private Debt		6	4
Corporate Bond Fund		34	32
Long Lease Property		6	-
Secured Income		17	17
Over 15 Year Gilts		12	15
Index Linked All Stock Gilts		-	-
Liability Driven Investment		173	161
Net Current Assets		1	1
Total assets		485	456

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

28 Controlling interest

The charity is controlled by the trustees.

