

**THE HIGHLANDS SMALL COMMUNITIES HOUSING
TRUST**

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

**REPORT OF DIRECTORS
AND FINANCIAL STATEMENTS**

31 MARCH 2018

**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 2018**

Board of Trustees

Derek Flyn	(Resigned 14 June 2017)
David Hannah	
Alasdair Christie	
David Goodall	
Jennifer Lawless	
James McIntyre	(Resigned 8 September 2017)
Agnes Slimon	
Julia Campbell	
John Laing (Chair)	
Iain Clark	(Resigned 8 September 2017)
Maxine Smith	(Resigned 14 June 2017)
Audrey Sinclair	(Resigned 6 June 2017)
William Hall	(Resigned 6 June 2017)
Neil Cameron	(Resigned 8 September 2017)
Alexander Gracie	(Appointed 3 August 2017)
Jennifer Hodgson	(Appointed 8 September 2017)
Ronald MacWilliam	(Appointed 5 October 2017)
John Fotheringham	(Appointed 6 October 2017)
Helen Houston	(Appointed 6 November 2017)
Brendan O'hanrahan	(Appointed 2 February 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 2018

The Trustees present their report and the audited financial statements for the year to 31 March 2018. 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 9.

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. Excluding the funds secured below HSCHT's reliance on grant aid has further reduced to 19%.

The Dr and Mrs J. Steven Faulds Memorial Fund has been secured through a Deed of Gift of £132,168. This will operate as a revolving fund to help individuals/families access affordable self-build plots through HSCHT.

The Highlands Small Communities Housing Trust
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The Report of the Trustees
for the year ended 31 March 2018

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 2018

Levels of funds held

Reserves currently stand at £2,136,282 (2017: £1,947,221). Of this £1,262,997 are restricted. (2017: £1,229,954)

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
David Hannah
Alasdair Christie
David Goodall
Jennifer Lawless
James McIntyre
Agnes Slimon
Julia Campbell
John Laing (Chair)
Iain Clark
Maxine Smith
Audrey Sinclair
William Hall
Neil Cameron
Alex Matheson
Alexander Gracie
Jennifer Hodgson
Ronald MacWilliam
John Fotheringham
Helen Houston
Brendan O'Hanrahan

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.

**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 2018**

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 2018

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 2018

During 2017-18, HSCHT 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 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 74 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 were invited to participate in a Community Led Housing Think Tank held in Chester by the Housing Plus Academy. An opportunity to share knowledge and experience with a diverse range of community based organisations.

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, self-build 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 have secure funding to provide affordable housing for rent in some of the more remote communities e.g. Aultbea, Flodigarry, 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 support affordable rural developments.

The Highland Self Build Loan Fund pilot was due to come to an end March 2018 and we are delighted to say that we have negotiated a six month extension to the fund. Further, it will be rolled out nationally in the next financial year and we are hopeful of successfully bidding to continue as agents for this important fund which supports rural sustainability. To complement our work in the field of self-build, we were successful in obtaining a grant of £30,000 from the Scottish Government to provide Scotland's Self and Custom Build website portal which will be live later in 2018.

We have been supporting an ever increasing number of communities to develop their own projects and are exploring, 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.

In Strontian, the development of a new community owned primary school which is to be leased to Highland Council is well under way and due to complete in July 2018. HSCHT, as one of the early proponents, is the Development Agent on behalf of Strontian Community School Building Ltd. for this innovative project.

The renovation and conversion of the Schoolhouse in Achiltibuie, owned by Coigach Community Development Company and leased to HSCHT under the long lease model, was awarded the Shelter Empty Homes Partnership Outstanding Project Award for 2017.

The movement towards a more self-sustaining model continues. Our ability to provide our services outwith the Highland has been strongly supported by the Nationwide Foundation through their award of a grant of £380,000 over 5 years to support the employment of community led housing development officers.

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 2018

HSCHT also received a Deed of Gift of £132,168 to set up the Dr and Mrs J. Steven Faulds Memorial Fund which will be used as a rolling fund to provide land for self-build plots in the remotest areas of Scotland.

The Lochaber Housing Association development partnership is now 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 has also been operating a pilot scheme on behalf of the Woodland Trust which offers bridging finance 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 Woodland Croft Partnership leading the promotion of the forest croft agenda from Forestry Commission Scotland.

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 2018

What follows is an update on outputs and performance:

Rural Housing Enabler Development	Outcomes
Housing Need & Feasibility Studies	<ul style="list-style-type: none"> • Housing needs surveys carried out including Tongue, Aviemore, Stoer, Shapinsay, Sanday, Stronsay, Rousay, Egilsay & Wyre, • Feasibility studies in over 20 communities including Applecross, Strontian, Staffin, and Edinbane.
Community Housing Surgeries and Advice to individuals	<ul style="list-style-type: none"> • Meetings were held in numerous communities including Gairloch, Colonsay, Aultbea, Culbokie, Tarbert, Bettyhill, Applecross, Staffin, Dores, Sleat, Ardgay, Staffin, Kilbeg, Strontian, Lochcarron and Balmaha. • Advice was given to individuals by phone, email, Facebook and Twitter. • Over 670 enquiries for housing opportunities were received by phone, email or website • Attendance at conferences and exhibitions Info days and presentations • Around 1,400 unique visitors to the website per week with one of the most popular pages being Current Opportunities. • 5,265 Facebook page and 1,308 Twitter followers • 3 blogs posted in the past year which have each attracted around 840 views each and shared with our 74 community members. Subjects: Completion of our 50th home under the Rent to buy Scheme, Highland Self build Loan Fund and our Skills Development Programme
Innovative Housing Solutions	<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. The land transaction is nearing completion and a local contractor identified to carry out the servicing works. This model is attracting great interest from Estates. • Rent to Buy Phase 2 completed • Rent to Buy Phase 3, 14 completed a further 9 units under construction • <i>The renovation and conversion of Achiltibuie Schoolhouse won Shelter's Scottish Empty Homes Partnership Outstanding Project Award 2017.</i> • HSCHT Rural & Island Housing Fund grants secured to provide 13 homes in 5 communities
Highland Self Build Loan Fund	<ul style="list-style-type: none"> • Extension of 6 months to contract with Scottish Government in existing format • Commitment for the pilot to be rolled out Nationwide and opportunity to tender for the agency
Buy backs of properties with a Rural Housing Burden	<ul style="list-style-type: none"> • 3 properties purchased, Ratagan, Ardgour and 1 property in Ainess. • 2 re-allocated under Rent to Buy scheme • 1 re-sold on SE basis
Rent to Buy & tenancy management	<ul style="list-style-type: none"> • 76 Tenancies managed: 60 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 • Rural Housing Burden advice and implementation on behalf of other organisations and community groups
Support for Community led grants	<ul style="list-style-type: none"> • 15 Communities supported for Rural Housing Fund and Scottish Land Fund applications, grant applications for Community led projects

The Highlands Small Communities Housing Trust
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Output and Performance Report
for the year ended 31 March 2018

Advice and support to Community Land Trusts and other community groups	<ul style="list-style-type: none"> • Over 65 Communities provided with advice and support. • Work continuing in communities e.g. Applecross, Glendale, Findhorn, Culbokie, Lochaline, Garve, Tongue, Strontian, Lairg, Raasay, North & South Uist, Balmaha, Tarbert, Colonsay and Lochcarron. • Working with Kinlochbervie Community Company to renovate 2 properties for rent and secure funding for them • Working with the Glendale Trust to secure funding to renovate empty property • Sabhal Mor Ostaig on masterplan and delivery of their next phase of 20 units
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, Rural Stirling Housing Association, Perth Council, Argyll and Bute Council, Inclusive Cairngorms, National Health Service, Community Land Scotland, local businesses and estates.
Development Agency projects	<ul style="list-style-type: none"> • LHA Development Agency Agreement in place for a further three years. • Development Agents for Strontian Community School Building Ltd, 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. • Development Agency work carried out for Highland Council, Rural Stirling Housing Association
Site investigations and 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 7 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 Glenfinnan under shared equity with RHB • One house sold in AIness under shared equity with RHB
Annual Conference and Regional Seminars	<ul style="list-style-type: none"> • Information Day and AGM • Attended by 87 delegates.
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

The Highlands Small Communities Housing Trust
(Company Limited by Guarantee and not having a Share Capital)
Statement of Board of Directors' Responsibilities
for the year ended 31 March 2018

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

13 September 2018

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 2018 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 2018 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 (as amended).

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.

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

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.

Auditor's responsibilities for the audit of the financial statements

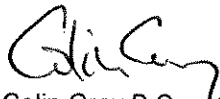
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

**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 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 2018

The Highlands Small Communities Housing Trust
Statement of Financial Activities (including Income and Expenditure Account)
For the year ended 31 March 2018

Notes	2017/18										2016/17				
	Unrestricted Funds					Restricted Funds					Total				
	Operational Activity	Rental Properties	Sale of Houses and Land	Pension Fund	SDP	Faults Reserve	Restricted Reserve	Total	Operational Activity	Rental Properties	Sale of Houses and Land	Pension Fund	SDP	Restricted Reserve	Total
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Income															
Income from charitable activities															
4	Revenue Grants	132,679	-	11,180	-	99,444	132,168	375,472	102,485	-	-	-	96,624	-	199,109
5	Rental Income	-	413,946	-	-	-	-	413,946	-	349,130	-	-	-	-	349,130
6	Sale Proceeds on Land	-	-	298,249	-	-	-	298,249	-	-	144,500	-	-	-	144,500
7	Disposals	177,039	-	-	-	-	-	177,039	175,561	-	-	-	-	-	175,561
8	Fee Income	4,096	-	-	-	20	-	4,116	8,213	-	-	-	23	-	8,236
	Investment Income														
		313,815	413,946	309,429	-	99,464	132,168	1,288,822	286,259	349,130	144,500	-	96,647	-	876,536
Expenditure															
Expenditure on Charitable Activities															
9	Administration and Management	277,531	122,115	78,293	(10,738)	75,132	-	542,333	276,700	117,589	76,068	(6,307)	84,775	-	548,825
5	Rental Expenditure	-	81,343	-	-	-	-	81,343	-	64,695	-	-	-	-	64,695
6	Cost of sale of Land	-	-	291,980	-	-	-	291,980	-	-	144,500	-	-	-	144,500
6	Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5/15	Bank and Loan interest Payable	148	119,523	500	517	39	-	120,727	482	75,449	-	1,634	56	-	77,621
		277,679	322,981	370,773	(10,221)	75,171	-	1,036,383	277,182	257,733	220,568	(4,673)	84,831	-	835,641
	Income/(expenditure) and net movement in funds	36,136	90,965	(61,344)	10,221	24,293	132,168	232,439	9,077	91,397	(76,068)	4,673	11,816	-	40,895
	Transfer between fund	36,136	-	-	-	-	-	-	9,077	-	-	-	-	-	-
	Net movement in funds	-	127,101	(61,344)	10,221	24,293	132,168	232,439	-	100,474	(76,068)	4,673	11,816	-	40,895
Other recognised gains/(losses):															
26	Actuarial gains/(losses) on defined benefit pension schemes	-	-	-	380	-	-	380	-	-	-	15,244	-	-	15,244
		127,101	(61,344)	10,601	24,293	132,168	-	232,819	100,474	(76,068)	19,917	11,816	-	-	56,139
Reconciliation of funds															
	Total funds brought forward	493,375	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	
	Total funds carried forward	620,476	164,606	(43,965)	89,947	132,168	1,173,050	2,136,282	493,375	225,950	(54,566)	65,654	1,173,050	1,903,463	

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 18 to 34 form part of these accounts

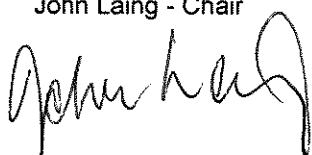
The Highlands Small Communities Housing Trust
(A company limited by guarantee)
Balance Sheet
As at 31 March 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	17		792,169		815,467
Current assets					
Land banking and Development properties	18	8,081,926		7,257,480	
Debtors	19	107,838		411,894	
Cash at bank and in hand		1,058,553		1,401,133	
Total Current Assets		<u>9,248,317</u>		<u>9,070,507</u>	
Liabilities					
Creditors falling due within one year	20	<u>(1,702,079)</u>		<u>(208,413)</u>	
Net current assets			7,546,238		8,862,094
Total assets less current liabilities			<u>8,338,407</u>		<u>9,677,563</u>
Creditors amounts falling due after more than one year	21		(6,158,160)		(7,719,532)
Net assets excluding pension liability			<u>2,180,247</u>		<u>1,958,031</u>
Defined benefit pension liability	26		(43,965)		(54,566)
Net assets			<u><u>2,136,282</u></u>		<u><u>1,903,463</u></u>
The fund of the charity					
Restricted income funds - Development	22		971,050		971,050
- Development Grants			202,000		202,000
- SDP			89,947		65,654
- Faulds Memorial Reserve			132,168		-
Designated reserves - land banking fund	22		164,606		225,950
Revenue reserves	22		620,476		493,375
Pension reserves	22		(43,965)		(54,566)
Total charity funds			<u><u>2,136,282</u></u>		<u><u>1,903,463</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 13 September 2018 and are signed on their behalf by:

John Laing - Chair



(The notes on pages 18 to 34 form part of these accounts)

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

Statement of cash flows
For the year ended 31 March 2018

	2018	2017
	£	£
Cash flows from operating activities		
Net (expenditure)/income	232,819	40,895
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	18,658	12,472
(Profit)/Loss on sale of tangible fixed assets	(6,269)	-
Other interest receivable and similar income	(4,116)	(8,236)
Defined benefit pension charges	(10,601)	(4,673)
<i>Changes in:</i>		
Trade and other debtors	304,056	(363,778)
Stock	(824,446)	(1,211,116)
Trade and other creditors	(81,766)	(141,801)
Cash generated from operations	<u>(371,665)</u>	<u>(1,676,237)</u>
Interest received	4,116	8,236
Net cash used in operating activities	<u><u>(367,549)</u></u>	<u><u>(1,668,001)</u></u>
Cash flows from investing activities		
Purchase of tangible assets	(390,098)	(148,303)
Proceeds from sale of tangible assets	401,007	-
	<u>10,909</u>	<u>(148,303)</u>
Cash flows from financing activities		
Repayment of borrowing	(65,000)	(240,000)
Cash inflows from new borrowing	79,060	1,097,951
	<u>14,060</u>	<u>857,951</u>
Net (decrease)/increase in cash and cash equivalents	<u>(342,580)</u>	<u>(958,351)</u>
Cash and cash equivalents at beginning of year	<u>1,401,133</u>	<u>2,359,484</u>
Cash and cash equivalents at end of year	<u><u>1,058,553</u></u>	<u><u>1,401,133</u></u>

(The notes on pages 18 to 34 form part of these accounts)

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

Notes to the accounts
Year ended 31 March 2018

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 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

d 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.

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

**Notes to the accounts
Year ended 31 March 2018**

3 Principal Accounting Policies (Continued)

e 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 notes l and 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.

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.

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.

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

Notes to the accounts
Year ended 31 March 2018

3 Principal Accounting Policies (Continued)

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 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.

m 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	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
The Highland Council	-	-	-
The Big Lottery	-	-	-
Comic Relief	-	11,062	11,062
SSE	-	-	-
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
	<u>143,859</u>	<u>231,612</u>	<u>375,472</u>

4 Income from Charitable activities (continued)

Revenue Grants	2017		Total £
	Unrestricted £	Restricted £	
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	-	-	-
Westminster Foundation	-	15,000	15,000
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
	<u>102,485</u>	<u>96,624</u>	<u>199,109</u>

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

5 Particulars of income and expenditure from lettings

Income from lettings	2018	2017
	Unrestricted	Unrestricted
	£	£
Rents received	413,946	349,130
<hr/>		
Expenditure on lettings activities	2018	2017
	Unrestricted	Unrestricted
	£	£
Maintenance Costs	30,980	23,721
Void Costs	1,323	1,863
Lease & Legal Fees	12,939	12,388
Depreciation	18,657	12,472
Insurance	17,444	14,251
	81,343	64,695
Loan interest	119,523	75,449
Total expenditure on lettings	200,866	104,144
<hr/>		
Operating surplus on lettings activities	213,080	208,986

6 Sale of Land

	2018	2017
	Unrestricted	Unrestricted
	£	£
Sale proceeds	298,249	144,500
Cost of sales	(291,980)	(144,500)
Grants Applied	-	-
Surplus on disposal	6,269	-

7 Fee Income

	2018	2017
	Unrestricted	Unrestricted
	£	£
Other Fees	177,039	175,561

8 Investment Income

	2018		
	Unrestricted	Restricted	Total
	£	£	£
Interest receivable from banks	4,096	20	4,116

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

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

8 Investment Income (continued)

2017

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

9 Administration and Management

	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
Sundry Expenses	-	-	-	-	-	-
Unrecoverable VAT	2,630	5,260	2,360	-	-	10,520
Board and Members Expenses	1,684	765	612	-	-	3,062
Audit Fees	2,263	1,029	823	435	-	4,549
	277,531	122,115	78,293	75,132	(10,738)	542,333

The above expenditure on charitable activities was £542,333 (2017: £548,825) of which £467,201 was unrestricted (2017: £464,050) and £75,132 was restricted (2017: £84,775).

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

9 Administration and Management (continued)

	Community Engagement £	Rental Activity £	Landbanking Activities £	SDP £	2017 Pension Fund £	Total £
Staff Costs (see notes 13)	216,042	90,017	54,010	34,453	(6,307)	388,216
Rent	8,375	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	977	606	-	-	5,490
Post Stationary and Office Costs	9,696	4,407	3,526	673	-	18,303
Telephone	4,918	2,236	1,789	1,151	-	10,094
Consultancy - Innovative Projects	7,992	3,633	2,906	270	-	14,802
Insurance	894	406	325	97	-	1,722
Meetings, Training Venues	2,478	1,126	901	42,793	-	47,298
Sundry Expenses	-	-	-	-	-	-
Irrecoverable VAT	8,232	3,742	2,994	-	-	14,968
Board and Members Expenses	1,338	608	486	-	-	2,432
Audit Fees	2,168	986	789	438	-	4,380
	<u>276,700</u>	<u>117,589</u>	<u>76,068</u>	<u>84,775</u>	<u>(6,307)</u>	<u>548,825</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.

	2018						
	Community Engagement £	Rental Activity £	Land banking Activities £	SDP £	Pension Fund £	Faulds Fund	Total £
Costs	277,531	122,115	78,293	75,132	(10,738)	-	542,333
Direct grant support	(132,679)	-	(11,118)	(99,444)	-	(132,168)	(375,409)
Net cost funded from other income	<u>144,852</u>	<u>122,115</u>	<u>67,175</u>	<u>(24,312)</u>	<u>(10,738)</u>	<u>(132,168)</u>	<u>166,924</u>

11 Analysis of governance costs

	2018 Unrestricted £	2017 Unrestricted £
Board and Members Expenses	3,062	2,432
Audit Fees	4,549	4,380
	<u>7,611</u>	<u>6,812</u>

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

12	Operating surplus	2018	2017
		£	£
	Operating surplus is stated after charging		
	Auditors' fees	4,549	4,380
	Depreciation	18,658	12,472
		<hr/> <hr/>	<hr/> <hr/>

13	Directors and employees	2018	2017
		£	£
	Staff costs (see note 9)		
	Wages	333,619	322,570
	Social security	25,158	33,274
	Other pension costs	37,107	32,373
		<hr/> <hr/>	<hr/> <hr/>
		395,884	388,216

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

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

Expenses paid to Community Elected Directors on the Trust Board totalled £302 (2017 - £784).

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 £37,107 (2017 - £32,373).

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

14 Trustees' remuneration and costs of key management personnel	2017	2016
	£	£
Staff costs		
Wages	88,369	93,411
Social security	10,306	10,652
Other pension costs	7,511	7,723
	<u>106,186</u>	<u>111,786</u>

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

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

	2018		
15 Interest payable and other charges	Unrestricted	Restricted	Total
	£	£	£
Bank interest and charges	120,171	39	120,210
Defined benefit pension fund charge (note 26)	517	-	517
	<u>120,688</u>	<u>39</u>	<u>120,727</u>

	2017		
	Unrestricted	Restricted	Total
	£	£	£
Bank Interest and charges	75,930	56	75,986
Defined benefit pension fund charge (note 26)	1,634	-	1,634
	<u>77,564</u>	<u>48</u>	<u>77,620</u>

16 Corporation Tax

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

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

17 Fixed Assets

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
Cost				
Cost at 31 March 2017	1,583,362	6,849	4,157	1,594,368
Additions	390,098	-	-	390,098
Disposals	(394,738)	-	-	(384,738)
Cost at 31 March 2018	<u>1,578,722</u>	<u>6,849</u>	<u>4,157</u>	<u>1,589,728</u>
Depreciation				
Depreciation at 31 March 2017	91,966	6,849	4,157	102,972
Charge for year	18,658	-	-	18,658
Depreciation at 31 March 2018	<u>110,624</u>	<u>6,849</u>	<u>4,157</u>	<u>121,630</u>
Grants				
Other Grants at 31 March 2017	675,929	-	-	675,929
Additions	-	-	-	-
Other Grants at 31 March 2018	<u>675,929</u>	<u>-</u>	<u>-</u>	<u>675,929</u>
Net Book Value				
As at 31 March 2018	<u>792,169</u>	<u>-</u>	<u>-</u>	<u>792,169</u>
As at 31 March 2017	<u>815,467</u>	<u>-</u>	<u>-</u>	<u>815,467</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>1,578,722</u>	<u>4,640</u>

The directors consider that there has been no material impairment in the market value of heritable property in the year ended 31 March 2018 and the market value at 31 March 2018 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 2016	7,211,836	45,644	7,257,480
Additions	925,495	1,200	926,695
Transfers	-	-	-
Disposals/Written Off	(102,249)	-	(102,249)
As at 31 March 2017	<u>8,035,082</u>	<u>46,844</u>	<u>8,081,926</u>

19 Debtors

	2018 £	2017 £
Other debtors	107,836	411,894
	<u>107,836</u>	<u>411,894</u>

20 Creditors due within one year

	2018 £	2017 £
Highland Council Loans	214,000	-
Scottish Gov Loan– Rent to Buy	1,397,433	-
Trade Creditors	48,673	137,937
Other taxation and social security	14,238	6,466
Other creditors	24,315	60,000
Accruals	3,420	4,010
	<u>1,702,079</u>	<u>208,413</u>

21 Creditors:

Amounts falling due after more than one year

	2018 £	2017 £
Scottish Government loan - Rent to Buy	6,050,460	7,392,833
SBIF	-	-
Highland Council	-	213,999
Nationwide Foundation Loan	63,900	68,900
Lochaber Housing Association	43,800	43,800
	<u>6,158,160</u>	<u>7,719,532</u>

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 are repayable in full on 31st March 2019, 2020 and 2021. Interest is chargeable on these loans from 1 April 2013 at 2.25% per annum.

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

	2018	2017
	£	£
Analysis of loan repayments		
In the next year	1,611,432	60,000
In the second year	3,002,703	-
In the third to fifth year	1,707,787	1,724,132
In more than five years	1,447,670	5,995,400
	<u>6,158,160</u>	<u>7,719,532</u>
	<u>7,769,592</u>	<u>7,779,532</u>

22 Analysis of Net Assets between funds

	Unrestricted Funds	Restricted Funds	Total
	£	£	£
Tangible Fixed Assets	792,169	-	792,169
Net Current Assets	6,150,073	1,395,165	7,546,238
Creditors falling due after more than one year	(6,202,125)	-	(6,202,125)
	<u>741,117</u>	<u>1,395,165</u>	<u>2,136,282</u>

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

23 Funds	Development		Restricted Reserves		Faulds Memorial	Unrestricted Funds		Total	
	£		£	SDP		Landbanking Reserve	Revenue Reserve		Pension Reserve
Balance at 31 March 2017	971,050		202,000	64,654	132,168	225,950	493,375	(54,566)	1,903,463
Result for the Year	-		-	24,293	-	(61,344)	127,101	10,601	100,651
Additions									132,168
Balance at 31 March 2018	971,050		202,000	89,947	132,168	164,606	620,476	(43,965)	2,136,282

Revenue Reserve

General Activities	287,833	219,749
Sinking Fund Properties	87,643	75,643
Cashback reserve	245,000	197,983
	<u>620,476</u>	<u>493,375</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 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.

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

	2017			
	<u>Transactions</u>		<u>Balances as at 31 March 2017</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	-	-

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
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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.

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26 Scottish Housing Associations' Pension Scheme (continued)

Present Values of Provisions

	31 March 2018	31 March 2017	31 March 2016
	(£s)	(£s)	(£s)
Present value of provision	43,965	54,566	74,483

Reconciliation of opening and closing provisions

	Period Ending	Period Ending
	31 March 2018	31 March 2017
	(£s)	(£s)
Provision at start of period	54,566	74,483
Unwinding of the discount factor (interest expense)	517	1,634
Deficit contribution paid	(10,738)	(6,307)
Remeasurements – impact of any change in assumptions	(380)	1,588
Remeasurements – amendments to the contribution schedule	-	(16,832)
Provision at end of period	43,965	54,566

Income and expenditure impact

	Period Ending	Period Ending
	31 March 2018	31 March 2017
	(£s)	(£s)
Interest expense	517	1,634
Remeasurements – impact of any change in assumptions	(380)	1,588
Remeasurements – amendments to the contribution schedule	-	(16,832)

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26 Scottish Housing Associations' Pension Scheme (continued)

Assumptions

	31 March 2018	31 March 2017	31 March 2016
	% per annum	% per annum	% per annum
Rate of discount	1.51	1.06	2.29

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 2018	31 March 2017	31 March 2016
	(£s)	(£s)	(£s)
Year 1	11,060	10,738	6,307
Year 2	11,392	11,060	6,496
Year 3	11,734	11,392	6,691
Year 4	11,078	11,734	6,892
Year 5		11,078	7,099
Year 6	-		7,312
Year 7	-		7,531
Year 8	-		7,757
Year 9	-		7,990
Year 10	-		8,229
Year 11	-		8,476
Year 12	-		4,365
Year 13	-	-	

27 Controlling interest

The charity is controlled by the trustees.