

West Highland Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2014

Registered Housing Association No. HEP163

FCA Reference No. 1691R(S)

Scottish Charity No. SC017357

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

CONTENTS

	Page
MEMBERS OF THE MANAGEMENT BOARD EXECUTIVES AND ADVISERS	1
REPORT OF THE MANAGEMENT BOARD	2
REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS	7
REPORT OF THE AUDITORS	8
INCOME AND EXPENDITURE ACCOUNT	10
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	10
BALANCE SHEET	11
CASH FLOW STATEMENT	12
NOTES TO THE FINANCIAL STATEMENTS	13

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2014

MANAGEMENT BOARD

Alexander Murray Sim	Chair
Gwyneth Neal	Secretary
Gordon Chalmers	resigned 20 December 2013
Kenneth MacColl	
Elaine Robertson	
Blair Allan	
Donald Harrison	
Rev Ken Hunter	resigned 22 August 2013
Elaine Munro	
Pamela Dumas-Ekin	resigned 24 May 2013
Douglas Mackie	
Councillor Robin Currie	
Councillor Alistair MacDougall	
James Tolmie	appointed 22 August 2013
Natalia Lewis	appointed 4 October 2013

EXECUTIVE OFFICERS

Lesley McInnes	Chief Executive
Graeme Bruce	Operations Manager
May Tosh	Corporate Services Manager

REGISTERED OFFICE

Crannog Lane
Oban
PA34 4HB

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Bank of Scotland
Station Road
Oban
PA34 4LL

Clydesdale Bank plc
6 Argyll Square
Oban
PA34 4AZ

Dunfermline Building Society
Caledonia House
Carnegie Avenue
Dunfermline

Royal Bank of Scotland plc
Kirkstane House
139 St Vincent Street
Glasgow
G2 5JF

Co-operative Bank
206 St Vincent Street
Glasgow
G2 5FG

Santander
Customer Service Centre
Bootle
Merseyside
L30 4GB

SOLICITORS

E Thornton & Co
17/19 Lochside Street
Oban
PA34 4HP

T C Young
7 West George Street
Glasgow
G2 1BA

ACCOUNTANT

David Smith
Keppoch
Croft Road
Oban
PA34 5JN

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2014

The Management Board presents its report and the Financial Statements for the year ended 31st March 2014.

Legal Status

The Association is a registered non-profit making organisation under the Cooperative and Community Benefit Societies Act 2014 No.1691R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC017357.

Principal Activities

The principal activity of West Highland Housing Association Limited is the provision of high quality, well maintained, truly affordable housing to meet local needs and to assist in supporting fragile communities within its area.

Organisation

The Association's constitution is a variation of the Model Rules for a Charitable Housing Association and provides for its governance by voluntary management committee. One third of the management committee are elected each year at the Annual General Meeting and the association is keen to support tenant participation on the management committee. In addition, to the elected members, the management committee includes two representatives nominated by Argyll and Bute Council.

The main source of funding for the association's development activities is the Scottish Government by way of Social Housing Grant.

Corporate Governance

The Association's strategic direction is set by the Management Board. The Management Board is elected at the Annual General Meeting and is responsible to the wider membership. The Management Board is composed of volunteers who are unpaid.

As well as the strategic direction the Management Board monitors the operational activities of the Association and set standards of service delivery. The association's staff support the Management Board and report to the Management Board and service Committees.

Board Assurance

Each year the Board have to be assured that the organisation is being run effectively and in accordance with legislation, good practice and for the benefit of our stakeholders. To help the Board do this we have a methodology in place that includes:

- Internal Audit - a rolling review of our procedures and systems
- External Consultancy - work on the Charter and our Business Plan
- External Audit
- External accreditation - Investors in People, Health and Wellbeing Award

All these are part of a broad approach to assurance that the Board takes.

Review of the Year

The main focus of our efforts in the year to 31 March 2014 was delivering our investment programme and our work on energy.

In relation to improvements then we completed:

- Old Bond, Mull
- St Valery Place
- Small Isles cottages
- Albany Street

**REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2014**

Review of Business and Future Developments (Contd)

This was much needed work and whilst doing this work we have re-worked our investment proposals for future years and we have allocated substantial monies to this going forward.

In respect of energy then we were successful in achieving further grants to install a biomass district heating system in Combie Court. This means 24 flats are benefitting from a more efficient heating system and constant hot water. In the medium term this should provide tenants with savings.

Throughout the year the Association has been working towards a partnership with the Link Group. This work in part is driven by our desire to continue to provide high quality housing in the area but still protect our financial strength and also by our desire to look for efficiencies. The Link partnership should be agreed late in 2014.

The Association had two development sites that did not complete by the end of the financial year but the houses for rent to sale at Dunbeg proved very popular and we are sure that they will be a success. The other site was at Taynuilt where there will be 6 low cost houses for sale.

We completed a tenants survey and gained very useful information from our tenants on the priorities they would like us to take forward in the coming years. The areas that we will be concentrating on are:

- Improvements to our repairs service
- Communication
- Participation and consultation

Performance Management

2013/14 saw the Association work towards producing its results for the Scottish Housing Charter. This is a new requirement and whilst reporting is not until September 2014 the Association had to do much work to assure the Board that it was ready to report. The performance has been reasonable with good performance in our income collection but our repairs service has slipped and this is certainly one of the reasons we want to concentrate on this in coming years. Our void performance was poorer than in previous years but this was mainly down to a number of particular properties so we are confident that this will be better in the coming years.

Development

We have taken a decision to move away from development as we appreciate the risk to our existing loan portfolio if we go forward developing at the same pace as we did. We may develop but only under certain circumstances and only where we believe the scheme has a neutral or better impact on our Business Plan.

Housing Management

We are part of Home Argyll which provides easy access for any person looking for information on renting a property in Argyll from any of the associations. At present there are over 3,500 people on the Home Argyll waiting list and this demonstrates the real need for good quality housing. Last year we had 57 lets.

We are rightly proud of our work in helping people to sustain tenancies and want to ensure any court action is one not taken lightly. However we had 2 abandoned properties this year.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2014

Review of Business and Future Developments (Contd)

Responsive Repairs

The responsive repairs service continues to be delivered by our term contractors. OES cover Oban, Mull and North Lorn; Kevan Brown provides the service on Tiree and Rhinns Electrical provide the service in Islay and Jura.

Over the year over 2,599 repairs were completed with the majority within our service target.

Management Structure

The Management Board sets the strategic objectives of the organisation and monitors and reviews progress. The Association is staffed by a small team of 16 staff with 3 Senior Managers being operationally responsible for delivering the service.

Risk Management Strategy

The Association is developing a proactive approach to risk management. As the association increases in size and does more particularly in respect to renewable heating then the risks to the organisation increase. The Management Board, with the staff group identify the types of risks the association faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks.

The main risks for the Association relate to:

- Our loans and keeping the loans with good rates
- Utilisation of new technologies particularly in energy
- Welfare Reform

For these risks we have a number of mitigation strategies.

Budgetary process

The association prepares a detailed annual budget which is seen as a key element in the financial management of the Association and the monitoring of performance. Quarterly management accounts provide the management committee with a detailed breakdown of actual performance against budget, highlighting problem areas and allowing remedial action to be taken as appropriate.

In line with regulatory requirements the association also prepares a 5 year budget and financial projections for submission to the Scottish Housing Regulator.

Financing and liquidity

The Association manages its borrowings and cash investments in accordance with the Treasury Management Policy approved by the Management Board. In this way the association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association does not enter into transactions of a speculative nature. At 31 March 2014, the association had approximately £9.6m of fixed and £6.7m variable rate loan finance.

**REPORT OF THE MANAGEMENT BOARD
FOR THE YEAR ENDED 31ST MARCH 2014**

Management Board and Executive Officers

The members of the Management Board and the Executive Officers are listed on Page 1.

Each member of the Management Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Board.

The members of the Management Board are also Trustees of the Charity. Members of the Management Board are appointed by the members at the Association's Annual General Meeting.

Statement of Management Board's Responsibilities

The Cooperative and Community Benefit Societies Act 2014 require the Management Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Cooperative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Board must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Board are aware:

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2014

Statement on Internal Financial Control

The Management Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Board's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Donations

During the year the Association made charitable donations amounting to £6,007 (2013 £11,925).

By order of the Management Board



GWYNETH NEAL

Secretary

15 August 2014

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MANAGEMENT BOARD OF
WEST HIGHLAND HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 8 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the Management Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
15 August 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEST HIGHLAND HOUSING ASSOCIATION LIMITED

We have audited the financial statements of West Highland Housing Association Limited for the year ended 31st March 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' 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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Board and Auditors

As explained more fully in the Statement of Management Board's Responsibilities the Association's Management Board, are responsible for the preparation of the Financial Statements that give a true and fair view.

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

Scope of the audit on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Board's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Cooperative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

In our opinion the exemption granted by the Financial Conduct Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WEST HIGHLAND HOUSING ASSOCIATION LIMITED**

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Management Board's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.
- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
16 August 2014

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

	Notes	2014 £	2013 £
TURNOVER	2.	3,714,542	3,329,631
Operating Costs	2.	<u>(2,265,471)</u>	<u>(2,043,269)</u>
OPERATING SURPLUS	9.	1,449,071	1,286,362
Gain On Sale Of Housing Stock	7.	86,803	-
Charitable Donation		(6,007)	(11,925)
Interest Receivable and Other Income		56,875	100,296
Interest Payable and Similar Charges	8.	<u>(589,541)</u>	<u>(604,045)</u>
		<u>(451,870)</u>	<u>(515,674)</u>
SURPLUS FOR THE YEAR		<u>997,201</u>	<u>770,688</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2014 £	2013 £
Surplus for the financial year	997,201	770,688
Prior year adjustment	-	<u>409,247</u>
Total gains recognised since last annual report	<u>997,201</u>	<u>1,179,935</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

	Notes	£	2014 £	£	2013 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		79,359,394		79,304,411
Less: Social Housing Grant	11.(a)		(62,447,841)		(62,585,571)
			<u>16,911,553</u>		<u>16,718,840</u>
Other fixed assets	11.(b)		871,751		831,538
			<u>17,783,304</u>		<u>17,550,378</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		101		101
Shared Equity Cost	22.	1,762,437		1,817,896	
Shared Equity Grant	22.	(1,762,437)		(1,817,896)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	14.	1,014,257		783,677	
Development Cost of Housing Property	23.	265,572		-	
Investments	24.	1,000,000		2,000,000	
Cash at bank and in hand		4,597,110		3,493,812	
			<u>6,876,939</u>	<u>6,277,489</u>	
CREDITORS: Amounts falling due within one year	15.	(2,912,788)		(2,904,817)	
			<u>3,964,151</u>	<u>3,372,672</u>	
NET CURRENT ASSETS					
			<u>3,964,151</u>	<u>3,372,672</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>21,747,556</u>	<u>20,923,151</u>	
CREDITORS: Amounts falling due after more than one year	16.	(15,732,351)		(15,905,139)	
			<u>6,015,205</u>	<u>5,018,012</u>	
NET ASSETS			<u>6,015,205</u>	<u>5,018,012</u>	
CAPITAL AND RESERVES					
Share Capital	18.		177		185
Designated Reserves	19.(a)		3,407,480		3,407,480
Revenue Reserves	19.(b)		2,607,548		1,610,347
			<u>6,015,205</u>		<u>5,018,012</u>

The Financial Statements were approved by the Management Board and signed on their behalf on 15 August 2014.


Chairperson


Vice-Chairperson


Secretary

The Notes on Pages 13 to 29 form an integral part of these Financial Statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2014**

	Notes	2014 £	2013 £
Net Cash Inflow from Operating Activities	17.	1,829,588	920,994
Returns on Investment and Servicing of Finance			
Interest Received		56,875	100,296
Interest Paid		(589,541)	(604,045)
Net Cash Outflow from Investment and Servicing of Finance		(532,666)	(503,749)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(1,395,857)	(2,106,214)
Purchase of Other Fixed Assets		(78,265)	(248,110)
Social Housing Grant Received		269,504	1,157,769
Social Housing Grant Repaid		(104,003)	(100,000)
Proceeds on Disposal of Properties		214,906	100,000
Net Cash Outflow from Capital Expenditure and Financial Investment		(1,093,715)	(1,196,555)
Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing		203,207	(779,310)
Management of Liquid Resources			
Change in short term deposits with banks		1,000,000	1,002,737
Financing			
Loan Advances Received		538,000	1,944,434
Loan Principal Repayments		(637,910)	(510,568)
Share Capital Issued		1	4
Net Cash (Outflow) / Inflow from Financing		(99,909)	1,433,870
Increase in Cash	17.	<u>1,103,298</u>	<u>1,657,297</u>

The Notes on Pages 13 to 29 form an integral part of these Financial Statements.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable and is recognised as it falls due.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Contribution Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Roof	45 years
Roughcast	20 years
Windows	30 years
Doors	20 years
Kitchen	15 years
Hot water cylinder	30 years
Bathroom	30 years
Heating system	15 years
Structure	50 years

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	Over 50 years straight line basis
Furniture and Fittings	20% reducing balance basis
Motor Vehicles	25% reducing balance basis

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with any gain or loss on disposal accounted for in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal with any gain or loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Notes	2014			2013		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,242,242	2,048,212	1,194,030	3,045,418	1,675,836	1,369,582
Other Activities	4.	472,300	217,259	255,041	284,213	367,433	(83,220)
Total		3,714,542	2,265,471	1,449,071	3,329,631	2,043,269	1,286,362

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared ownership £	2014 Total £	2013 Total £
Income from Lettings				
Rent Receivable Net of Identifiable Service Charges	3,192,941	62,810	3,255,751	3,055,021
Gross Rents Receivable	3,192,941	62,810	3,255,751	3,055,021
Less: Rent losses from voids	13,509	-	13,509	9,603
Net Rents Receivable	3,179,432	62,810	3,242,242	3,045,418
Total Income From Social Letting	3,179,432	62,810	3,242,242	3,045,418
Expenditure on Social Letting Activities				
Service Costs	85,526	1,534	87,060	78,323
Management and maintenance administration costs	821,305	9,308	830,613	629,015
Reactive Maintenance	239,699	-	239,699	184,655
Bad Debts - Rents and Service Charges	(9,592)	-	(9,592)	22,873
Planned and Cyclical Maintenance, including Major Repairs	410,673	-	410,673	291,775
Depreciation of Social Housing	488,454	1,305	489,759	469,195
Operating Costs of Social Letting	2,036,065	12,147	2,048,212	1,675,836
Operating Surplus on Social Letting Activities	1,143,367	50,663	1,194,030	1,369,582
2013		50,203		

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2013
	£	£	£	£	£	£	£	£	£
Wider Role Activities	41,354	-	-	-	41,354	-	83,151	(41,787)	(42,691)
Factoring	-	-	-	28,729	28,729	-	28,729	-	-
Other Income	-	-	-	81,878	81,878	-	40,005	41,873	31,457
Energy Project	-	320,339	-	-	320,339	-	65,374	254,965	(71,986)
Total From Other Activities	41,354	320,339	-	110,607	472,300	-	217,259	255,041	(83,220)
2013	76,001	-	-	208,212	284,213	-	367,433	(83,220)	-

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

2014	2013
£	£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)	<u>56,483</u>	<u>54,838</u>
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6. EMPLOYEE INFORMATION

	2014	2013
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>19</u>	<u>16</u>
The average total number of Employees employed during the year was	<u>19</u>	<u>17</u>
Staff Costs were:	£	£
Wages and Salaries	468,256	459,612
Social Security Costs	45,496	36,956
Other Pension Costs	64,632	67,046
	<u>578,384</u>	<u>563,614</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2014	2013
	£	£
Sales Proceeds	214,906	100,000
Cost of Sales	128,103	100,000
Gain On Sale Of Housing Stock	<u>86,803</u>	<u>-</u>

8. INTEREST PAYABLE

	2014	2013
	£	£
On Bank Loans & Overdrafts	<u>589,541</u>	<u>604,045</u>

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014	2013
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	527,721	494,904
Auditors' Remuneration - Audit Services	11,161	16,889
Operating Lease Rentals - Other	<u>5,971</u>	<u>5,799</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2013	75,884,198	5,444,456	1,153,536	82,482,190
Additions	508,999	886,858	-	1,395,857
Disposals	(128,540)	-	(130,363)	(258,903)
Schemes Completed	-	(624,651)	-	(624,651)
As at 31st March 2014	<u>76,264,657</u>	<u>5,706,663</u>	<u>1,023,173</u>	<u>82,994,493</u>
DEPRECIATION				
As at 1st April 2013	3,157,783	-	19,996	3,177,779
Charge for Year	484,494	-	1,305	485,799
Disposals	(26,219)	-	(2,260)	(28,479)
As at 31st March 2014	<u>3,616,058</u>	<u>-</u>	<u>19,041</u>	<u>3,635,099</u>
SOCIAL HOUSING GRANT				
As at 1st April 2013	56,373,701	5,200,463	1,011,407	62,585,571
Additions	58,495	365,219	-	423,714
Disposals	(98,361)	-	(104,004)	(202,365)
Schemes Completed	-	(359,079)	-	(359,079)
As at 31st March 2014	<u>56,333,835</u>	<u>5,206,603</u>	<u>907,403</u>	<u>62,447,841</u>
NET BOOK VALUE				
As at 31st March 2014	<u>16,314,764</u>	<u>500,060</u>	<u>96,729</u>	<u>16,911,553</u>
As at 31st March 2013	<u>16,352,714</u>	<u>243,993</u>	<u>122,133</u>	<u>16,718,840</u>

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £36,833) and capitalised major repair costs to existing properties of £402,407 (2013 £443,260)

All land and housing properties are freehold.

Transfers from Housing Properties in Course of Construction represent the transfer of total costs incurred to date and total HAG received to date on the Taynuilt development of LIFT properties. These amounts have been transferred to Developments Costs of Housing Properties per Note 23 of the financial statements and are disclosed as Current Assets on the Association's balance sheet.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Motor Vehicles £	Biomass Boiler £	Office Premises £	Furniture & Equipment £	Total £
COST					
As at 1st April 2013	4,150	202,450	694,516	215,087	1,116,203
Additions	-	68,774	-	9,491	78,265
As at 31st March 2014	<u>4,150</u>	<u>271,224</u>	<u>694,516</u>	<u>224,578</u>	<u>1,194,468</u>
AGGREGATE DEPRECIATION					
As at 1st April 2013	2,837	-	118,222	163,606	284,665
Charge for year	329	13,561	11,968	12,194	38,052
As at 31st March 2014	<u>3,166</u>	<u>13,561</u>	<u>130,190</u>	<u>175,800</u>	<u>322,717</u>
NET BOOK VALUE					
As at 31st March 2014	<u>984</u>	<u>257,663</u>	<u>564,326</u>	<u>48,778</u>	<u>871,751</u>
As at 31st March 2013	<u>1,313</u>	<u>202,450</u>	<u>576,294</u>	<u>51,481</u>	<u>831,538</u>

12. CAPITAL COMMITMENTS

	2014 £	2013 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	<u>1,679,876</u>

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2014 £	2013 £
Other		
Expiring between two and five years	<u>6,060</u>	<u>9,285</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2014	2013
	£	£
Arrears of Rent & Service Charges	88,344	88,003
Less: Provision for Doubtful Debts	(34,584)	(49,870)
	<u>53,760</u>	<u>38,133</u>
Social Housing Grant Receivable	167,549	13,339
Other Debtors	760,937	708,240
Amounts Due from Group Undertakings	32,011	23,965
	<u>1,014,257</u>	<u>783,677</u>

15. CREDITORS: Amounts falling due within one year

	2014	2013
	£	£
Housing Loans	553,668	480,790
Trade Creditors	277,062	485,485
Rent in Advance	39,610	48,299
Other Taxation and Social Security	11,200	10,852
Amounts Due to Group Undertakings	23	-
Other Creditors	1,436,390	1,344,707
Accruals and Deferred Income	594,835	534,684
	<u>2,912,788</u>	<u>2,904,817</u>

At the balance sheet date there were pension contributions outstanding of £7,622 (2013 £23,937)

16. CREDITORS: Amounts falling due after more than one year

	2014	2013
	£	£
Housing Loans	<u>15,732,351</u>	<u>15,905,139</u>

Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

Within one year	553,668	480,790
Between one and two years	571,217	497,297
Between two and five years	1,812,337	1,599,113
In five years or more	13,348,797	13,808,729
	<u>16,286,019</u>	<u>16,385,929</u>
Less: Amount shown in Current Liabilities	553,668	480,790
	<u>15,732,351</u>	<u>15,905,139</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2014 £	2013 £
Operating Surplus	1,449,071	1,286,362
Depreciation	527,811	494,904
Change in properties developed for resale	(265,572)	90,000
Change in Debtors	189,201	(562,630)
Change in Creditors	(64,907)	(375,714)
Charitable Donation	(6,007)	(11,925)
Share Capital Written Off	(9)	(3)
Net Cash Inflow from Operating Activities	1,829,588	920,994

<i>Reconciliation of net cash flow to movement in net debt</i>	2014 £	£	2013 £	£
Increase in Cash	1,103,298		1,657,297	
Cash flow from management of liquid resources	(1,000,000)		(1,002,737)	
Cash flow from change in debt	99,910		(1,433,866)	
Movement in net debt during year		203,208		(779,306)
Net debt at 1st April 2013		(10,892,117)		(10,112,811)
Net debt at 31st March 2014		(10,688,909)		(10,892,117)

<i>Analysis of changes in net debt</i>	At 01.04.13 £	Cash Flows £	Other Changes £	At 31.03.14 £
Cash at bank and in hand	3,493,812	1,103,298		4,597,110
Liquid Resources	3,493,812	1,103,298		4,597,110
Debt: Due within one year	2,000,000	(1,000,000)		1,000,000
Due after more than one year	(480,790)	637,910	(710,788)	(553,668)
	(15,905,139)	(538,000)	710,788	(15,732,351)
Net Debt	(10,892,117)	203,208	-	(10,688,909)

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2013	185
Issued in year	1
Cancelled in year	(9)
At 31st March 2014	<u>177</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

19. RESERVES

(a) Designated Reserves	Major	Total
	Repairs	
	£	£
At 1st April 2013	<u>3,407,480</u>	<u>3,407,480</u>
At 31st March 2014	<u>3,407,480</u>	<u>3,407,480</u>

(b) Revenue Reserves	Total
	£
At 1st April 2013	1,610,347
Surplus for the year	997,201
At 31st March 2014	<u>2,607,548</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2014	2013
General Needs - New Build	No. 746	No. 743
Shared Ownership	24	27
	<u>770</u>	<u>770</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Management Board are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Board is summarised as follows:

2 members are relevant local councillors

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

22. FIXED ASSET INVESTMENT

	2014 £	2013 £
Shared Equity Properties		
Development Cost of Shared Equity Property	1,762,437	1,817,896
Less: Grants Receivable	1,762,437	1,817,896
	<u>-</u>	<u>-</u>
Investments in Subsidiaries		
As at 31st March 2014 & 31st March 2013	<u>101</u>	<u>101</u>

In the opinion of the Management Board the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has two 100% owned subsidiary West Highland Rural Solutions and West Highland Futures Limited. The relationship between the Association and each subsidiary is set out in an independence agreement between both parties.

West Highland Housing Association paid West Highland Rural Solutions no fees this year (2013: £0). At the year end West Highland Housing Association owed West Highland Rural Solutions £22 (2013: £704 was due to West Highland Rural Solutions).

During the period to 31 March 2014, West Highland Housing Association incurred costs of £20,725 (2013: £11,273) on behalf of West Highland Futures Limited, which were re-charged. At the year end, West Highland Housing Association is due £32,011 (2013: £23,261) from West Highland Futures Limited, which includes a gift aid payment of £10,433 (2013: £9,773).

The aggregate amount of capital and reserves and the results of West Highland Rural Solutions and West Highland Futures Limited for the year ended 31st March 2014 were as follows:

	Capital & Reserves		Profit for the year	
	2014 £	2013 £	2014 £	2013 £
West Highland Rural Solutions	<u>23</u>	<u>23</u>	<u>-</u>	<u>(77)</u>
West Highland Futures (Restated)	<u>663</u>	<u>21</u>	<u>642</u>	<u>20</u>

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEVELOPMENT COST OF HOUSING PROPERTY

	2014 £	2013 £
Shared Equity Properties		
In the course of construction	624,651	-
	624,651	-
Less: Grants Received from Scottish Ministers	(359,079)	-
	265,572	-

24. CURRENT ASSET INVESTMENTS

	2014 £	2013 £
Short Term Deposits	1,000,000	2,000,000

25. CONTINGENT LIABILITIES

In connection with the development of 50 properties at Dunbeg which is being carried out in partnership with Link Housing Association, the Association has entered into a bond or financial guarantee in favour of Argyll and Bute Council for the amount of £40,000. The bond relates to an obligation imposed under the development's planning conditions for the construction of a play park area for community recreation within five years of the commencement of the development. This extended period was agreed on the understanding that although the planning condition was attached to the initial development of 50 properties, the agreement with the Council also relates to the additional planned development of a further 50 properties.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

West Highland Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers six benefit structures to employers, namely:

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

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

West Highland Housing Association Limited has elected to operate the Defined Contribution benefit structure from for active members and new entrants from 1st April 2013.

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

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period West Highland Housing Association Limited paid contributions at the rate of 8% of pensionable salaries. Member contributions were 8%.

As at the balance sheet date there were 11 active members of the Scheme employed by West Highland Housing Association Limited. The annual pensionable payroll in respect of these members was £315,656. West Highland Housing Association Limited continues to offer membership of the Scheme to its employees.

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

	% p.a.
- Investment return pre-retirement	5.3
- Investment return post-retirement - non pensioners	3.4
- Investment return post-retirement - pensioners	3.4
- Rate of Salary increases	4.1
- Rate of price inflation:	
RPI	2.6
CPI	2.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners.

WEST HIGHLAND HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable salaries)</i>
Final salary - 60ths	24.6
Career average 60ths	22.4
Career average 70ths	19.2
Career average 80ths	16.9
Career average 120ths	11.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Trustees have recently supplied West Highland Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 West Highland Housing Association Limited will be required to pay £50,494 per annum as a contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. At 30 September 2013 West Highland Housing Association Limited's share of the buy-out debt was calculated as £1,410,454.