

**THE HIGHLANDS SMALL COMMUNITIES HOUSING  
TRUST**

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

**REPORT OF DIRECTORS  
AND FINANCIAL STATEMENTS**

**31 MARCH 2016**

**Company Number SC182862  
Charity Number SCO27544**

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

**Contents page**

	<b>Page</b>
Board of Trustees and Advisors	1
The Report of the Trustees	2
Output and Performance Report	5
Trustees' Responsibilities Statement	9
Independent auditor's report	10
Statement of Financial Activities	12
Balance Sheet	13
Notes to the Accounts	14

**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 2016**

**Board of Trustees**

Bill Hall (Chairman)	
Vivian Roden (Vice-Chair)	(Resigned 25 September 2015)
Hugh Donaldson (Treasurer)	(Resigned 24 September 2015)
Brian MacKenzie	(Resigned 15 March 2016)
Derek Flyn	
Janet Lyn Forbes	
David Hannah	
Alasdair Christie	
Alison MacLeod	(Resigned 25 September 2015)
David Goodall	
Jennifer Lawless	
James McIntyre	
Steve Robertson	
Agnes Slimon	
Julia Campbell	
John Laing	
Iain Clark	(Appointed 25 September 2015)
Maxine Smith	(Appointed 4 March 2016)
Audrey Sinclair	(Appointed 17 June 2016)

**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 2016**

The Trustees present their report and the audited financial statements for the year to 31 March 2016. The Company is recognised by the Inland Revenue as a Scottish Charity (charity reference number SC027544).

**Principal Activities**

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

**Reserves Policy**

The Trust has undertaken a review of its reserves policy during the year. The Trust has set up as a restricted reserve, the grants it has received for "the purchase of land for development purposes". This reserve, being restricted, can only be spent in the furtherance of affordable housing provision.

The Trust has also identified as a designated reserve the surpluses made on the sale of land over the past few years. This reserve is able to be utilised by the Board of Trustees to meet HSCHT's core objectives.

**Risk Management**

The Trust's Board of Trustees and Advisers are fully committed to managing, and taking effective steps to deal with, all known risks to the Trust and its business operations.

**State of Affairs**

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

**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 2016**

**Board of Trustees**

The Board of Trustees are as follows: -

Bill Hall (Chairman)	
Vivian Roden (Vice-Chair)	(Resigned 25 September 2015)
Hugh Donaldson (Treasurer)	(Resigned 24 September 2015)
Brian MacKenzie	(Resigned 15 March 2016)
Derek Flyn	
Janet Lyn Forbes	
David Hannah	
Alasdair Christie	
Alison MacLeod	(Resigned 25 September 2015)
David Goodall	
Jennifer Lawless	
James McIntyre	
Steve Robertson	
Agnes Slimon	
Julia Campbell	
John Laing	
Iain Clark	(Appointed 25 September 2015)
Maxine Smith	(Appointed 4 March 2016)
Audrey Sinclair	(Appointed 17 June 2016)

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

**Recruitment and Appointment of Trustees**

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

**Induction and Training of Trustees**

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

**The Highlands Small Communities Housing Trust  
(Company Limited by Guarantee and not having a Share Capital)  
The Report of the Trustees  
for the year ended 31 March 2016**

**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

Date:

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Output and Performance Report**  
**for the year ended 31 March 2016**

During 2015-16, HSCHT has continued to focus on its core functions of housing enabling and enhancing community sustainability both economically and socially through the provision of affordable housing options in the rural communities in the Highlands and beyond. Developing innovative solutions to topical and current issues remains at the forefront of our activities and demand for our services continues to increase from a wide range of individuals, landowners, communities and strategic partners. Our AGM attracted 49 delegates from 37 organisations from the Highlands and our newsletter is distributed to over 140 Community Councils and Community Groups at least twice a year. Our Facebook page and twitter feeds are updated on a regular basis with all of our project news, available properties and events. At present, we have 1,715 likes for our Facebook page and our Highland Self Build Fund posts reached around 30,000 people. We manage 2 Twitter sites with 1,261 followers. Our online blog is available on our new website which was launched in October 2015. The most popular pages were the Highland Self Build Loan Fund, Current Housing Opportunities and our blog with a total of 1,845 visits to our home page in April 16 alone.

We have attended various conferences this year and gave presentations on the work of HSCHT at various events. This has ensured a wide audience for HSCHT's work which has increased the awareness throughout Scotland of alternative methods of providing affordable homes in rural communities. HSCHT membership stands at 66 community members.

As one of 10 finalists of the World Habitat Awards, our Rent to Buy Scheme has featured prominently on a global scale. The awards are organised by the British Social Housing Foundation who are "working to help people access decent housing through identifying innovative housing policy and practice, promoting these ideas and examples and supporting the exchange and transfer of good practice". ([www.bshf.org](http://www.bshf.org))

In recent years we have developed many new housing finance models, with an investment of around £9m to the Highlands to date. In the past year we have built 44 affordable houses, with another 30 planned in 34 remote or rural communities under 5 different schemes: "Rent to Buy", "Greener Homes", "Bringing Empty Properties back into use", "Shared Equity" sales and "Long Leases". All of the houses sold under the different schemes have a Rural Housing Burden attached and HSCHT has retained an equity share of between 20% and 40% in the property. This protects the future affordability of each house in perpetuity.

Following several years of work, The Highland Self Build Loan Fund was launched in February 2016. HSCHT operates as agents for the Scottish Government to administer this £4m scheme to provide loans of up to £150,000 to eligible applicants in the Highland region. The fund has already proved popular with almost 500 direct enquires and 10 applications in a matter of weeks. The fund is available to issue loans until March 2018, to be repaid by March 2019.

We have been exploring with an ever increasing number of communities how some of our innovative methods could take projects forward in their areas, to identify methods of providing affordable housing for their community with no, or minimal, public subsidy.

**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 2016**

In Strontian, we are working with both the community and landowners to drive forward a new development. We have worked closely with key partners in Strontian to develop a new master plan for the village which includes housing (social rent, Rent to Buy, and open market), a new primary school, care home, commercial units and community space. Successful application to the Nationwide Foundation has secured sufficient loan/grant funding to renovate 2 empty community owned houses and make them available for affordable rent. An open day to celebrate the completion of the renovation on the first property in Acharacle was held in July. Work on the second property in Achiltibuie is progressing well, with a conversion into 2 units planned.

The movement towards a more self-sustaining model continues and recognition that the services we provide for disadvantaged rural communities require a degree of financial support has attracted grant funding from several grant making trusts to support our housing enabling work. Funding was secured to carry out a feasibility study into setting up a subsidiary company and the final report was issued in the autumn. Through support from Highland and Islands Enterprise, we have recruited a Business Development Officer to help us to explore this and other options more fully and to identify the most appropriate and viable long term growth strategies for the charity.

The enabling work carried out in the Highlands is proving very successful in promoting affordable housing development in the smaller communities. The demand we have identified for affordable housing and the recognition of the value of our work has directly led to the creation of another post to provide development services. The Lochaber development partnership with Lochaber Housing Association delivers 30 affordable homes per year, generating around £15m of investment over the next 4 years. We are also acting as agents for the Highland Council. We have completed projects in Alness, Dornoch and are working on developments in Bellhaven, Lochyside & Lochyside School, Heathercroft (Upper Achintore) and other potential projects. We have enabled the Laggan Community Trading Company to refurbish a home for rent.

HSCHT has played an important role in two initiatives being led by the Scottish Government; the establishment of a Community Housing Alliance and the new Rural Housing Fund. The former is aimed at providing an umbrella organisation for communities to be signposted to for advice, guidance, development partners and for standardised agreements. Work on this will continue into the next year. The latter has involved the CEO's input in the steering group to form the guidance of the very welcome new Rural Housing Fund from the Scottish Government, which provides £25m over 3 years to enable rural housing projects to progress.



**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 2016**

What follows is an update on outputs and performance:

<b>Rural Housing Enabler Development</b>	<b>Numerical Target</b>	<b>On-going</b>
Housing Need & Feasibility Studies	12	Housing needs surveys carried out in Lochaline and Culbokie. Quotes accepted in South Uist and Westray.
Community Housing Surgeries and Advice to individuals	450	General enquires by phone, email, Facebook and Twitter. Info days and presentations at community meetings in Glendale, Isle of Rum, Applecross, Staffin, Dores, Westray, Sleat, Gorthleck, Edderton, Staffin, Kilbeg, Strontian, Duror & Kinlochleven.
Innovation Housing Projects developed	6	Greener Homes (13 units) complete and occupied. Rent to Buy Phase 2, 17 complete and 7 units under way and Rent to Buy 3 land purchases concluded with 23 units confirmed. Empty Homes renovation and conversion (1 unit complete and 2 units in progress)
£4m Highland Self Build Loan Fund launched in Feb 2016	481	481 direct enquiries, around 30,000 Facebook post reach, 10 applications to date.
Deferred Plot Payments	1	Skeabost plot sale agreed with a deferred payment option
Buy backs of properties with a Rural Housing Burden	2	2 properties purchased, Dornoch and Glenfinnan. 1 let on a Scottish short assured tenancy, 1 allocated under the Rent to Buy Scheme
Rent to Buy Units built & tenancy management	14	Further 31 units completed, and 30 in progress. Tenancy management to 31 Rent to Buy units and to 29 other rented properties
Advice to Landowners and Developers including Grant Enquiry and Support	20	On-going
Support for approved grants	10	Pre-support for potential Rural Housing Fund applications
Advice and support to Community Land Trusts and other community groups	40	Work continuing with the Community Land Trust in Rum and communities wishing to acquire land in Applecross, Glendale, Findhorn, Culbokie, Lochaline, Garve, Tongue, Strontian and Dalreichart.

**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 2016**

Partnership Working & Policy Development	75	Regular meetings with the Highland Council, Scottish Government, Highland Liaison Group, Highland Housing Supply Group, Joint Housing Delivery Plan, 6 Housing Associations, Development Trusts Association Scotland, Community Woodlands Association, Scottish Crofting Federation, Cairngorms National Park Authority, Forestry Commission Scotland, Scottish Land & Estates, Inclusive Cairngorms, National Health Service, Community Land Scotland, local businesses and estates. Providing development services for Lochaber Housing Association and the Highland Council. Working in partnership with Rural Housing Scotland and the Dumfries and Galloway Small Communities Housing Trust to create an independent rural housing umbrella body in Scotland.
Lochaber and Highland Council Development Agency projects	1	A member of the Scottish Government's steering group to guide and develop a new Rural Housing Fund which was launched in February 2016.
Community Housing Alliance	1	Discussions with private sector developers involved in over 20 different sites
Rural Housing Partnership to deliver a new fund	15	New sites throughout the Highlands have been identified for Rent to Buy Phase 3 and other projects and will be taken forward where possible
Advice/negotiations with private sector developers	120	Feasibility studies have been carried out in over 45 communities to identify sites for affordable housing
Housing Land Identification and Release	60	
Site investigations/Feasibility Studies	24	Sites for 50 units investigated for Rent to Buy 3.
Land Acquisition (Sites)	20	Sites for 20 units purchased. Negotiation for land purchase in other communities on-going.
Low cost houses/plots sold	1	3 homes in Ainess sold with a rural housing burden as part of the Greener Homes Scheme. 1 site sold for a community business in Gairloch.
Annual Conference and Regional Seminars	2	AGM held with presentation & workshop with Drew Hendry MP. Attended by delegates from 37 different organisations.
Promoting and establishing Woodland Crofts	1	Attending stakeholder meetings and meetings with landowners and interested parties. List of potential woodland croft purchasers/tenants maintained. Negotiations with landowner to provide 3 new crofts

**The Highlands Small Communities Housing Trust**  
**(Company Limited by Guarantee and not having a Share Capital)**  
**Trustees' Responsibilities Statement**  
**for the year ended 31 March 2016**

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

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that year. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

In so far as the trustees are aware:

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

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On order of the Directors



Ronald MacRae  
Secretary

Date:

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**  
**Independent auditor's report to the members of The Highlands Small**  
**Communities Housing Trust**

We have audited the financial statements of The Highlands Small Communities Housing Trust for the year ended 31 March 2016 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Section 495 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the trustees and auditor**

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

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

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

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

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

**The Highlands Small Communities Housing Trust**  
**(A company limited by guarantee)**  
**Independent auditor's report to the members of The Highlands Small**  
**Communities Housing Trust**

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

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

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

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report.



Colin Gray B.Com. C.A. (Senior statutory auditor)  
for and on behalf of FKF Accounting Limited,  
Statutory Auditor

Frame Kennedy is eligible to act as auditor  
in terms of section 1212 of the Companies Act 2006

Metropolitan House  
31-33 High Street  
Inverness  
IV1 1HT

Date: 16.09.16

**The Highlands Small Communities Housing Trust**  
**Statement of Financial Activities (including Income and Expenditure Account)**  
For the year ended 31 March 2016

Notes	2015/16										2014/15									
	Unrestricted Funds					Restricted Funds					Unrestricted Funds					Restricted Funds				
	Operational Activity	Rental Properties	Sale of Houses and Land	CCSP	Restricted Reserve	Total	Operational Activity	Rental Properties	Sale of Houses and Land	CCSP	Restricted Reserve	Total	Operational Activity	Rental Properties	Sale of Houses and Land	CCSP	Restricted Reserve	Total		
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
<b>Income</b>																				
Income from charitable activities																				
Revenue Grants	3	133,446	-	-	135,179	268,625	194,926	-	-	-	548,323									
Rental Income	4	-	238,641	-	-	238,641	-	159,886	-	-	159,886									
Sale Proceeds on Land Disposals	5	-	-	178,944	-	178,944	-	-	1,158,409	-	1,158,409									
Fee Income	6	84,906	-	-	-	84,906	63,969	-	-	-	63,969									
Investment Income	7	813	407	6,913	126	8,259	864	157	550	48	1,619									
<b>Total Income</b>		<b>219,165</b>	<b>239,048</b>	<b>185,857</b>	<b>135,305</b>	<b>779,374</b>	<b>259,759</b>	<b>160,043</b>	<b>1,158,959</b>	<b>99,445</b>	<b>1,932,206</b>									
<b>Expenditure</b>																				
Expenditure on Charitable Activities	8	202,153	88,564	70,851	91,078	452,646	177,593	5,350	115,922	74,616	373,481									
Administration and Management	4	-	36,995	-	-	36,995	-	24,126	-	-	24,126									
Rental Expenditure	5	-	-	140,290	-	140,290	-	-	1,201,001	-	1,201,001									
Cost of sale of Land Disposals	5	-	-	-	-	-	-	-	-	-	-									
Bank and Loan Interest Payable	4/13	2,202	86,083	-	48	88,333	650	30,299	-	53	31,002									
<b>Total Expenditure</b>		<b>204,355</b>	<b>211,642</b>	<b>211,141</b>	<b>91,126</b>	<b>718,263</b>	<b>178,243</b>	<b>59,775</b>	<b>1,316,923</b>	<b>74,669</b>	<b>1,629,610</b>									
<b>Income/(expenditure) and net movement in funds</b>		<b>14,810</b>	<b>27,406</b>	<b>(25,284)</b>	<b>44,179</b>	<b>61,111</b>	<b>81,516</b>	<b>100,268</b>	<b>(157,964)</b>	<b>24,776</b>	<b>302,596</b>									
Transfer between fund		(14,810)	14,810	-	-	-	(81,516)	81,516	202,000	-	(202,000)									
		-	42,216	(25,284)	44,179	61,111	-	181,784	44,036	24,778	52,000									
<b>Reconciliation of funds</b>																				
Total funds brought forward		350,685	327,302	327,302	9,659	1,173,050	1,860,696	168,901	283,266	(15,117)	1,121,050									
Total funds carried forward		<b>392,901</b>	<b>302,018</b>	<b>302,018</b>	<b>53,838</b>	<b>1,173,050</b>	<b>1,921,807</b>	<b>350,685</b>	<b>327,302</b>	<b>9,659</b>	<b>1,173,050</b>									

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 14 to 29 form part of these accounts

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

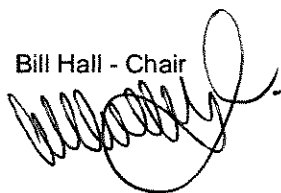
**Balance Sheet**  
**As at 31 March 2016**

	Notes	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	15		679,638		395,781
<b>Current assets</b>					
Land banking and Development properties	16	6,046,364		4,388,655	
Debtors	17	48,116		107,775	
Cash at bank and in hand		<u>2,359,484</u>		<u>2,666,418</u>	
<b>Total Current Assets</b>			<u>8,453,965</u>		<u>7,162,848</u>
<b>Liabilities</b>					
Creditors falling due within one year	18	<u>(530,214)</u>		<u>(794,170)</u>	
<b>Net current assets</b>			7,923,750		6,368,678
Total assets less current liabilities			<u>8,603,388</u>		<u>6,764,459</u>
<b>Creditors amounts falling due after more than one year</b>	19		(6,681,581)		(4,903,763)
<b>Net assets</b>			<u>1,921,807</u>		<u>1,860,696</u>
<b>The fund of the charity</b>					
<b>Restricted income funds - Development</b>	21		971,050		971,050
<b>- Development Grants</b>			202,000		202,000
<b>- CCSP</b>			53,838		9,659
<b>Unrestricted income funds</b>					
<b>Designated reserves - land banking fund</b>	21		302,018		327,302
<b>Revenue reserves</b>	21		392,901		350,685
<b>Total charity funds</b>			<u>1,921,807</u>		<u>1,860,696</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 financial statements were approved by the Board of Directors on 2016

Bill Hall - Chair



The notes on pages 14 to 29 form part of these accounts

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

**1 Principal Accounting Policies**

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

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 in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16/07/14, the Financial Reporting Standard for Smaller Entities (effective January 2015) and the Companies Act 2006. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

**b 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 or its subsidiary;
- there is sufficient certainty that receipt of the income is considered probable; and
- the amount can be measured reliably.

**c Resources Expended**

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

**d Funds**

With the adoption of the Statement of Recommended Practice, all income and expenditure is dealt with through the Statement of Financial Activities with the exception of capital grants



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

**1 Principal Accounting Policies (Continued)**

explained in note 1 below. Funds are now classified as restricted or unrestricted as defined below.

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

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

**e Tangible Fixed Assets – Housing Properties (Note 15)**

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.

**f Tangible Fixed Assets – Depreciation**

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

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

**g Capital Grants**

**Housing Properties**

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

**Landbanking Grants**

Grants are receivable from Communities Scotland and the Highland Council for the acquisition of land for future sale and development for affordable housing. These grants are included as Restricted Reserves.

**h Stocks**

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

Feasibility studies are included at cost unless they are not to be developed into projects. The cost of a study is written off to the Statement of Financial Activities as soon as it is recognised.

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

**i 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.

**j Taxation**

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

**k Pension Schemes**

The Trust operates participates in the SFHA pension scheme as stated in Note 24.

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.

**l True and Fair Over-ride**

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

This does not comply with the Statement of Recommended Practice. 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 Financial Reporting Standard for Smaller Entities (effective April 2008). However, as the properties are not held for capital appreciation but to provide in rural areas accommodation which might not otherwise be available the directors have decided to comply with the Companies Act 2006 treatment and depreciate these properties annually. The directors consider that this treatment is more relevant to showing a true and fair view.

**2 Income**

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

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

**3 Income from Charitable activities**

Revenue Grants

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

**3 Income from Charitable activities (continued)**

Revenue Grants

	2015		Total £
	Unrestricted £	Restricted £	
Scottish Executive - Voluntary Organisation Grant	65,000	-	65,000
The Tudor Trust	15,000	-	15,000
Westminster Foundation	15,000	-	15,000
The Robertson Trust	15,000	15,000	30,000
The Gannochy Trust	10,000	-	10,000
The Highland Council	-	16,623	16,623
Scottish Government Greener Homes	-	254,000	254,000
The Big Lottery	10,000	31,574	41,573
Comic Relief	10,001	10,000	20,001
SSE	-	19,000	19,000
HIE	10,922	-	10,922
FCS	8,205	-	8,205
CNPA	10,750	-	10,750
Miscellaneous Grants	48	7,200	7,249
Nationwide Foundation	25,000	-	25,000
	194,926	353,397	548,323

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

**4 Particulars of income and expenditure from lettings**

Income from lettings	<b>2016</b>	<b>2015</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Rents received	<u>238,641</u>	<u>159,886</u>
Expenditure on lettings activities	<b>2016</b>	<b>2015</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Maintenance Costs	21,072	8,850
Depreciation	7,005	8,142
Insurance	8,918	7,134
Loan interest	86,083	30,299
Total expenditure on lettings	<u>123,078</u>	<u>54,425</u>
Operating surplus on lettings activities	<u>115,563</u>	<u>105,461</u>

**5 Sale of Land**

	<b>2016</b>	<b>2015</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Sale proceeds	178,944	1,158,409
Cost of sales	(140,290)	(1,201,001)
Grants Applied	-	202,000
Surplus on disposal	<u>38,654</u>	<u>159,408</u>

**6 Fee Income**

	<b>2016</b>	<b>2015</b>
	<b>Unrestricted</b>	<b>Unrestricted</b>
	<b>£</b>	<b>£</b>
Other Fees	<u>84,906</u>	<u>63,969</u>
	<u>84,906</u>	<u>63,969</u>

**7 Investment Income**

	<b>2016</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Interest receivable from banks	<u>8,133</u>	<u>126</u>	<u>8,259</u>

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)

**7 Investment Income (continued)**

	<b>Unrestricted</b>	<b>2015 Restricted</b>	<b>Total</b>
	£	£	£
Interest receivable from banks	1,571	48	1,619

**8 Administration and Management**

	<b>Community Engagement</b>	<b>Rental Activity</b>	<b>2016 Landbanking Activities</b>	<b>CCSP</b>	<b>Total</b>
	£	£	£	£	£
Staff Costs (see note 12)	146,173	66,442	53,154	36,751	302,521
Rent	8,507	3,867	3,093	1,921	17,388
Travel Costs	8,610	3,914	3,131	3,121	18,776
Recruitment Costs	237	108	86	130	560
Publicity	671	305	244	1,949	3,170
Post Stationary and Office Costs	9,490	4,314	3,451	1,228	18,483
Telephone and IT	4,864	2,211	1,769	1,152	9,996
Consultancy - Innovative Projects	6,812	3,096	2,477	3,001	15,386
Insurance	2,199	1,000	800	31	4,029
Meetings, Training & Venues	1,490	677	542	41,176	43,885
Sundry Expenses	-	-	-	-	-
Unrecoverable VAT	5,786	2,630	2,104	619	11,139
Board and Members Expenses	2,584	-	-	-	2,584
Audit Fees	4,730	-	-	-	4,730
	202,153	88,564	70,851	91,078	452,646

The above expenditure on charitable activities was £452,646 (2015: £373,481) of which £361,568 was unrestricted (2015: £298,865) and £91,078 was restricted (2015: £74,616).

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

**8 Administration and Management (continued)**

	2015				
	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
	£	£	£	£	£
Staff Costs (see notes 12)	118,916	4,324	92,971	36,420	252,631
Rent	8,661	315	6,771	1,722	17,469
Travel Costs	7,705	280	6,024	2,265	16,275
Recruitment Costs	63	2	49	160	275
Publicity	440	16	344	1,263	2,062
Post Stationary and Office Costs	8,633	314	6,749	475	16,171
Telephone	2,687	99	2,100	639	5,524
Consultancy - Innovative Projects	24,931	-	-	-	24,931
Insurance	913	-	914	203	2,030
Meetings, Training Venues	1,173	-	-	31,469	32,642
Sundry Expenses	-	-	-	-	-
Irrecoverable VAT	(3,564)	-	-	-	(3,564)
Board and Members Expenses	1,871	-	-	-	1,871
Audit Fees	5,164	-	-	-	5,164
	<u>177,593</u>	<u>5,350</u>	<u>115,922</u>	<u>74,616</u>	<u>373,481</u>

**9 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.

	2016				
	Community Engagement	Rental Activity	Landbanking Activities	CCSP	Total
	£	£	£	£	£
Costs	202,153	88,564	70,851	91,078	452,646
Direct grant support	(133,446)	-	-	(135,179)	(268,625)
Net cost funded from other income	<u>68,707</u>	<u>88,564</u>	<u>70,851</u>	<u>(44,101)</u>	<u>184,021</u>

**10 Analysis of governance costs**

	2016 Unrestricted £	2015 Unrestricted £
Board and Members Expenses	2,584	1,871
Audit Fees	4,730	5,164
	<u>7,314</u>	<u>7,035</u>

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

<b>11 Operating surplus</b>		<b>2016</b>	<b>2015</b>
		£	£
Operating surplus is stated after charging			
Auditors' fees		4,730	5,165
Depreciation		7,006	8,143
		<u>7,006</u>	<u>8,143</u>

<b>12 Directors and employees</b>		<b>2016</b>	<b>2015</b>
		£	£
Staff costs (see note 8)			
Wages		261,881	218,182
Social security		19,959	16,920
Other pension costs		20,681	17,529
		<u>302,521</u>	<u>252,631</u>

No employees had emoluments in excess of £60,000 (2015: Nil).

Average number of persons employed	<u>9</u>	<u>8</u>
------------------------------------	----------	----------

Expenses paid to Community Elected Directors on the Trust Board totalled £Nil (2015 - £695).

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 24.

The Pension Charge represents contributions paid by the Trust during the year which amounted to £20,681 (2015 - £17,529).

<b>13 Interest payable and other charges</b>		<b>2016</b>	
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	£	£	£
Bank interest and charges	<u>88,285</u>	<u>48</u>	<u>88,333</u>

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

**13 Interest payable and other charges (continued)**

	2015		Total £
	Unrestricted £	Restricted £	
Bank Interest and charges	30,949	53	31,002

**14 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.

**15 Fixed Assets**

	Heritable Property £	Equipment £	Furniture & Fittings £	Total £
<b>Cost</b>				
Cost at 31 March 2015	1,122,093	6,849	4,157	1,133,099
Additions	312,966	-	-	312,966
Cost at 31 March 2016	<u>1,435,059</u>	<u>6,849</u>	<u>4,157</u>	<u>1,446,065</u>
<b>Depreciation</b>				
Depreciation at 31 March 2015	72,488	6,849	4,157	83,494
Charge for year	7,006	-	-	7,006
Depreciation at 31 March 2016	<u>79,494</u>	<u>6,849</u>	<u>4,157</u>	<u>90,500</u>
<b>Grants</b>				
Other Grants at 31 March 2015	653,824	-	-	653,824
Additions	22,105	-	-	22,105
Other Grants at 31 March 2016	<u>675,929</u>	<u>-</u>	<u>-</u>	<u>675,929</u>
<b>Net Book Value</b>				
As at 31 March 2016	<u>679,638</u>	<u>-</u>	<u>-</u>	<u>679,638</u>
As at 31 March 2015	<u>395,781</u>	<u>-</u>	<u>-</u>	<u>395,781</u>



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

**15 Fixed Assets (continued)**

All assets are held for charitable purposes.

All of these properties have been valued as at 31 March 2015 by the District Valuer. The valuation was based on the open market value and was undertaken in accordance with the RICS Statement of Assets Practice and Guidance Notes.

Most of the properties are on long term lease to Housing Associations based in the Highlands. The valuation has not been incorporated in the financial statements.

	<b>Valuation</b>	<b>Cost</b>	<b>Increase in Value</b>
	£	£	£
As at 31 March 2016	<u>1,709,000</u>	<u>1,122,093</u>	<u>586,907</u>

The directors consider that there has been no material impairment in the market value of heritable property in the year ended 31 March 2016 and the market value at 31 March 2016 remains in excess of historic costs.

**16 Land Banking and Development Properties**

	<b>Land Banking</b>	<b>Feasibility Studies</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
As at 31 March 2015	4,339,489	49,166	4,388,655
Additions	1,775,460	1,240	1,776,700
Transfers	-	-	-
Disposals/Written Off	(118,990)	-	(118,990)
As at 31 March 2016	<u>5,995,959</u>	<u>50,406</u>	<u>6,046,364</u>

**17 Debtors**

	<b>2016</b>	<b>2015</b>
	£	£
Other debtors	48,116	107,775
	<u>48,116</u>	<u>107,775</u>

**18 Creditors due within one year**

	<b>2016</b>	<b>2015</b>
	£	£
Highland Council Loans	240,000	590,000
Trade Creditors	266,823	130,856
Other taxation and social security	7,161	6,085
Other creditors	-	45,336
Accruals	4,010	21,893
	<u>517,994</u>	<u>794,170</u>

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

**19 Creditors:**

<b>Amounts falling due after more than one year</b>	<b>2016</b>	<b>2015</b>
	£	£
Scottish Government loan - Rent to Buy	6,399,906	4,657,088
SBIF	60,000	60,000
Highland Council	186,675	186,675
Nationwide Foundation Loan	35,000	-
	<u>6,681,581</u>	<u>4,903,763</u>

The SBIF and Nationwide Foundation loans are unsecured. The Highland Council loan is secured by specific charges on land owned by HSCHT and is interest free.

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

	<b>2016</b>	<b>2015</b>
	£	£
Analysis of loan repayments		
In the next year	<u>240,000</u>	<u>590,000</u>
In the second year	-	-
In the third to fifth year	4,578,793	4,903,763
In more than five years	<u>2,102,788</u>	<u>-</u>
	<u>6,681,581</u>	<u>4,903,763</u>
	<u>6,921,581</u>	<u>5,493,763</u>

**20 Analysis of Net Assets between funds**

	<b>Unrestricted</b>	<b>Restricted</b>	<b>Total</b>
	Funds	Funds	Total
	£	£	£
Tangible Fixed Assets	679,638	-	679,638
Net Current Assets	6,696,862	1,226,888	7,923,750
Creditors falling due after more than one year	<u>(6,681,581)</u>	<u>-</u>	<u>(6,681,581)</u>
	<u>694,919</u>	<u>1,226,888</u>	<u>1,921,807</u>

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

21 Funds	Restricted Reserves			Designated Reserve Landbanking	Revenue Reserve	Total
	Development	Landbanking	CCSP			
	£	£	£			
Balance at 31 March 2015	971,050	202,000	9,659	327,302	350,685	1,860,696
Result for the Year	-	-	44,179	(25,284)	42,216	61,111
Balance at 31 March 2016	971,050	202,000	53,838	302,018	392,901	1,921,807

**Revenue Reserve**

	£
General Activities	212,758
Sinking Fund Properties	75,643
Cashback Reserve	104,500
	<u>392,901</u>

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

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

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

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

**22 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.

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

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

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

**23 Legal status of the trust**

The Highlands Small Communities Housing Trust is a charitable company limited by guarantee not having a share capital. The liability of members is limited, and is not to exceed £1 per member. As a result, no single party has control of the Trust.

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

**24 Scottish Housing Associations' Pension Scheme**

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

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

The Scheme offers six benefit structures to employers, namely;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

