

FYNE HOMES LIMITED
GROUP REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

FYNE HOMES LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS

Management Committee

P Wallace, Chairperson
J McMillan, Vice Chairperson
D Wilkinson, Secretary
D Anderson
A C Harrison
H Kirk
M Lang
P Lingard
S MacLeod
T McKay
L Scoullar
D Herriot (elected 19 September 2018)
K Finlay (co-opted 17 April 2019)
D Williams (resigned 30 May 2018)

Executive Officers

C Renfrew, Chief Executive
J McAlister, Technical Services Director
S Cole, Business Services Director
T Robertson, Housing Services Director
L Haemmerle, Human Resources Director

Bankers

Bank of Scotland
36/42 Montague Street
Rothesay
PA20 0BT

Registered Office

81 Victoria Street
Rothesay
Isle of Bute
PA20 0AP

Auditor

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Solicitors

T C Young
Solicitors
7 West George Street
Glasgow
G2 1BA

Internal auditor

Scott-Moncrieff
Chartered Accountants
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

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Registration information

Financial Conduct Authority

Co-operative and Community Benefit Societies
Act 2014
Registered number 1454 R (S)

The Scottish Housing Regulator

Housing (Scotland) Act 2010
Registered number 321

Recognised Scottish Charity

SC009152

FYNE HOMES LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

The Management Committee present their report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2019.

Principal activities

The principal activity of the Association is the provision of social rented accommodation. The Association has three subsidiary companies, Fyne Futures, Fyne Initiatives Limited and Fyne Energy Limited.

Fyne Futures is a charitable company whose principal activities are focused on environmental sustainability, namely recycling, reuse, Local Produce and Car Club activities which provide employment and training opportunities. The charitable company also delivers a Carbon Reduction programme and performs wider role activities providing support to a range of community regeneration projects across the operational area. The charitable company has been involved in numerous projects during the year; these were mainly, but not exclusively Towards Zero Carbon Bute, Bute Produce and Employment Training.

Fyne Initiatives Limited is a company whose principal activities are to provide design and build services to the Association and the rental of commercial property.

Fyne Energy Limited's principal activity is that of electricity generation. The final turbine was commissioned on 14 January 2019. The takeover certificate was received from turbine supplier Enecon on 22 February 2019.

Objectives and Strategy

Fyne Homes Corporate Plan identified three main objectives and this is incorporated into our strategy. These objectives are as follows:

- Meet the needs and aspirations of our customers;
- Meet the housing needs of our customers; and
- Ensure we maintain value for money.

Review of business and future developments

Association

At 31 March 2019 Fyne Homes Limited made a surplus of £722,315 (2018: £406,062). During the year Fyne Homes Limited invested £952,515 (2018: £956,496) in property improvements and continues to provide quality affordable housing.

3 schemes came off site during 2018/19 providing 16 rented units at Spence Court, Dunoon, 16 rented units at Lochgilphead High School Phase 4 and 4 units at Minard, Phase 2.

A further scheme is on site at Tighnabruaich which will provide 20 rented units and is due for completion in 2019/20. The capital spend on new developments in the year was £3,263,731.

The Association made satisfactory progress on its planned and cyclical programme of repairs and renewals to its existing stock, and also the improvement programme to properties in Campbeltown which were acquired by Stock Transfer in 1999.

As at 31 March 2019, 93.79% of our stock met the Scottish Housing Quality Standard.

The Management Committee is satisfied with the progress of the Association over the past year and looks forward to the completion of future planned developments.

Review of business and future developments (continued)

Fyne Futures

The charitable company generated a deficit in funds of £62,170 (2018: £74,517) for the year. The net assets of the charitable company were £276,935 at 31 March 2019 (2018: £339,105) and thus the charitable company is in a healthy financial position.

The main achievements in the year included continuation of our community regeneration activities to support the successful delivery of a range of projects, sustaining an income stream for Recycling Services from Argyll and Bute Council, Bute Produce, Recycling and Reuse activities and continued funding to deliver Towards Zero Carbon Bute Activity.

It is hoped that revenue income will increase over the next three years primarily by expanding the existing areas of operation and by adding new income streams where possible.

Fyne Initiatives Limited

The profit after providing for taxation amounted to £38,571 (2018: £1,568) and the net assets at 31 March 2019 were £41,248 (2018: £2,677). There was a distribution in the form of gift aid to Fyne Homes Limited of £nil (2018: £10,500) in the year. The company continues to provide design and build services to the Association as well as generate rental income from its commercial properties.

Fyne Energy Limited

The profit after providing for taxation for the year to 31 March 2019 amounted to £173,741 (2018: loss of £100,182) and the net assets were £232,903 (2018: £59,162). Construction of the wind turbines was completed during the year.

Risk and Uncertainties

Within Fyne Homes Limited's Risk Register we have identified the following risks which are significant to the Association;

- The financial impact of interest rates and pension contributions increasing;
- Adverse changes to the operating environment;
- Changes in welfare benefits; and
- Loss of IT systems.

These risks are mitigated as far as possible by the Association and are monitored on a quarterly basis.

Financial and non-financial key performance indicators

The financial and non-financial KPIs used to monitor the performance of the Association are as follows:

- Meeting our financial covenants with lenders – this was achieved this year and also in 2017/18;
- Meeting void targets of 28 days – this was achieved in 2018/19 as the average void period was 25.5 days (2017/18: 56.9 days);
- Achieving a rent loss target of 2.5% - this was achieved in 2018/19 as the rent loss was 1.82% of total rental income including service charges (2017/18: 1.94%);
- Our internal target of completing 95% of emergency repairs within 6 hours was achieved in 2018/19 with a completion rate of 98% (2017/18: completion rate of 98%);
- Our internal target of completing 95% of urgent repairs within 3 working days was not achieved in 2018/19 with a completion rate of 86% (2017/18: 88%) which was outwith our control as we were unable to gain access to some properties.

Financial and non-financial key performance indicators (continued)

Fyne Homes Limited like other RSLs completes the annual return on the Scottish Social Housing Charter. The Charter sets out the standards and outcomes that we are aiming to achieve in relation to:- Equalities, Customer & Landlord Relationship, Housing Quality and Maintenance, Neighbourhood and Community, Access to Housing & Support and Good Value from Rents and Service Charges. Each year the Scottish Housing Regulator publish reports about each landlords' performance against the Charter. This enables us to benchmark our performance against other RSLs. Our 2017/18 overall performance was slightly below the Scottish average. The full 2017/18 report can be accessed on the Scottish Housing Association's website and the 2018/19 report will be accessible on this website when published.

Governance

The Management Committee and Executive Officers of the Association are listed on the first page of the accounts.

The Management Committee and Executive Officers

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers of the Association 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 Committee.

The Executive Committee is a Committee that can meet at short notice to make decisions without having to wait until the next Management Committee meeting and consists of the chair and convenors of the various sub committees.

The Management Committee meet eight times each year. The Executive Committee meet at least twice a year with one of these meetings held to approve the annual financial statements.

The other sub committees are the Staffing Committee, who meet at least three times a year and the Audit Committee who meet as deemed required.

All members of the Committee receive appropriate training twice a year.

Statement on Internal Financial Controls

The Management Committee acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Management Committee'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 include ensuring that:

- (a) Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- (b) Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- (c) Forecasts and budgets are prepared which allow the Management Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set out for the year. During the financial year, regular management accounts are prepared promptly, providing relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated as appropriate;

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

Statement on Internal Financial Controls (continued)

- (d) All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the relevant sub-committees which are comprised of Management Committee members;
- (e) The Association has appointed a firm of accountants, on a consultancy basis, as internal auditor with the specific responsibility of assessing the adequacy and reliability of the system of internal financial controls. The results of such reviews are reported to the Audit Committee;
- (f) The Management Committee reviews reports from the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- (g) Formal practices have been established for instituting appropriate action to correct weaknesses identified from the reports of the external auditor and the internal auditor.

The Management Committee have reviewed the effectiveness of the system of internal control in existence in the Association for the year ended 31 March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Statement of the Management Committee's Responsibilities

Housing Association legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and Group and of the income and expenditure of the Association and Group for the year ended on that date. In preparing those financial statements the Management Committee are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association and Group will continue in business.

The Management Committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association. 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.

FYNE HOMES LIMITED

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2019**

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- so far as the Association's Committee members are aware, there is no relevant audit information of which the auditor is unaware; and
- the Management Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditor is aware of any such information.

Auditor

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

By order of the Management Committee



P Wallace
Chairperson

Dated: 11 September 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Opinion

We have audited the financial statements of Fyne Homes Limited (the "Parent Association") and its subsidiaries (the "Group") for the year ended 31 March 2019 which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Capital and Reserves, the Consolidated and Association Statements of Financial Position, the Consolidated and Association Statements of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Parent Association's affairs as at 31 March 2019 and of the Group's and Parent Association's 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 Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefits Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

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

Conclusions relating to going concern

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Other information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained by the Parent Association; or
- the Parent Association has not kept proper accounting records; or
- the Parent Association's financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 4, the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

FYNE HOMES LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FYNE HOMES LIMITED ON THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

This report is made solely to the Parent Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Parent Association's members, as a body, 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 Parent Association and the Parent Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott-Moncrieff

**Scott-Moncrieff, Statutory Auditor
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006**

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 11 September 2019

FYNE HOMES LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF FYNE HOMES LIMITED ON THE STATEMENT ON INTERNAL FINANCIAL CONTROLS FOR THE YEAR ENDED 31 MARCH 2019

In addition to our audit of the financial statements, we have reviewed your statement on pages 3 and 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. 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 reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Controls on pages 3 and 4 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Controls appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 11 September 2019

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	4	8,112,638	7,144,184
Less: Operating expenditure	4	(6,425,134)	(6,156,290)
Operating surplus	4	1,687,504	987,894
Loss on disposal of property, plant and equipment		(56,340)	-
Increase in fair value of investment properties	14	28,000	-
Interest receivable and other income	9	-	423
Interest payable and similar charges	10a	(798,711)	(696,545)
Foreign exchange loss on forward contracts	10b	-	(93,959)
Surplus before taxation		860,453	197,813
Taxation	11	-	(789)
Surplus for the year		860,453	197,024
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	27	(740,000)	-
Actuarial loss on the SHAPS liability	27	(228,000)	-
Actuarial (loss)/gain on the Strathclyde Pension fund liability	28	(168,000)	322,000
Total comprehensive income for the year		(275,547)	519,024

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

FYNE HOMES LIMITED

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Turnover	4	7,338,698	6,784,936
Less: Operating expenditure	4	(5,845,716)	(5,732,344)
Operating surplus	4	1,492,982	1,052,592
Loss on disposal of property, plant and equipment		(56,340)	-
Interest receivable and other income	9	19,799	30,585
Interest payable and similar charges	10a	(734,126)	(687,615)
Distribution from subsidiary – Gift aid		-	10,500
Surplus for the year		722,315	406,062
Other comprehensive income			
Initial recognition of multi-employer defined benefit scheme	27	(740,000)	-
Actuarial loss on the SHAPS liability	27	(228,000)	-
Actuarial (loss)/gain on the Strathclyde Pension fund liability	28	(168,000)	322,000
Total comprehensive income for the year		(413,685)	728,062

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance as at 1 April 2018	117	26,195,951	26,196,068
Total Comprehensive Income for the year	-	(275,547)	(275,547)
Share capital issued during the year	2	-	2
Share capital cancelled during the year	(13)	-	(13)
Balance as at 31 March 2019	<u>106</u>	<u>25,920,404</u>	<u>25,920,510</u>

CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance as at 1 April 2017	123	25,676,927	25,677,050
Total Comprehensive Income for the year	-	519,024	519,024
Share capital issued during the year	5	-	5
Share capital cancelled during the year	(11)	-	(11)
Balance as at 31 March 2018	<u>117</u>	<u>26,195,951</u>	<u>26,196,068</u>

The notes form part of the financial statements.

FYNE HOMES LIMITED

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2019**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance as at 1 April 2018	117	25,835,809	25,835,926
Total Comprehensive Income for the year	-	(413,685)	(413,685)
Share capital issued during the year	2	-	2
Share capital cancelled during the year	(13)	-	(13)
Balance as at 31 March 2019	<u>106</u>	<u>25,422,124</u>	<u>25,422,230</u>

**ASSOCIATION STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2018**

	Share Capital £	Revenue Reserve £	Total Reserves £
Balance as at 1 April 2017	123	25,107,747	25,107,870
Total Comprehensive Income for the year	-	728,062	728,062
Share capital issued during the year	5	-	5
Share capital cancelled during the year	(11)	-	(11)
Balance as at 31 March 2018	<u>117</u>	<u>25,835,809</u>	<u>25,835,926</u>

The notes form part of the financial statements.

FYNE HOMES LIMITED

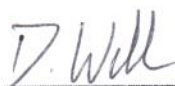
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	12	57,836,400	54,825,363
Other fixed assets	14	15,303,258	6,784,572
		<u>73,139,658</u>	<u>61,609,935</u>
Current assets			
Stock	16	262,114	348,809
Debtors	17	1,915,822	1,165,155
Cash and cash equivalents	18	1,156,151	2,406,070
		<u>3,334,087</u>	<u>3,920,034</u>
Creditors: amounts falling due within one year	19	<u>(4,487,461)</u>	<u>(3,909,658)</u>
Net current (liabilities)/assets		<u>(1,153,374)</u>	<u>10,376</u>
Total assets less current liabilities		<u>71,986,284</u>	<u>61,620,311</u>
Creditors: amounts falling due after more than one year	20	<u>(43,505,774)</u>	<u>(34,866,243)</u>
Pension – SHAPS defined benefit liability	27	(1,801,000)	-
Pension – Strathclyde Pension Fund defined benefit liability	28	(759,000)	(558,000)
		<u>25,920,510</u>	<u>26,196,068</u>
Net assets			
Capital and reserves			
Share capital	23a	106	117
Revenue reserve	23b	25,920,404	26,195,951
		<u>25,920,510</u>	<u>26,196,068</u>

The financial statements were authorised for issue by the Management Committee on 11 September 2019 and were signed on its behalf by:



Chairperson – P Wallace



Secretary – D Wilkinson



Vice Chairperson – J McMillan

The notes form part of these financial statements.

FYNE HOMES LIMITED

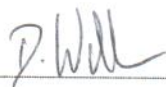
ASSOCIATION STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Tangible fixed assets			
Housing properties	12	57,836,400	54,825,363
Other fixed assets	14	435,895	424,966
		<u>58,272,295</u>	<u>55,250,329</u>
Investments	15	2	2
		<u>58,272,297</u>	<u>55,250,331</u>
Current assets			
Debtors (amounts falling due after more than one year)	17	180,000	214,693
Debtors (amounts falling due within one year)	17	1,744,384	1,236,836
Cash and cash equivalents	18	883,261	2,350,659
		<u>2,807,645</u>	<u>3,802,188</u>
Creditors: amounts falling due within one year	19	<u>(3,033,439)</u>	<u>(3,295,485)</u>
Net current (liabilities)/assets		<u>(225,794)</u>	<u>506,703</u>
Total assets less current liabilities		<u>58,046,503</u>	<u>55,757,034</u>
Creditors: amounts falling due after more than one year	20	<u>(30,064,273)</u>	<u>(29,363,108)</u>
Pension – SHAPS defined benefit liability	27	(1,801,000)	-
Pension – Strathclyde Pension Fund defined benefit liability	28	(759,000)	(558,000)
		<u>(2,560,000)</u>	<u>(558,000)</u>
Net assets		<u>25,422,230</u>	<u>25,835,926</u>
Capital and reserves			
Share capital	23a	106	117
Revenue reserve	23b	25,422,124	25,835,809
		<u>25,422,230</u>	<u>25,835,926</u>

The financial statements were authorised for issue by the Management Committee on 11 September 2019 and were signed on its behalf by:



Chairperson – P Wallace



Secretary – D Wilkinson



Vice Chairperson – J McMillan

The notes form part of these financial statements.

FYNE HOMES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Net cash generated from operating activities	24	2,078,507	2,227,597
Cash flow from investing activities			
Purchase of property, plant and equipment		(12,879,830)	(10,081,702)
Purchase of shared equity housing stock		-	(2,224)
Proceeds from disposal of property, plant and equipment		50,000	18,500
Repayment of Government grant		(75,335)	-
Grants received		1,914,828	3,220,321
Interest received		-	423
		(10,990,337)	(6,844,682)
Cash flow from financing activities			
Interest paid		(742,711)	(664,545)
New secured loan		9,349,692	6,558,953
Repayment of borrowings		(945,072)	(1,119,709)
Issue of share capital		2	5
		7,661,911	4,774,704
Net changes in cash and cash equivalents		(1,249,919)	157,619
Cash and cash equivalents at 1 April		2,406,070	2,248,451
Cash and cash equivalents at 31 March		1,156,151	2,406,070

The notes form part of these financial statements.

FYNE HOMES LIMITED

ASSOCIATION STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Net cash inflow from operating activities	24	1,981,018	2,570,876
Cash flow from investing activities			
Purchase of property, plant and equipment		(4,329,683)	(5,576,043)
Purchase of shared equity housing stock		-	-
Proceeds from disposal of property, plant and equipment		50,000	18,500
Repayment of Government Grant		(75,335)	-
Grants received		1,914,828	3,214,071
Interest received		19,799	30,585
		<u>(2,420,391)</u>	<u>(2,312,887)</u>
Cash flow from financing activities			
Interest paid		(678,126)	(655,615)
New secured loan		500,000	1,500,000
Repayment of borrowings		(849,901)	(761,216)
Issue of share capital		2	5
		<u>(1,028,025)</u>	<u>83,174</u>
Net changes in cash and cash equivalents		<u>(1,467,398)</u>	<u>341,163</u>
Cash and cash equivalents at 1 April		<u>2,350,659</u>	<u>2,009,496</u>
Cash and cash equivalents at 31 March		<u><u>883,261</u></u>	<u><u>2,350,659</u></u>

The notes form part of these financial statements.

1. General Information

The Group is registered under The Co-operative & Community Benefit Societies Act 2014. The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator and Statement of Recommended Practice for Social Housing Providers issued in 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies (see note 3).

The presentation currency is pound sterling and the financial statements are rounded to the nearest whole number.

The Association is a registered social landlord in Scotland and its registered number is 321. The registered address is included in the front page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

The principal accounting policies are set out below:

2. Accounting policies

Basis of accounting

These financial statements have been prepared under the historical cost convention subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards. The Association has taken advantage of the provisions made available through Financial Reporting Exposure Draft (FRED) 71, "Draft amendments to FRS 102 on Multi-employer defined benefit plans". These provisions will become effective as part of FRS 102 for accounting periods commencing on or after 1 January 2020, however the Association has chosen to early adopt these provisions for the current accounting period. Therefore for the year ended 31 March 2018, SHAPS was accounted for as a defined contribution scheme although the past service deficit liability was recognised as a liability. For the year ended 31 March 2019, SHAPS is accounted for as a defined benefit pension liability with the adjustment to reflect the movement between the past service deficit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 and the SHAPS defined benefit liability at 1 April 2018 being recognised within Other Comprehensive Income in the Statement of Comprehensive Income as outlined in FRED 71. Further details in respect of this treatment can be found in Note 27 to these financial statements.

The effect of events relating to the year ended 31 March 2019, which occurred before the date of approval of the financial statements by the Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2019 and of the results for the year ended 31 March 2019.

Basis of consolidated accounting policy

These financial statements consolidate those of Fyne Homes Limited and its subsidiary undertakings, Fyne Initiatives Limited, Fyne Energy Limited and Fyne Futures drawn up to 31 March 2019. Surpluses or deficits on intra-group transactions are eliminated in full.

2. Accounting policies (continued)

Going concern

The Management Committee anticipate that a surplus will be generated by the Group and the Association in the year ended 31 March 2020 and the year ended 31 March 2021. The Group and the Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Fyne Homes Limited

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from Argyll and Bute Council and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and it can be measured reliably.

Fyne Initiatives Limited and Fyne Energy Limited

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised when all of the following conditions are satisfied:

- The amount of revenue can be reliably measured;
- It is probable that the company will receive the consideration due under the transaction; and
- The costs incurred in respect of the transaction can be reliably measured.

Fyne Futures

Income is recognised when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- Service Level Agreement (SLA) income is credited to income in the year in which the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.
- Donations and grants are recognised when the charitable company is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met. Income received in advance of conditions being met are deferred and released once those conditions are met. Where the grant or donation allows for the recovery by the donor of any unexpended grant, a liability is recognised when repayment becomes probable.
- Any other income from charitable trading activities are recognised when the charitable company becomes entitled to the income, receipt is probable and the amount can be reliably measured.

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Interest receivable and other income

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Interest payable and similar charges

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Interest payable during the construction phase of the Windfarm project within Fyne Energy Limited has been capitalised.

Fixed assets - Housing properties

Housing properties are stated at cost, less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings; and
2. Development expenditure including administration costs.

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant or are considered for mortgage loans by the relevant lending authorities or are met out of the Group and Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year end.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

Depreciation

(i) Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Group and Association:

Land	-	not depreciated
Structure	-	over 60 years
Roofs	-	over 40 years
Windows	-	over 25 years
Bathrooms	-	over 20 years
Kitchen	-	over 20 years
Central Heating	-	over 33.3 years
Rewiring	-	over 25 years
Lifts	-	over 20 years
Boilers	-	over 50 years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2. Accounting policies (continued)

Depreciation (continued)

(ii) Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

Heritable Property	-	4% straight line
Office Equipment	-	10% reducing balance
Computer and Other Equipment	-	33.33% straight line
Motor Vehicles	-	25% reducing balance
Buildings	-	2% straight line
Plant and machinery	-	25% reducing balance
Fixtures and fittings	-	10% straight line
Land	-	Depreciation is not provided in respect of Land.

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

Shared equity housing units held

On completion of construction, shared equity units are held in stock along with the grant received. On completion of the first tranche sale, the Group's obligation ceases and the cost and grant are derecognised.

Commercial Properties

Commercial properties are valued at their fair value (which is market value) with movement in value recognised in the Statement of Comprehensive Income.

Windfarm project

All direct costs relating to the Windfarm project have been capitalised. The three wind turbines are now being depreciated from 1 March 2019, the first month following the takeover certificate being issued. The assets are being depreciated over their expected useful lives of 25 years.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental Arrears

Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 17.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Security can only be provided in respect of these loans once approval by The Scottish Government has been obtained.

Government Capital Grants

Government Capital Grant at amounts approved by The Scottish Government, is paid directly to the Group and Association as required to meet its liabilities during the development process. This is treated as a deferred Government capital grant and is released to income over the useful life of the assets it relates to. The accrual model requires the Group and Association to recognise income on a systematic basis over the period in which the Group and Association recognises the related costs for which the grant is intended to compensate.

Government Revenue Grants

Government revenue grants are recognised using the accrual model which means the Group and Association recognises the grant in income on a systematic basis over the period in which the Group and Association recognises the related costs for which the grant is intended to compensate.

Non-Government Grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Financial Instruments

The Group and Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like rents and other accounts receivable and payable, loans from banks and related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest rate method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Group and Association terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

2. Accounting policies (continued)

Financial Instruments (continued)

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Group and Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Pensions

Scottish Housing Association Pension Scheme (SHAPS)

The Association participates in the centralised Scottish Housing Association Pension Scheme (SHAPS) Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by 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.

Up until 31 March 2018, it was not possible to identify the share of underlying assets and liabilities belonging to individual participating. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with TPT and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined pensions scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Strathclyde Pension Fund

The Association operates a defined benefit scheme.

In accordance with FRS102 the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in the Other Comprehensive Income.

Scottish Life 'top up' scheme and Royal London Auto Enrolment scheme

The Group operates these two defined contribution schemes. Employer contributions are charged to the Statement of Comprehensive Income on the accruals basis.

Financial Commitments

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Basis of estimation

The valuation of investment properties

The investment properties were valued by an appropriately qualified valuer using market data at the date of valuation.

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are based on the knowledge of senior management of the Association, with reference to expected asset life cycles.

The main components of housing properties and their useful lives

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.

Recoverable amount of rental and other trade receivables

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

The obligations under the SHAPS and Strathclyde pension schemes

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Additionally, the impact of Guaranteed Minimum Pension (GMP) equalisation has been included in the SHAPS defined benefit liability.

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Particulars of turnover, operating expenditure and operating surplus/(deficit)

Group	Notes	Turnover £	2019 Operating Expenditure £	Operating Surplus/ (Deficit) £	Turnover £	2018 Operating Expenditure £	Operating Surplus/ (Deficit) £
Social Lettings	5a	7,007,048	(5,504,061)	1,502,987	6,509,320	(5,447,944)	1,061,376
Other Activities	5b	329,150	(331,650)	(2,500)	273,116	(275,616)	(2,500)
Fyne Initiatives Limited		126,258	(107,178)	19,080	95,347	(84,986)	10,361
Fyne Futures		317,809	(380,483)	(62,674)	266,401	(341,521)	(75,120)
Fyne Energy Limited		332,373	(101,762)	230,611	-	(6,223)	(6,223)
TOTAL		8,112,638	(6,425,134)	1,687,504	7,144,184	(6,156,290)	987,894
Association							
Social Lettings	5a	7,007,048	(5,514,066)	1,492,982	6,509,320	(5,456,728)	1,052,592
Other Activities	5b	331,650	(331,650)	-	275,616	(275,616)	-
TOTAL		7,338,698	(5,845,716)	1,492,982	6,784,936	(5,732,344)	1,052,592

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5a. Particulars of turnover, operating expenditure and operating surplus from social lettings

Group	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,594,254	115,221	107,642	6,817,117	6,430,341
Service charges	146,159	4,889	-	151,048	150,603
Gross income from rents and service charges	6,740,413	120,110	107,642	6,968,165	6,580,944
Less voids	(126,862)	-	-	(126,862)	(166,270)
Net income from rents and service charges	6,613,551	120,110	107,642	6,841,303	6,414,674
Grants released from deferred income	165,745	-	-	165,745	94,646
Total turnover from social letting activities	6,779,296	120,110	107,642	7,007,048	6,509,320
Expenditure					
Management and maintenance administration costs	(2,188,306)	(104,456)	(85,689)	(2,378,451)	(2,269,331)
Service charges	(189,370)	(4,889)	-	(194,259)	(217,792)
Planned cyclical maintenance including major repairs	(574,277)	-	-	(574,277)	(797,075)
Reactive maintenance costs	(1,120,454)	-	-	(1,120,454)	(999,489)
Bad debts – rents and service charges	(62,082)	-	-	(62,082)	(133,096)
Depreciation of social housing	(1,141,820)	(10,765)	(21,953)	(1,174,538)	(1,031,161)
Operating expenditure for social letting activities	(5,276,309)	(120,110)	(107,642)	(5,504,061)	(5,447,944)
Operating surplus on letting activities, 2019	1,502,987	-	-	1,502,987	-
Operating surplus on letting activities, 2018	1,061,376	-	-	1,061,376	-

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5a. Particulars of turnover, operating expenditure and operating surplus from social lettings

Association	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2019 Total £	2018 Total £
Income from rent and service charges					
Rent receivable net of service charges	6,594,254	115,221	107,642	6,817,117	6,430,341
Service charges	146,159	4,889	-	151,048	150,603
Gross income from rents and service charges	6,740,413	120,110	107,642	6,968,165	6,580,944
Less voids	(126,862)	-	-	(126,862)	(166,270)
Net income from rents and service charges	6,613,551	120,110	107,642	6,841,303	6,414,674
Grants released from deferred income	165,745	-	-	165,745	94,646
Total turnover from social letting activities	6,779,296	120,110	107,642	7,007,048	6,509,320
Expenditure					
Management and maintenance administration costs	(2,198,311)	(104,456)	(85,689)	(2,388,456)	(2,278,115)
Service charges	(189,370)	(4,889)	-	(194,259)	(217,792)
Planned cyclical maintenance including major repairs	(574,277)	-	-	(574,277)	(797,075)
Reactive maintenance costs	(1,120,454)	-	-	(1,120,454)	(999,489)
Bad debts – rents and service charges	(62,082)	-	-	(62,082)	(133,096)
Depreciation of social housing	(1,141,820)	(10,765)	(21,953)	(1,174,538)	(1,031,161)
Operating expenditure for social letting activities	(5,286,314)	(120,110)	(107,642)	(5,514,066)	(5,456,728)
Operating surplus on letting activities, 2019	1,492,982	-	-	1,492,982	-
Operating surplus on letting activities, 2018	1,052,592	-	-	1,052,592	1,052,592

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5b Particulars of turnover, operating expenditure and operating surplus or deficit from other activities

Group	Grants from Scottish Ministers 2019 £	Other revenue grants 2019 £	Supporting people income 2019 £	Other income 2019 £	Total Turnover 2019 £	Total Turnover 2018 £	Other Operating expenditure 2019 £	Other operating expenditure 2018 £	Operating Surplus/ (deficit) 2019 £	Operating Surplus/ (deficit) 2018 £
Stage 3 adaptations	65,901	-	-	-	65,901	63,000	(65,901)	(63,000)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	43,771	43,771	42,241	(43,771)	(42,241)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	21,536	21,536	18,057	(24,036)	(20,557)	(2,500)	(2,500)
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
People and community grant	117,430	-	-	-	117,430	124,940	(117,430)	(124,940)	-	-
Other activities	-	80,512	-	-	80,512	24,878	(80,512)	(24,878)	-	-
Total from other activities, 2019	183,331	80,512	-	65,307	329,150	273,116	(331,650)		(2,500)	
Total from other activities, 2018	187,940	24,878	-	60,298		273,116		(275,616)		(2,500)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5b. Particulars of turnover, operating expenditure and operating surplus from other activities

Association	Grants from Scottish Ministers 2019 £	Other revenue grants 2019 £	Supporting people income 2019 £	Other income 2019 £	Total Turnover 2019 £	Total Turnover 2018 £	Other Operating expenditure 2019 £	Other Operating expenditure 2018 £	Operating Surplus/(deficit) 2019 £	Operating Surplus/(deficit) 2018 £
Stage 3 adaptations	65,901	-	-	-	65,901	63,000	(65,901)	(63,000)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	43,771	43,771	42,241	(43,771)	(42,241)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	24,036	24,036	20,557	(24,036)	(20,557)	-	-
People and community grant	117,430	-	-	-	117,430	124,940	-	-	-	-
Other activities	-	80,512	-	-	80,512	24,878	(117,430)	(124,940)	-	-
Total from other activities, 2019	183,331	80,512	-	67,807	331,650		(331,650)		-	-
Total from other activities, 2018	187,940	24,878	-	62,798	275,616			(275,616)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

6. Directors' emoluments – Group and Association

The directors are defined as the members of the Management Committee and the executive officers (as per the first page of the accounts). No emoluments were paid to any member of the Management Committee during the year. The Group and Association considers key management personnel to be the Management Committee and executive officers of the Association only.

	2019 £	2018 £
Chief Executive (excluding pension contributions) amounted to:	<u>88,480</u>	<u>86,323</u>

The Chief Executive is an ordinary member of the Association's pension scheme described in note 27. The Association's pension contribution for the Chief Executive in the year, including past service deficit payments amounted to £16,217 (2018: £16,819).

Aggregate emoluments payable to key management (including employers national insurance but excluding pension contributions):	<u>370,014</u>	<u>322,395</u>
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The pension contributions paid in respect of key management in the year, including past service deficit payments was £99,563 (2018: £64,948).

Total emoluments payable to the number of employees whose emoluments, excluding pension contributions, exceed £60,000 during the year are as follows:

£60,001 - £65,000	2	1
£65,001 - £70,000	-	-
£70,001 - £75,000	1	1
£75,001 - £80,000	-	-
£80,001 - £85,000	-	-
£85,001 - £90,000	1	1
	<u>2</u>	<u>2</u>

Total emoluments (excluding pension contributions and NI) to those earning more than £60,000	<u>282,606</u>	<u>217,753</u>
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Pension contributions (including past service deficit contributions) to those earning (excluding pension contributions and NI) more than £60,000	<u>73,517</u>	<u>52,083</u>
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Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	<u>2,547</u>	<u>2,589</u>
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7. Employee information
Group

The number of persons (head count) employed during the year was:

	2019 Number	2018 Number
Maintenance Operatives	27	26
Administration Staff	42	41
Wardens and Cleaners	2	2
	<u>71</u>	<u>69</u>

The average number of persons (full time equivalent) employed by the Group during the year was:	<u>59</u>	<u>58</u>
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

7. Employee information (continued)

	2019 £	2018 £
Staff costs (including directors' emoluments)	1,707,204	1,606,497
Social security costs	159,968	151,024
Pension costs	216,162	190,252
Defined benefit pension liability – SHAPS costs (note 27)	130,000	-
SHAPS re-measurements (note 27)	-	(8,000)
Defined benefit pension charge – Strathclyde Pension Fund (note 28)	17,000	35,000
	<u>2,230,334</u>	<u>1,974,773</u>

Included above is £212,267 (2018: £186,483) of maintenance staff costs which have been allocated to maintenance costs within note 5a.

Association

The number of persons (head count) employed during the year was:

	2019 Number	2018 Number
Maintenance Operatives	8	7
Administration Staff	42	41
Wardens and Cleaners	2	2
	<u>52</u>	<u>50</u>

The average number of persons (full time equivalent) employed by the Association during the year was:

48	45
<u>48</u>	<u>45</u>

	2019 £	2018 £
Staff costs (including directors' emoluments)	1,462,862	1,366,172
Social security costs	146,435	136,774
Pension costs	212,379	188,440
Defined benefit pension liability – SHAPS (note 27)	130,000	-
SHAPS re-measurements (note 27)	-	(8,000)
Defined benefit pension charge – Strathclyde Pension Fund (note 28)	17,000	35,000
	<u>1,968,676</u>	<u>1,718,386</u>

Included above is £212,267 (2018: £186,483) of maintenance staff costs which have been allocated to maintenance costs within note 5a.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

8. Operating surplus

Group	2019 £	2018 £
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,174,538	1,031,161
Depreciation of other fixed assets	172,564	105,176
Auditor's remuneration		
- In their capacity as auditors	27,185	27,530
- In respect of other services	5,109	6,744
- In respect of internal audit	17,589	18,442
	<u>1,174,538</u>	<u>1,031,161</u>

Association	2019 £	2018 £
Operating surplus is stated after charging:		
Depreciation of housing properties (including loss on disposed components)	1,174,538	1,031,161
Depreciation of other fixed assets	102,174	87,199
Auditor's remuneration		
- In their capacity as auditors	12,620	13,000
- In respect of other services	2,944	3,788
- In respect of internal audit	17,589	18,442
	<u>1,174,538</u>	<u>1,031,161</u>

9. Interest receivable and other income

Group	2019 £	2018 £
Interest receivable on deposits	-	423
	<u>-</u>	<u>423</u>

Association	2019 £	2018 £
Interest receivable on deposits	-	423
Interest receivable on loan to subsidiary	19,799	30,162
	<u>19,799</u>	<u>30,585</u>

10a. Interest payable and similar charges

Group	2019 £	2018 £
On private loans	742,711	664,545
SHAPS deficit benefit pension scheme – interest expense (note 27)	40,000	11,000
Strathclyde Pension Fund defined benefit pension scheme - interest expense (note 28)	16,000	21,000
	<u>798,711</u>	<u>696,545</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**10a. Interest payable and similar charges (continued)**

Association	2019	2018
	£	£
On private loans	678,126	655,615
SHAPS deficit benefit pension scheme – interest expense (note 27)	40,000	11,000
Strathclyde Pension Fund defined benefit pension scheme - interest expense (note 28)	16,000	21,000
	<u>734,126</u>	<u>687,615</u>

10b. Foreign exchange loss on forward contracts

At the year end the company had forward exchange contracts to buy €nil (2018: €5,061,968). The fair value movement in respect of these private exchange contracts was £nil (2018: £93,959) and is reflected in the Statement of Comprehensive Income.

11. Taxation

The corporation tax charge relates to the taxable profits of Fyne Initiatives Limited.

Group	2019	2018
	£	£
Corporation tax		
Corporation tax on profits for the year in respect of Fyne Initiatives Limited	-	789
	<u>-</u>	<u>789</u>

The tax assessed for the year is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

Factors affecting the tax charge for the year	2019	2018
	£	£
Taxable trading profits	38,571	2,357
United Kingdom corporation tax at 19% (2018: 19%)	7,328	448
Effect of:		
- Fixed asset differences	342	341
- Expenses not deductible for tax purposes	(5,320)	-
- Proposed gift aid distribution relief	(2,350)	-
	<u>-</u>	<u>789</u>

No tax (2018: £nil) was due in respect of Fyne Homes Limited and Fyne Futures as both entities are registered charities. No tax (2018: £nil) was due in respect of Fyne Energy Limited, due to the use of capital allowances.

Factors that may affect future tax charge

A reduction in the corporation tax rate to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2018. This will reduce the Group's future tax charge accordingly.

Association

The Association is a Registered Charity and is therefore exempt from Corporation Tax on its charitable activities. No corporation tax was due on the non-charitable activities in the year (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

12. Tangible fixed assets – Group and Association

	Housing Properties Held for Letting £	Housing Properties In Course of Construction £	Shared Ownership Properties Held for Letting £	Total £
Cost				
At 1 April 2018	52,195,972	4,603,477	1,329,105	58,128,554
Additions in the year				
- units	-	3,263,731	-	3,263,731
- components	952,515	-	-	952,515
Transfers in the year	5,291,297	(5,291,297)	-	-
Disposals in the year				
- units	(32,827)	-	-	(32,827)
- components	(118,970)	-	-	(118,970)
At 31 March 2019	58,287,987	2,575,911	1,329,105	62,193,003
Depreciation				
At 1 April 2018	3,216,438	-	86,753	3,303,191
Charge for the year	1,050,299	-	21,953	1,072,252
Eliminated on disposal				
- units	(2,156)	-	-	(2,156)
- components	(16,684)	-	-	(16,684)
At 31 March 2019	4,247,897	-	108,706	4,356,603
Net Book Value				
At 31 March 2019	54,040,090	2,575,911	1,220,399	57,836,400
At 31 March 2018	48,979,534	4,603,477	1,242,352	54,825,363

The proceeds of property disposals in the year was £50,000 (2018: £18,500). These units cost £32,827 (2018: £10,613) and had accumulated depreciation of £2,156 (2018: £519). Government grant of £54,000 (2018: £8,406) was repaid in respect of these disposals. In addition, £21,335 of grant repaid relating to the 2018 disposals was also recognised this year.

Additions to housing properties during the year included no capitalised interest (2018: £nil) and no capitalised administration costs (2018: £nil). All properties are freehold. The cost of new components capitalised in the year was £952,515 (2018: £956,496).

Components with a cost of £118,970 (2018: £88,019) and accumulated depreciation of £16,684 (2018: £10,485) were disposed of in the year.

The net book value of the properties which are secured is £31,800,897 (2018: £32,476,142).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Property Stock

The number of units of accommodation owned by the Association was as follows:-

	Units in Management 2019	<i>Units in Management 2018</i>	Units under Development 2019	<i>Units under Development 2018</i>
Unimproved	2	2	-	-
New Build	844	808	20	36
Improved	685	687	-	-
General Needs Housing	<u>1,531</u>	<u>1,497</u>	<u>20</u>	<u>36</u>
Shared Ownership Accommodation	46	46	-	-
Supported Housing Accommodation	30	30	-	-
Total Housing Stock	<u><u>1,607</u></u>	<u><u>1,573</u></u>	<u><u>-</u></u>	<u><u>36</u></u>
<u>Other Property</u>				
Commercial	1	1	-	-
Heritable – Association's offices	5	4	-	-
Total Other Property	<u><u>6</u></u>	<u><u>5</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<u>Group</u>				
Commercial	9	9	-	-
Heritable – Association's offices	5	4	-	-
Total	<u><u>13</u></u>	<u><u>12</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

14. Tangible Fixed Assets - Other Assets – Group

	Kintyre Wind Project £	Heritable Property £	Land and Buildings £	Investment Properties £	Computer and Office Equipment £	Plant and Machinery £	Motor Vehicles £	Fixtures and Fittings £	Other Equipment £	Total £
Cost										
At 1 April 2018	5,712,354	556,645	165,440	555,500	866,780	182,955	212,127	17,973	15,218	8,284,992
Additions in the year	8,517,257	17,000	-	-	67,237	17,890	36,300	-	7,900	8,663,584
Disposals in the year	-	-	-	-	-	-	(14,078)	-	-	(14,078)
Revaluations	-	-	-	28,000	-	-	-	-	-	28,000
At 31 March 2019	14,229,611	573,645	165,440	583,500	934,017	200,845	234,349	17,973	23,118	16,962,498
Depreciation										
At 1 April 2018	-	381,506	46,283	-	724,144	177,000	143,265	16,176	12,046	1,500,420
Charge for the year	47,601	22,946	3,308	-	60,524	5,962	26,208	1,797	4,218	172,564
Eliminated on disposal	-	-	-	-	-	-	(13,744)	-	-	(13,744)
At 31 March 2019	47,601	404,452	49,591	-	784,668	182,962	155,729	17,973	16,264	1,659,240
Net Book Value										
At 31 March 2019	14,182,010	169,193	115,849	583,500	149,349	17,883	78,620	-	6,854	15,303,258
At 31 March 2018	5,712,354	175,139	119,157	555,500	142,636	5,955	68,862	1,797	3,172	6,784,572

FYNE HOMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14. Tangible Fixed Assets - Other Assets – Association

	Heritable Property £	Investment Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
Cost							
At 1 April 2018	556,645	65,500	502,405	336,078	90,530	15,218	1,566,376
Additions in year	17,000	-	1,174	66,063	21,300	7,900	113,437
Disposals in year	-	-	-	-	(14,078)	-	(14,078)
At 31 March 2019	573,645	65,500	503,579	402,141	97,752	23,118	1,665,735
Depreciation							
At 1 April 2018	381,506	-	407,730	292,750	47,378	12,046	1,141,410
Charge for the year	22,946	-	9,585	49,395	16,030	4,218	102,174
Eliminated on disposal	-	-	-	-	(13,744)	-	(13,744)
At 31 March 2019	404,452	-	417,315	342,145	49,664	16,264	1,229,840
Net Book Value							
At 31 March 2019	169,193	65,500	86,264	59,996	48,088	6,854	435,895
At 31 March 2018	175,139	65,500	94,675	43,328	43,152	3,172	424,966

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

15. Investments

Association	2019	2018
	£	£
Investment in subsidiary undertakings	<u>2</u>	<u>2</u>

During 2005, Fyne Homes Limited acquired 1 ordinary £1 share in Fyne Initiatives Limited, at par. This represents a 100% shareholding in Fyne Initiatives Limited, a company registered in Scotland, whose principal activities are the provision of design and build services to Fyne Homes Limited and the rental of commercial property.

The profit on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2019 was £38,571 (2018: £1,568). The net assets of Fyne Initiatives Limited as at 31 March 2019 was £41,248 (2018: £2,677).

Fyne Homes Limited controls Fyne Futures, a Scottish charity and company limited by guarantee, incorporated on 10 February 2005. Fyne Futures principal activities are focused on environmental sustainability, namely recycling, reuse, Local Produce and Car Club activities which provide employment and training opportunities. The charitable company also delivers a Carbon Reduction programme and performs wider role activities providing support to a range of community regeneration projects across the operational area. The charitable company has been involved in numerous projects during the year; these were mainly, but not exclusively Towards Zero Carbon Bute, Bute Produce and Employment Training.

The deficit on ordinary activities of Fyne Futures as at 31 March 2019 was £62,170 (2018: deficit of £74,157). The net assets of Fyne Futures as at 31 March 2019 was £276,935 (2018: £339,105).

On 1 April 2016 a new subsidiary, Fyne Energy Limited, was incorporated. Fyne Homes Limited acquired 1 ordinary £1 share in Fyne Energy Limited, at par. This represents a 100% shareholding in Fyne Energy Limited, a company registered in Scotland, whose principal activities are electricity generation.

The gain on ordinary activities after taxation of Fyne Energy Limited as at 31 March 2019 was £173,741 (2018: loss of £100,182). The net assets of Fyne Energy Limited as at 31 March 2019 was £232,903 (2018: £59,162).

16. Stock: Shared equity housing units - Group

	£
Cost	
At 1 April 2018	1,415,177
Additions	2,225
Disposals : 1 st tranche sales	(242,602)
Disposals : derecognised	(161,735)
At 31 March 2019	<u>1,013,065</u>
SHG and Other Grants	
At 1 April 2018	1,066,368
Received during year	-
Disposals : 1 st tranche sales	(153,682)
Disposals : derecognised	(161,735)
At 31 March 2019	<u>750,951</u>
Net book value	
At 31 March 2019	<u>262,114</u>
At 31 March 2018	<u>348,809</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**16. Stock: Shared equity housing units – Group (continued)**

The stock represents the net book value (costs less grants) of 5 (2018: 7) NSSE (New Supply Shared Equity) housing units whose first tranches have still to be sold at Castle Street, Rothesay. Originally there were 25 shared equity units at Castle Street, Rothesay. The first tranche of 20 of these shared equity units have now been sold and in line with the stated accounting policy the remaining cost and grant of these 20 units has been derecognised.

17. Debtors

Group	2019	2018
	£	£
Rental arrears	271,636	228,120
Less: provision for bad debts	(81,595)	(81,595)
	190,041	146,525
Amounts due from related parties	-	14,689
Trade debtors	179,573	4,049
Other debtors	542,705	390,492
Prepayments and accrued income	1,003,503	609,400
Grants receivable	-	-
	1,915,822	1,165,155
	2019	2018
	£	£
Rental arrears	271,636	228,120
Less: provision for bad debts	(81,595)	(81,595)
	190,041	146,525
Amounts due from subsidiary undertakings (due within 1 year)	545,132	445,086
Amounts due from related parties	-	14,689
Other debtors	51,852	31,504
Prepayments and accrued income	957,359	599,032
Amounts due from subsidiary undertakings (due greater than 1 year)	180,000	214,693
	1,924,384	1,451,529

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

18. Cash and cash equivalents

Group	2019 £	2018 £
Balances held in current accounts	1,000,705	350,516
Balances held in deposit accounts	155,446	2,055,554
	<u>1,156,151</u>	<u>2,406,070</u>
Association	2019	2018
	£	£
Balances held in current accounts	727,815	295,105
Balances held in deposit accounts	155,446	2,055,554
	<u>883,261</u>	<u>2,350,659</u>

19. Creditors - amounts falling due within one year

Group	2019 £	2018 £
Bank loans	894,882	861,093
REIF loan	227,344	-
Triodos loan	591,292	-
Trade creditors	856,916	775,812
Contract retentions	347,437	328,769
Accruals and deferred income	1,125,901	1,003,513
Rent in advance	167,862	166,475
PAYE/NIC creditor	46,604	4,614
Other creditors	-	77,789
VAT Bridging loan	59,794	206,725
Fair value of forward contract	-	93,959
Deferred Government capital grants (note 21)	165,745	165,745
Corporation tax	-	789
Deferred income	3,684	3,603
SHAPS past service deficit	-	220,772
	<u>4,487,461</u>	<u>3,909,658</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £60,424 in respect of pension contributions to be paid to the various pension providers (2018: £28,249).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

19. Creditors - amounts falling due within one year (continued)

Association	2019 £	2018 £
Bank loans	894,882	861,093
Trade creditors	50,680	24,458
Contract retentions	347,437	328,769
Accruals and deferred income	827,355	567,421
Amounts owed to subsidiary undertakings	541,108	882,963
Rent in advance	167,862	166,475
PAYE/NIC creditor	38,370	-
Other creditors	-	77,789
Deferred Government capital grants (note 21)	165,745	165,745
SHAPS past service deficit (note 27)	-	220,772
	<u>3,033,439</u>	<u>3,295,485</u>

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £44,555 in respect of pension contributions to be paid to the various pension providers (2018: £27,964).

20. Creditors - amounts falling due after more than one year

Group	2019 £	2018 £
Bank loans	19,884,959	20,268,649
Triodos loan	10,208,708	2,175,290
REIF loan	2,881,301	2,883,663
Loan from Argyll & Bute Council	345,988	441,159
Deferred Government capital grants (note 21)	10,179,314	8,430,231
Deferred income	5,504	3,023
SHAPS past service deficit (note 27)	-	664,228
	<u>43,505,774</u>	<u>34,866,243</u>
Association	2019 £	2018 £
Bank loans	19,884,959	20,268,649
SHAPS past service deficit (note 27)	-	664,228
Deferred Government capital grants (note 21)	10,179,314	8,430,231
	<u>30,064,273</u>	<u>29,363,108</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

20. Creditors - amounts falling due after more than one year (continued)

Group and Association

Bank loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest including LIBOR with margins of 0.5% to 3%, BASE with margins of 0.4% to 3% and fixed rate loans with rates between 3.14% to 6.39%. The bank loans are due as follows:

Association	2019	2018
	£	£
Between one and two years	910,147	880,653
Between two and five years	7,599,190	7,027,552
In five years or more	11,375,622	12,360,444
	<u>19,884,959</u>	<u>20,268,649</u>
Group	2019	2018
	£	£
Loan from Argyll and Bute Council		
Between one and two years	-	-
Between two and five years	345,988	441,159
	<u>345,988</u>	<u>441,159</u>
Triodos loan		
Between one and two years	733,788	712,619
Between two and five years	1,866,441	1,462,671
Greater than five years	7,608,479	-
	<u>10,208,708</u>	<u>2,175,290</u>
REIF loan		
Between one and two years	227,344	-
Between two and five years	682,032	327,389
Greater than five years	1,971,925	2,556,274
	<u>2,881,301</u>	<u>2,883,663</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. Deferred Government capital grants – Group and Association

	2019 £	2018 £
At 1 April 2018		
Grants received in year	8,595,976	5,476,551
Released to income in year	1,914,828	3,214,071
	<u>(165,745)</u>	<u>(94,646)</u>
At 31 March 2019	<u>10,345,059</u>	<u>8,595,976</u>

	2019 £	2018 £
Due within one year	165,745	165,745
Between one and two years	331,490	331,490
Between two and five years	497,235	497,235
In five years or more	9,350,589	7,601,506
	<u>10,345,059</u>	<u>8,595,976</u>

22. Financial instruments

Group	2019 £	2018 £
Financial Assets		
Cash and cash equivalents	1,156,151	2,406,070
Financial assets measured at amortised cost	1,764,385	1,052,486
	<u> </u>	<u> </u>
Financial Liabilities		
Financial liabilities measured at amortised cost	37,424,522	29,908,092
Financial liabilities measured at fair value through the SOCI	-	93,959
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprises rental arrears, accrued income, amounts due from related parties, trade debtors, other debtors and grants receivable.

Financial liabilities measured at amortised cost comprised bank loans, Triodos loan, REIF loan, Argyll & Bute Council loan, trade creditors, contract retentions, accruals, other creditors, VAT bridging loan, amounts owed to related parties and the SHAPs past service deficit.

Association	2019 £	2018 £
Financial Assets		
Cash and cash equivalents	883,261	2,350,659
Financial assets measured at amortised cost	1,835,569	1,344,524
	<u> </u>	<u> </u>
Financial Liabilities		
Financial liabilities measured at amortised cost	22,546,421	23,896,138
	<u> </u>	<u> </u>

Financial assets measured at amortised cost comprises rental arrears, accrued income, amounts due from related parties and subsidiary undertakings and other debtors.

Financial liabilities measured at amortised cost comprises trade creditors, other creditors, contract retentions, accruals, bank loans, amounts owed to related parties and subsidiary undertakings and the SHAPs past service deficit.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
23a. Share Capital – Group and Association

	2019	2018
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2018	117	123
Issued during year	2	5
Shares forfeited in year	(13)	(11)
	<u>106</u>	<u>117</u>
At 31 March 2019	<u>106</u>	<u>117</u>

Each share has the right to one vote. There is no right to receive any dividends or any distribution on wind up.

23b. Revenue reserve

The revenue reserve represents the cumulative surpluses and deficits.

24. Net cash flow from operating activities

	2019	2018
	£	£
Group		
Surplus for the year	860,453	197,024
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,347,102	1,136,337
Carrying amount of tangible fixed asset disposals	31,005	10,094
Revaluation of fixed assets	(28,000)	-
Shared equity housing unit disposed	86,695	57,820
Increase in debtors	(750,667)	(202,390)
(Decrease)/increase in creditors	(50,580)	634,564
SHAPS past service deficit liability movements	170,000	3,000
Strathclyde Pension Scheme pension liability	33,000	56,000
Taxation	-	789
Tax paid	(789)	(606)
<u>Adjustments for investing and financing activities:</u>		
Proceeds from disposal of tangible fixed assets	(50,000)	(18,500)
Repayment of Government Grant	75,335	-
Interest payable	742,711	664,545
Interest received	-	(423)
Release of deferred Government Capital Grant	(165,745)	(94,646)
SHAPS past service deficit payments	(222,000)	(216,000)
Cancelled share capital	(13)	(11)
	<u>2,078,507</u>	<u>2,227,597</u>
Net cash generated from operating activities	<u>2,078,507</u>	<u>2,227,597</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

24. Net cash flow from operating activities (continued)

Association	2019	2018
	£	£
Surplus for the year	722,315	406,062
<u>Adjustments for non cash items:</u>		
Depreciation of tangible fixed assets including loss on disposal of components	1,276,712	1,040,826
Carrying amount of tangible fixed asset disposals	31,005	87,628
(Increase)/decrease in debtors	(472,855)	457,120
(Decrease)/increase in creditors	(75,063)	224,367
SHAPS past service deficit liability movements	170,000	3,000
Strathclyde Pension Scheme pension liability	33,000	56,000
<u>Adjustments for investing and financing activities:</u>		
Proceeds from disposal of tangible fixed assets	(50,000)	(18,500)
Repayment of Government Grant	75,335	-
Interest payable	678,126	655,615
Interest received	(19,799)	(30,585)
Release of deferred Government Capital Grant	(165,745)	(94,646)
SHAPS past service deficit payments	(222,000)	(216,000)
Cancelled share capital	(13)	(11)
Net cash generated from operating activities	<u>1,981,018</u>	<u>2,570,876</u>

25. Revenue Commitments

At 31 March 2019 the group had outstanding commitments for the future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2019	2018
	Premises	Premises
	£	£
Not later than one year	28,730	31,870
Later than one year and not later than five years	39,517	51,063
Later than five years	8,850	17,700
	<u>77,097</u>	<u>100,633</u>
Association	2019	2018
	Premises	Premises
	£	£
Not later than one year	24,100	24,450
Later than one year and not later than five years	39,517	48,000
Later than five years	8,850	17,700
	<u>72,467</u>	<u>90,150</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

26. Capital Commitments – Group and Association

	2019 £	2018 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	<u>2,713,668</u>	<u>5,460,437</u>
This is to be funded by:		
Funding from the Scottish Government	1,207,852	2,495,819
Other grants	240,000	745,883
Private finance	<u>1,265,816</u>	<u>2,218,735</u>
	<u>2,713,668</u>	<u>5,460,437</u>

27. Scottish Housing Association Pension Scheme

General

Fyne Homes Limited participates in the Scottish Housing Association Pension Scheme (the "Scheme") which is funded.

The Scheme is a multi-employer defined benefit 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 contributions (DC) option.

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. 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.

From 1 April 2011, Fyne Homes Limited has operated the career average revalued earnings with a 1/120th accrued rate benefit. During the accounting period the Housing Association effectively paid contributions at the rate of 7.1% (excluding the past service deficit) of pensionable salaries in respect of the defined benefit structure. Member contributions were 5.9%. There was an additional annual employer past service deficit contribution of £222,000 made in the year ended 31 March 2019 (2018 - £216,000). The past service deficit contribution for 2019/20 is £222,000.

The Trustees commission 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.

As at the balance sheet date there were 34 (2018: 31) active members of the Scheme. Fyne Homes continues to offer member of the Scheme to employees.

27. Scottish Housing Association Pension Scheme (continued)

General (continued)

Year ended 31 March 2018

Up until 31 March 2018, it was not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Thus, up until the end of the 31 March 2018 year end, the Scheme was accounted for as a defined contribution scheme. However the Association entered into a past service deficit repayment agreement with the Pension Trust and per FRS 102, this discounted past service deficit liability was recognised in the Statement of Financial Position.

The last triennial valuation of the Scheme was performed as at 30 September 2015 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £616 million. The valuation revealed a shortfall of assets compared to liabilities of £198 million, equivalent to a past service funding level of 75.6%.

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 key valuation assumptions used to determine the assets and liabilities of the Scheme as at 30 September 2015 are detailed below:

- Investment return pre retirement	- 5.30% per annum	
- Investment return post retirement	- Non-pensioners	3.40% per annum
- Investment return post retirement	- Pensioners	3.40% per annum
- Rate of salary increases	-	4.10% per annum
- Rate of pension increases	- pension accrued pre 6 April 2005	2.00% per annum
	- pension accrued from 6 April 2005	1.70% per annum
	(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	-	2.60% per annum

30 September 2017 funding update

The Employer Committee received the 30 September 2017 Actuarial Report, the annual funding update which shows the Scheme's ongoing funding position in between each three-yearly

A summary is shown below:

30 September	Assets	Liabilities	Deficit	Funding
2015	£616m	£814m	£198m	76%
2016	£810m	£1,020m	£210m	79%
2017	£852m	£981m	£129m	87%

The Trustee's view is that the recovery plan remains appropriate and there is no need to take any action ahead of the next actuarial valuation which was due at 30 September 2018. The information regarding this 30 September 2018 valuation, including the annual funding update, is not yet available from TPT.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. Scottish Housing Association Pension Scheme (continued)

	2018
	£
Past service deficit repayment liability	
Provision at start of period	1,098,000
Unwinding of the discount factor (interest expense)	11,000
Deficit contribution paid	(216,000)
Remeasurements – impact of any changes in assumptions	(8,000)
	<u>885,000</u>
Provision at end of period	<u>885,000</u>
2018	£
Liability split as:	
< 1 year	220,772
1-2 years	224,013
2-5 years	440,215
> 5 years	-
	<u>885,000</u>

Statement of Comprehensive Income Impact

	2018
	£
Interest expense	11,000
Remeasurements – impact of any change in assumptions	(8,000)
	<u>3,000</u>

	2018
Assumptions	
Rate of discount	1.51%

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

Year ended 31 March 2019

Accounting treatment from 1 April 2018

From 1 April 2018, information became available in order to separate out the assets and liabilities between scheme members and thus the SHAPS defined benefit pension liability is accounted for as a defined benefit pension scheme from 1 April 2018 onwards. In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

At 31 March 2018, in respect of the SHAPS deficit repayment plan, amounts included within creditors due less than one year were £220,772 and amounts included within creditors due greater than one year were £664,228. At 1 April 2018, on initial recognition of the multi-employer defined benefit scheme, the opening adjustment to the liability was £740,000 to recognise a liability of £1,625,000 as at 1 April 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. Scottish Housing Association Pension Scheme (continued)

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

	31 March 2019 £000
Fair value of plan assets	8,461
Present value of defined benefit obligations	(10,262)
Defined benefit liability to be recognised	(1,801)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000
Defined benefit obligation at start of period	(9,279)
Current service cost	(123)
Expenses	(7)
Interest cost	(241)
Contribution by plan participants	(50)
Actuarial (losses)/gains due to scheme experience	80
Actuarial (losses)/gains due to changes in demographic assumptions	(26)
Actuarial (losses)/gains due to changes in financial assumptions	(695)
Benefits paid and expenses	79
Defined benefit liability at the end of the period	(10,262)

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

	Year ended 31 March 2019 £'000
Fair value of plan assets at start of the period	7,654
Interest income	201
Experience on plan assets (excluding amounts included in interest income)	413
Contributions by the employer	222
Contributions by participants	50
Benefits paid and expenses	(79)
Fair value of plan assets at end of period	8,461

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. Scottish Housing Association Pension Scheme (continued)

Defined benefit costs recognised in Statement of Comprehensive Income

	Period ended 31 March 2018 to 31 March 2019 £'000
Current service cost	(99)
Admin expenses	7
Net interest expense	40
Defined benefit costs recognised in Statement of Comprehensive Income	(52)

	Period ended 31 March 2018 to 31 March 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost - gain)	413
Experience gains and losses arising on the plan liabilities – gain	80
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – (loss)	(26)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – (loss)	(695)
Total amount recognised in other comprehensive income – (loss)	(228)

Fund allocation for employer's calculated share of assets

	31 March 2019 £'000
Global Equity	1,361
Absolute Return	717
Distressed Opportunities	144
Credit Relative Value	147
Alternative Risk Premia	473
Fund of Hedge Funds	23
Emerging Markets Debt	271
Risk Sharing	245
Insurance-Linked Securities	220
Property	168
Infrastructure	355
Private Debt	109
Corporate Bond Fund	593
Long Lease Property	103
Secured Income	295
Over 15 Year Gilts	217
Liability Driven Investment	3,011
Net Current Assets	9
Total Assets	8,461

27. Scottish Housing Association Pension Scheme (continued)

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

Assumptions as at	31 March 2019 % per annum
Discount rate	2.33
Inflation (RPI)	3.28
Inflation (CPI)	2.28
Salary growth	3.28
Allowance for commutation of pension for cash at retirement	75% of maximum allowance

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

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

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2017 model with an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a. for males and 1% p.a. for females.

Member data summary

Active members

	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	10	319	48
Females	24	692	46
Total	34	1,011	47

Deferred members

	Number	Deferred pensions (£'000s p.a.)	Average age (unweighted)
Males	4	38	52
Females	13	47	51
Total	17	85	51

Pensioners

	Number	Pensions (£'000s p.a.)	Average age (unweighted)
Males	8	45	68
Females	11	25	67
Total	19	69	68

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. Scottish Housing Association Pension Scheme (continued)

Employers debt on withdrawal

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.

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2017. As of this date the estimated employer debt for the Association was £7,641,700. The employer debt on withdrawal based on the valuation as at 30 September 2018 is not yet available from TPT

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS). Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state. Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men.

Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for the Association is 0.07% of liabilities, which is expected to be approximately £7,000. This is included within the closing defined benefit liability as detailed above.

28. Pensions - other

Scottish Life

From 1 April 2011, members of the SHAPS scheme have the option to join the "top up" scheme Fyne Homes Limited has with Scottish Life. Employee contribution is their choice and the employer contribution is 2%.

Royal London Auto Enrolment scheme

The group operate a defined contribution auto enrolment pension scheme. For 2018/19, the employee contribution was 3% and the employer contribution was 2%. For 2019/20, this will increase to 5% and 3% respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

28. Pensions - other

Strathclyde Pension Scheme

Fyne Homes Housing Association Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

From 1 April 2015, the Scheme changed from a final salary 1/60th accrual scheme to a CARE 1/45th accrual scheme.

An updated valuation of the Strathclyde Pension Fund was performed as at 31 March 2019.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their calculations are as follows:

Assumptions as at	31 March 2019	31 March 2018
Pension increases	2.5%	2.4%
Salary increases	3.7%	3.6%
Discount rate	2.4%	2.7%

The average future life expectancies at age 65 are summarised below:

Mortality	Males	Females
Current Pensioners	21.4 years	23.7 years
Future Pensioners	23.4 years	25.8 years

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Sensitivity Analysis	Approximate % increase to Employer Liability	Approximate Monetary amount (£000)
0.5% decrease in Real Discount Rate	9%	362
0.5% increase in the Salary Increase Rate	0%	12
0.5% increase in the Pension Increase Rate	9%	347

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
28. Pensions - otherStrathclyde Pension Scheme**Scheme assets**

The assets in the scheme and the expected rate of return were:-

	Value at 31 March 2019 £000	Value at 31 March 2018 £000
Fair value of plan assets	3,180	2,954
Present value of funded liabilities	(3,939)	(3,512)
Net pension liability	<u>(759)</u>	<u>(558)</u>

Reconciliation of defined benefit obligation

	As at 31 Mar 2019 (£'000)	As at 31 Mar 2018 (£'000)
Opening Defined Benefit Obligation	3,512	3,428
Current Service Cost	137	146
Interest Cost	96	87
Plan participants' contributions	23	22
Changes in financial assumptions	265	(169)
Other experience	-	95
Benefits Paid	(94)	(97)
Closing Defined Benefit Obligation	<u>3,939</u>	<u>3,512</u>

Reconciliation of fair value of employer assets

	As at 31 Mar 2019 (£'000)	As at 31 Mar 2018 (£'000)
Opening Fair Value of Employer Assets	2,954	2,604
Interest income on plan assets	80	66
Plan participants contributions	23	22
Contributions by the Employer	120	111
Contributions in respect of Unfunded Benefits	-	-
Return on assets excluding amounts included in net interest	97	248
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Unfunded Benefits Paid	-	-
Benefits Paid	(94)	(97)
Closing Fair Value of Employer Assets	<u>3,180</u>	<u>2,954</u>
Net pension liability	<u>(759)</u>	<u>(558)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**
28. Pensions – otherStrathclyde Pension Scheme

Analysis of the amount charged to operating profit:

	Year to 31 March 2019 £'000	<i>Year to 31 March 2018 £'000</i>
Service cost	137	146
Contributions	(120)	(111)
Past service cost	-	-
Curtailement and settlements	-	-
Decrease in irrecoverable surplus	-	-
	<u>17</u>	<u>35</u>
Net Interest cost	<u>16</u>	<u>21</u>
	Year to 31 March 2019 £ 000	<i>Year to 31 March 2018 £ 000</i>
Analysis of the amount recognised in the Statement of Other Comprehensive Income:		
Actuarial (loss) / gain recognised as other comprehensive income	<u>(168)</u>	<u>322</u>

Employer contributions for the year ended 31 March 2020 are expected to be £126,000.

GMP equalisation

Guaranteed Minimum Pension (GMP) is the minimum pension which an occupational pension scheme in the UK has to provide for those employees who were contracted out of the State Earnings-Related Pension Scheme (SERPS).

Both pension scheme members and sponsoring employers paid lower National Insurance contributions at the time of accrual given the lower benefits being accrued for the member by the state.

Women can currently receive their GMP benefits at age 60 compared to age 65 for men. GMP also accrued at a faster rate for women than men. Historically some defined benefit schemes had different retirement ages for men and women. Therefore schemes are required to "equalise" pension ages and overall benefit scales between males and females. The Scheme actuary is therefore required to estimate the impact of GMP and include an allowance for the increase in calculated liabilities.

The impact of GMP equalisation for the Association is currently uncertain and the scheme actuaries will perform the calculation in 2019/20.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

29. Related party transactions

InspirAlba Limited

InspirAlba Limited is a related party as a Committee member and the Chief Executive of the Association are Board members of InspirAlba Limited. InspirAlba Limited is a company limited by guarantee.

At the Statement of Financial Position date the Group and Association was owed £nil (2018: £14,689) by InspirAlba Limited. This is included in debtors.

During the year £8,000 (2018: £8,000) was charged to InspirAlba Limited for office rental costs.

Fyne Homes Limited process payroll on behalf of InspirAlba Limited.

Board members

The Association has Board members who are also tenants. The total rent received in the year relating to tenant Board members is £13,584 (2018: £13,991). The total rent arrears relating to tenant Board members included within debtors at the year end is £177 (2018: £152).

30. Legislative Provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014.

Fyne Futures, Fyne Initiatives Limited and Fyne Energy Limited are incorporated under the Companies Act 2006.

