



ANNUAL REPORT & ACCOUNTS

For the Year Ended 31
March 2012

Industrial & Provident Society
No:2644R (S)

Registered Charity No:SCO 35767

Registration No:359



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BOARD OF MANAGEMENT, DIRECTOR AND ADVISERS

Name	Category	Changes during the year	
		Appointed	Resigned
George Lonie (Chair)	Community	16 Sept 2010 (re-appointed)	
David Blaney (Vice-Chair)	Councillor	28 June 2007	
Kevin Paterson (Treasurer)	Tenant	16 Sept 2010 (re-appointed)	
Angela Quail	Tenant	14 March 2012 (re-appointed)	
Daniel Coyle	Tenant	15 Sept 2011 (re-appointed)	
Alasdair Mackenzie	Tenant	15 Sept 2011	
Calum Mackay	Community	18 Sept 2008 (re-appointed)	08 Sept 2011
Jane Mackinnon	Community	15 Sept 2011 (re-appointed)	
Helen Smith	Community	16 Sept 2010 (re-appointed)	
Mairi Bremner	Community	17 Sept 2009	
Neil Campbell	Councillor	28 June 2007	
Archie Campbell	Councillor	28 June 2007	09 March 2012
Gerry Macleod	Councillor	28 June 2007	
Donald Nicolson	Councillor	29 April 2010	01 Sept 2011
Iain Macmillan	Co-optee	14 March 2012	

Secretary and Registered Office

Dena Macleod BA CA
Creed Court
Gleann Seileach Business Park
STORNOWAY
Isle of Lewis
HS1 2QP

Funders

Royal Bank Of Scotland plc
RBS Global Banking & Markets
Kirkstane House, 139 St Vincent Street,
Glasgow, G2 5JF

Auditors

Wylie & Bisset LLP
168 Bath Street
GLASGOW
G2 4TP

Solicitors

Harper Macleod	HBJ Gateley Wareing
The Ca'd'oro	19 Canning Street
45 Gordon Street	EDINBURGH
GLASGOW	EH3 8EH
G1 3PE	

Bankers

Royal Bank of Scotland plc
17 North Beach Street
STORNOWAY
Isle of Lewis
HS1 2XH

Directors

Chief Executive : Angus Lamont BA DIHS MCIH
Director of Operations: John Maciver BSc
MPHIL, FCIH
Director of Resources: Dena Macleod BA CA

Contact Details

Phone: 0300 123 0773
E-mail: info@hebrideanhousing.co.uk
Web: www.hebrideanhousing.co.uk



REPORT OF BOARD OF MANAGEMENT

REPORT OF BOARD OF MANAGEMENT

The Board of Management presents its report for the year ended 31 March 2012.

OVERVIEW OF BUSINESS

The principal activity of HHP is to provide and manage good quality affordable accommodation for people in housing need in the Western Isles. HHP is a charitable RSL and owns and manages a range of houses for rent, primarily general need accommodation but also some sheltered and supported accommodation. HHP provides accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar.

HHP began its operations in September 2006 with 1800 houses and since then has acquired an additional 300 houses from 5 locally based RSL's, 10 houses under the Government's Rent of the Shelf scheme and built 252 new affordable houses. The stock at 31 March 2012 was 2228.

CORE VALUES

HHP is committed to:

- Tenant participation and a customer centred housing service
- Transparent, open decision making
- Sound financial management practices throughout the organisation
- Realising the highest professional standards in all areas of activities
- Integrity in all that we do
- Promoting innovation and learning from mistakes
- Valuing our staff
- Working in partnership with other organisations
- Equal opportunities

REGULATION

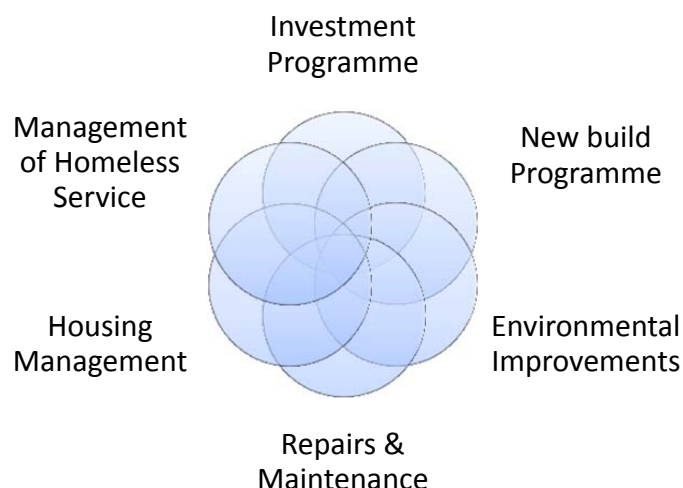
HHP is regulated by the Scottish Housing Regulator. The Regulator carried out its first baseline inspection of HHP in August 2008. The Regulator awarded HHP a "C" grade – fair.

An Improvement Plan was drawn up to address the recommendations in the report and was approved by the Regulator. The Regulator has monitored progress on the Improvement Plan and completed the audit of the Plan in October 2011.

The Regulator's engagement with HHP is categorised as 'Medium

STRATEGY & OBJECTIVES

HHP's strategy and objectives are detailed in its 30 Year Business Plan. The Business Plan highlights 6 core business activities which have shaped and will continue to shape the future of HHP and the way housing services are delivered to tenants:



Investment Programme

The most important aim and key objective of HHP is to meet the 2015 Scottish Housing Quality Standard as this will ensure delivery on the promises made leading up to the Tenant Ballot in 2005.

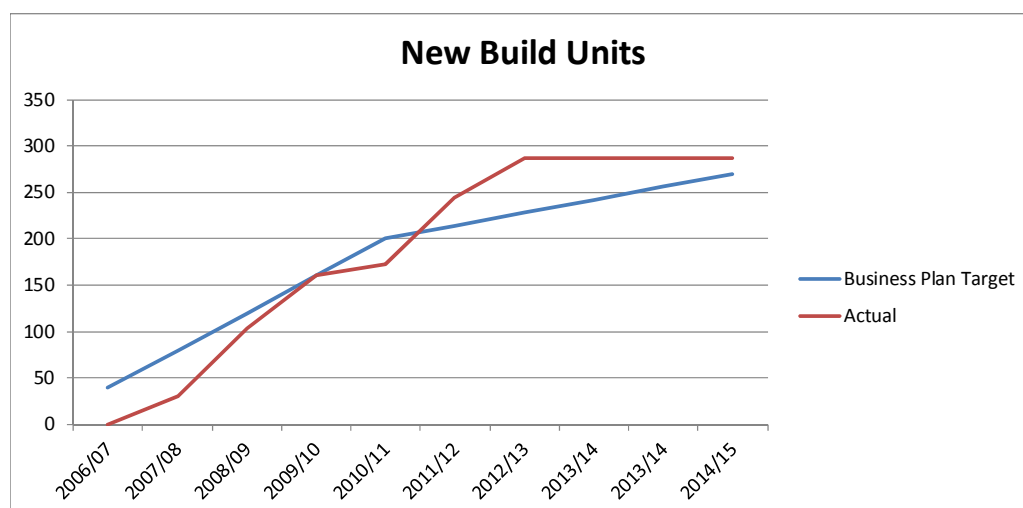
HHP's Board approved a four year Investment Programme worth £13.3m in November 2010 to ensure that the Standard in relation to kitchens, bathrooms, windows and modern central heating systems is achieved. 2011/12 saw the first year of the programme being delivered to high standards and well within approved budgets.

Repairs and Maintenance

HHP's Board has seen significant improvement during the year in service delivery on the Repairs and Maintenance Contract which was let to FES (FM) in April 2011 for five years. The contract has also delivered value for money to tenants.

New build Programme

HHP has a new build programme of 275 houses over a 10 year period from April 2007 agreed with the then Scottish Government. That target will be achieved by 2013 four years ahead of the programme.



However, it is of concern that the overall financial pot for new build is falling and is set to reduce further in the coming year. The guidance includes a revised benchmark subsidy of £52k per house for social rent – with an additional £4k, if the properties meet the ‘greener’ criteria. This benchmark subsidy is not sustainable in the Western Isles and will require additional support from the Comhairle and Scottish Government if a programme of affordable homes for rent is to be delivered.

DYNAMICS OF THE SOCIAL LANDLORD

The Partnership is focused on providing housing within the Western Isles and recent figures show that despite a declining population, there is a continuing demand for socially rented properties. HHP is the key partner for the Comhairle in the delivery of its Homeless service.

KEY RISKS IMPACTING ON THE FUTURE

HHP’s 30 year business plan is extremely sensitive to changes in the operating environment and in an effort to minimise that risk, a risk strategy and risk register has been prepared. The strategy is updated annually and the register is reviewed quarterly and updated as necessary.

Any risk which materially jeopardises the Partnership’s ability to achieve its Mission and Objectives or conduct its business is not be accepted

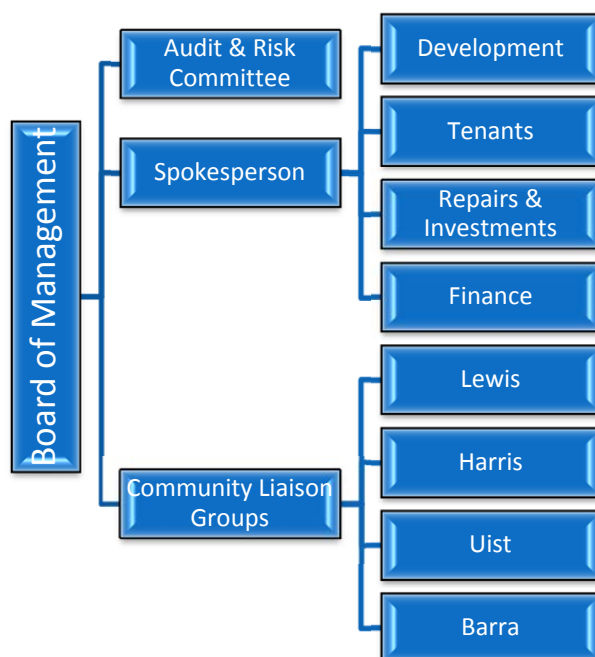
GOVERNANCE & MANAGEMENT

HHP is an Industrial and Provident Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Executive Team and staff. A full list of Board Members is at page 3.

All Board Members and staff are required to operate within a set of Standing Orders, policies and financial regulations.

The composition of the Board includes four tenant representatives. The Board’s skill mix is regularly reviewed, and where gaps are identified, Board Members seek to identify individuals from within the Partnership’s existing membership and wider environment to strengthen the range of expertise on the Board. The Governance structure is shown in Figure 1

FIGURE 1 BOARD OF MANAGEMENT



New Board Members undergo induction training which includes a “buddy” system where an experienced Board Member will make themselves available to assist a new Board member.

The Partnership’s Standing Orders allow for one Standing Committees and four Community Liaison Groups. The Board took the decision to reduce the Standing Committees from three to one and replace the Area Committees with informal Community Liaison Groups.

The Board comprises up to 12 members - 4 tenant members, 4 Comhairle Nan Eilean Siar nominees, 4 community representatives and up to 3 co-optees. There are currently 12 Board members.

HHP’s Rules require that two community and two tenant members step down each year. There will be elections for the vacant positions at the Annual General Meeting in September 2012.

Tenant and Community members of the Board hold one fully paid £1 share.

During 2011/12 two shares were issued to new members.

The Board is responsible for the overall strategic direction and objectives of HHP. Key responsibilities include overseeing:

- Approval of Business Plan
- Delivery of Business Plan
- Ensuring compliance with our values and key objectives
- Establishing strategic plans to achieve objectives
- Appraising the annual financial statement
- Establishing a framework of delegation and system of internal control
- Achieving the highest standards of governance

Currently, HHP's Board has delegated responsibility to the following Standing Committee:

Audit & Risk

The Audit & Risk Committee is responsible for ensuring that the activities of the Board are within the law and regulations which govern the Board, and that an effective internal control system is maintained. Specifically this Committee:

- Reviews HHP's systems of internal control and risk management
- Provides an overview of the internal and external audit functions
- Scrutinises the financial statements
- Monitors the implementation of internal audit recommendations, external audit reports and management letters
- Reviews the internal audit plan and scope of work
- Reviews the effectiveness of the overall risk strategy

Tenant Participation

Placing tenants at the centre of what we do is a key objective for HHP. We continued to explore ways of engaging with tenants and we hosted conferences for tenants during the year in Stornoway, Tarbert and Balivanich. Rent consultation meetings were organised in Stornoway, Tarbert, Balivanich and Barra. We also continued to seek tenants views on our services, particularly repairs and investment and used the feedback to improve how we do things.

Health & Safety

The Board places the highest priority on the Health and Safety of tenants, staff and contractors. A full independent external audit of Health and Safety procedures and practices has been undertaken and any required actions are programmed for implementation.

Political and Charitable Donations

There were no political donations made by HHP during the financial year. A total of £1,000 was donated during the year to the following local charities

£250 MacMillan Nurses

£250 Action for Children

£250 Bethesda Hospice

£250 Young Musicians Hebrides

Disclosure of Information to Auditors

The Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditors are unaware; and each Board Member has taken all the steps that he/she ought to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

Auditors

A resolution to re-appoint Wylie & Bisset as auditors of HHP will be proposed at the Annual General Meeting in September 2012.

Employee Policies

The 30 year Business Plan recognises that the well-being of staff is critical to successful service delivery. A core objective is to be a good employer that attracts and retains high quality staff. HHP will ensure that there is sufficient and well trained staff to deliver high quality services.

Recruitment

HHP want staff to feel safe in their working environment and that they are treated fairly irrespective of colour, age, disability, religion or sexual orientation. A Recruitment Policy has been developed which aims to:

- Recruit and select the best candidate for every vacancy;
- Ensure that access to employment opportunities is based on fair, objective and consistent criteria

Training

HHP is committed to the training and development of all its employees and Board Members. The Regulator highlighted in the Inspection Report that Board Members training was a particular strength. Regular training needs assessments are carried out for Board Members' which feed into Training Plans. A training programme for staff for 2012-13 is being compiled from training needs highlighted during the staff performance appraisal system.

INTERNAL FINANCIAL CONTROL

The Board of HHP is responsible for establishing and maintaining systems of internal financial control within the organisation. By their nature these systems can provide reasonable, but not absolute, assurance against material mis-statement or loss. The internal control framework is supported by organisational control measures including, financial and business planning, performance monitoring and reporting, project management and communication systems. The internal control framework also relies on formal governance measures including a structure of corporate policies, authorities and responsibilities delegated from the Board to the Executive Team

Framework of Internal control

The key methods by which the Board establishes the framework for providing effective internal financial controls are dealt with in the next part of this report.

Management Structure

The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Officers, Committee and Working Groups. The Executive Team, comprising of the Chief Executive and the Directors, has two main functions, Operations and Resources.

Audit & Risk Committee

The Audit & Risk Committee consists of six members. Meetings are normally held quarterly to review and approve annual internal and external audit plans, reports and the action taken on issues raised by audit. In addition the Audit and Risk Committee reviews the corporate risk management arrangements including the Risk Register.

System of Internal Control

The key elements of the system of internal control are as follows:

- Regular meetings of the Board, which has a schedule of matters specifically reserved for its approval and which are the subject of regular standard reports as required
- Appointment of Internal Auditors who work to the standards of the Institute of Internal Auditors and produce an annual internal audit plan and regular internal audit reports
- The review of reports prepared by Internal Auditors by the Audit and Risk Committee on a regular basis
- A corporate financial plan with a detailed annual budget, regularly revised forecasts, a comparison of actual with budget and key performance indicators all of which are reviewed by the Board

Identification of Business Risk

The Board has reviewed the 'Managing Risks' section of the 30 year Business Plan. A risk analysis was carried out by Internal Audit to identify business significant risks. Key business risks and operational risks were taken into account when preparing the Internal Audit Strategic Plan.

The financial implications of major business risks are controlled through delegated authorities which reserve significant matters to the Board for decision.

Corporate Risk

The Risk Register has been updated for 2011/12. The Risk Register is organisation wide and shows each risk, the significance of the risk, and the probability of these risks occurring. The Register also details the impact of the risks should they occur and who will have prime responsibility for the design and operation of suitable controls and mitigating actions.

Management Information Systems

Management Information Systems have been established which provide monthly information on key aspects of the business. Management accounts comparing actual results against budget

are presented to the Board along with performance against key financial and non-financial indicators. Over the next two years HHP's Executive Team will further develop the management information produced to provide managers with reliable and up to date information which enables them to respond quickly to service delivery issues as they arise whilst continuing to achieve the strategic objectives and goals of the organisation.

Internal audit

On 1 April 2011 the Board appointed Scott-Moncrieff to replace TIAA as their Internal Auditors. The Internal Auditors report directly to the Audit and Risk Committee.

The External Auditors have placed reliance on the work carried out by the Internal Auditors on the accounting systems.

Investment Appraisal

The Financial Regulations provide the framework and procedures for investment appraisal. Expenditure beyond certain levels requires to be approved by the Resources Committee or the Board. A Fixed Asset Register is in place which details all the assets owned by the Partnership.

Investment

On 1 June 2010 HHP Community Housing Limited was formed as a non-charitable subsidiary of the Partnership.

BOARD STATEMENT ON INTERNAL FINANCIAL CONTROL

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the Year ended 31 March 2012. This review was informed by the work of Internal Audit and by the Executive Team, which has responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the External Auditors in their management reports. Such a system can only provide reasonable, and not absolute, assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board and Executive Team continue to transform the business through organisational changes which impact upon structures and systems. These changes highlight the need for effective systems and efficient resource management. The Board has reviewed the effectiveness of the systems of internal financial controls which have been in operation during the year. No weaknesses have been found which resulted in material losses, contingencies or uncertainties that require disclosure.

On behalf of the Board



George Lonie

Chair

Date: 27 June 2012

STATEMENT OF BOARD RESPONSIBILITIES

The Industrial Provident Societies Act 1965 to 2002 require the Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Partnership and of the surplus or deficit of the Partnership for that period. In preparing those Financial Statements, the Board of Management is required to :-

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

The Board of Management is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and to enable them to ensure the Financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlord Accounting Requirements (Scotland) Order 2007. It is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Partnership's suppliers are paid promptly.

STATEMENT OF DISCLOSURES TO AUDITORS

In so far as the Board of Management are aware;

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



OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW

PERFORMANCE IN THE YEAR

A summary of the key performance areas for the year are detailed in the following paragraphs.

Housing Services

- 80% of properties let within 28 days
- Arrears reduced from 2.58% to 2.3% of gross debit
- £680k obtained from tenants on benefits in partnership with CAS.

Investment

- 78 heating systems installed
- 51 bathrooms installed
- 77 kitchens installed
- 49 properties re-roofed
- 165 new windows installed
- 4 year Investment Framework procured
- Repairs and Maintenance Contract mobilised
- £175k obtained for heating in successful bid to DECC

Development

Total units	Type	Houses/Flats	Development	Area
90	72 Rent	30	Manor Drive	Stornoway
		6	Ardanmhor Cromwell Street	
		18	Bridge Cottages	
		4	Cnoc A'Runaire	Tolsta
		8	Bunnavoneadar	Harris
		6	Slighe Ruairidh Alasdair	Claddach Kirkibost
	18 LIFT	12	Manor Drive	Stornoway
		6	Ardanmhor Cromwell Street	Stornoway

OPERATIONAL REVIEW

Planned & Cyclical Maintenance

We completed year 2 of our 5 year programme and invested a further £566k in works to tenants' homes focussing on external maintenance such as, painting, fabric repairs, gutter cleaning and environmental upgrading. We carried out an audit of our gas servicing work to further improve this part of our service. 100% of gas systems were serviced.

Investment Programme

We continued to invest significant resources in tenants' homes and spent almost £3m through our investment programme this year. We also carried out a procurement exercise and appointed 11 contractors on a framework contract to deliver our investment works through to 2014. This has significantly increased the value for money we achieve for tenants.

The investment programme delivered £2.981m of improvement works to houses contributing to achieving the Scottish Housing Quality Standard by 2015.

The major challenge to HHP in achieving the Scottish Housing Quality Standard is the energy efficiency requirements of the Standard. The focus of investment has been changed towards insulation works which seeks to ease the difficulties experienced by many tenants in heating their homes. Progress towards achieving the Scottish Housing Quality Standard will continue to be monitored.

Renewable heating systems will continue to be installed as HHP believes they provide a more efficient and cost effective solution for tenants. However the uncertain grant funding regime for these systems remains a challenge. During the year a total of £175k in grant funding was received from Department of Environment and Climate Change.

40% of stock now fully meets the Scottish Housing Quality Standard.

The targets for the next few years will see a steady increase towards achieving the SHQS by 2015. However, the Energy Efficiency criteria will be closely monitored and applications for exemptions will be made where appropriate.

Grant funding of £173,422 (2010/11: £102,200) was also made available from the Government to deliver aids and adaptations for tenants with health and mobility problems

Development Programme

HHP had its best year in terms of house completions since transfer in 2006. A total of 90 houses completed during 2011/12 – 72 for affordable rent and 18 as part of the Scottish Government New Supply 'LIFT' initiative.

The developments due to complete in 2012/13 are:

- ◆ 15 houses for affordable rent at Mackenzie Park, Parkend
- ◆ 24 houses/flats for affordable rent at Gibson Gardens, Stornoway
- ◆ 6 houses under the 'LIFT' initiative at Mackenzie Park (Innovation and Investment Fund)
- ◆ 4 houses for affordable rent at Mackenzie Park (Innovation and Investment Fund)

HHP's new build housing programme reached a landmark 250th house at Slighe Ruairidh Alasdair, Claddach Kirkibost in February 2012. A feature of these new houses has been the high levels of insulation and as gas is not available, air source heat pumps. Surveys of new tenants have reported very high levels of satisfaction with the new houses.

Housing Services

There was further improvement in the performance on re-letting properties and minimising void periods. The average length of time to let houses (excluding houses which were difficult to let) reduced to an average of 19.8 days. 80% were let within 28 days. The amount of rent lost due to houses being empty rose by £11.1K, largely due to the increased turnover of stock resulting from the large new build programme. It was however well ahead of target.

HHP continued to support the Comhairle in addressing homelessness and let 36% of empty houses to applicants referred by the Comhairle. A total of 31 houses are provided to the Comhairle's Homeless Service for use as temporary accommodation.

The focus on keeping housing areas in good condition and conducting our annual inspection of estates was maintained. This coupled with the introduction of the 5 year planned maintenance cycle seeks to ensure that the estates are well looked after and are attractive places in which to live. The commitment to work with partners to deal effectively with Anti-Social Behaviour continues.

Rent arrears reduced for the third consecutive year with a decrease of 7.7% and this remains a key priority for HHP. Unfortunately our partnership with CAB to maximise tenants' income came to an end in March 2012 due to the Government Wider Role funding ceasing. Over its two and a half year duration the project increased the benefits tenants claimed significantly.

The level of Anti-Social Behaviour complaints received dropped from 37 to 27 on the previous year. We did however take legal action against a very small number of tenants whose behaviour was not acceptable. We continued to take a pro-active approach to maintaining housing areas through our annual inspections and we will seek to build further on this.

FES FM Ltd took over the Repair and Maintenance Contract from 1 April 2011. The contract is based on a partnership approach and the first year has been very positive as we worked closely with FEM FM to mobilise the contract and to improve service delivery and value for money to tenants. Overall repair service performance was significantly improved on the previous years.

The Customer Services team has been strengthened to further improve service delivery and a new 0300 telephone number was introduced to reduce costs for customers. The approach to dealing with complaints was improved to ensure these are dealt with effectively

SHQS 2020 Climate Change Target

We continued to work to bring homes up to the SHQS and to prioritise the upgrading of insulation by accelerating this work. We have invested further in renewable technologies such as Air Source Heat Pumps. We were successful in obtaining funding of £175k from DECC to assist with the installation of 28 systems. The energy efficiency requirement of the SHQS presents a challenge due to the large number of solid fuel heating systems remaining within the stock. Fuel poverty is an issue affecting many tenants and we are exploring ways to reduce fuel poverty by improving the houses. Greenspace Ltd have been engaged to carry out a study on a number of houses and the results of the study will inform future survey and investment works.

FINANCIAL REVIEW

Financial Results

During the financial year the new SORP 2010 requirement on component accounting was introduced. This is *“where the tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life.”*

The introduction of this accounting policy has resulted in a prior year adjustment for those components identified in relation to the depreciation charge and also for the cost of replacement components which had previously been expensed, now being capitalised.

The turnover for the year to 31 March 2012 was £9.847 million against operating costs of £6.832 million. Operating costs for the year included £0.520 million of capital investment written off against expenditure. The implementation of component accounting has resulted in the majority of investment expenditure being capitalised. The main source of income was from rental income of £6.982 million with £0.427 million received in grant from The Scottish Government. £0.250 million of the grant received was to support our Business Plan activities. Turnover on other activities included the sale of 18 LIFT properties resulting in the overall turnover increasing by £2.2 million from the previous year.

The operating surplus on Letting Activities was £2.994 million, 43.02% of Net Rental Income (2011: £2.710 million (restated), 42.1% of Net Rental Income).

Funds are being transferred into designated reserves for:

- a) Future Repairs and Renewals on new build properties;
- b) Funding costs for removing asbestos from transferred properties which may be incurred as a result of the investment programme;
- c) Pension reserve.

Balance Sheet

HHP's Balance Sheet is shown on Page 29. The key factors affecting the balance sheet are:

- a) The implementation of component accounting has increased the tangible fixed assets and the reserves by £6.184million;
- b) The addition of 72 new units for rent funded largely from Housing Association Grant from the Scottish Government;
- c) The development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £13.841 million. This is shown under Long Term debtors and Long Term creditors;
- d) The completion and sale of the LIFT properties included within stock in 2010/11;
- e) The increase in Debtors due within one year is due to a repayment of over £0.250 million due from HMRC for VAT and new build grant due from the Scottish Government but not received until after 31 March 2012.

Cash Flow

The Cash Flow is shown on page 30. The net cash flow from operating activities was £4.098 million which included a Business Plan support grant of £0.250 million from The Scottish Government. The principal cash outflows were operating costs, investment in assets and the purchase of the main office in Stornoway.

Current Liquidity

At 31 March 2012 HHP had cash and short-term deposits of £1.254 million. This was £2.385 million more than original budget which was due to the slippage on the private finance requirement for development, savings delivered on the investment programme, slippage and savings on the management costs and income on Right to Buy being slightly higher than forecast. The future investment and development programme will see this cash balance reduce significantly over the forthcoming year. It is anticipated there will be a requirement to drawdown £1 million during the forthcoming year.

Capital Structure and Treasury Management Policy

HHP's activities are funded on the basis of a Business Plan, which is updated annually. The main elements of HHP's long term funding are a 30 year loan facility arranged with the Royal Bank of Scotland, deficit funding and loan facilities provided by The Scottish Government. The loan facility allows HHP to borrow up to £10 million. In broad terms, the current Business Plan assumes that borrowing will increase each year until the maximum of £9 million is reached in 2026 reflecting the significant investment programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2032.

The Business Plan assumes deficit funding grants, capital grants for new build and loans of just over £20 million. The loans are repayable by year 30.

The Board receives updates each quarter which detail the debt, cash and interest received. All proposed changes to banking arrangements and bank signatories are approved by the Board.

The Treasury Management Policy was approved in January 2012. The Treasury Management Policy sets down the framework for investing and managing cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Partnership's loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure.

PLANS FOR THE FUTURE

HHP plans to invest £18.1 million over the next 5 years in bringing its houses up to the Scottish Housing Quality Standard. £1.010 million of private finance has been earmarked for the 2 new build projects due for completion in 2012/13. Additional funding will need to be identified if HHP is to continue developing and the number of units delivered will be dependent on the funding available from the Scottish Government and Comhairle Nan Eilean Siar.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Hebridean Housing Partnership for the year ended 31 March 2012 which comprise the Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Partnership's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Partnership's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and Auditors

As explained more fully in the Board's Responsibilities Statement set out on page 15, the Board of Management are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the state of the Partnership's affairs as at 31 March 2012 and of its income and expenditure for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

Matters on which we are required to report by exception

We are required to report to you under the Industrial and Provident Societies Act 1965 to 2002 if, in our opinion:

- proper books of accounts have not been kept by the Partnership in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Partnership in accordance with the requirements of the legislation;
- the financial statements are not in agreement with the books of accounts; or
- we have not received all the information and explanations necessary for the purposes of our audit;

We have nothing to report in respect of these matters.



Wylie & Bisset LLP
Chartered Accountants
Statutory Auditors
Glasgow

Date: 27 June 2012

AUDITORS REPORT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

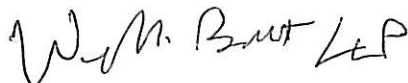
In addition to our audit of the Financial Statements, we have reviewed the Board of Management's statement on page 15 concerning the Partnership's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

BASIS OF OPINION

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

OPINION

In our opinion the statement on internal financial controls on page 15 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing' and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Wylie & Bisset LLP
Chartered Accountants
Statutory Auditors
Glasgow

Date: 27 June 2012



FINANCIAL STATEMENTS

INCOME & EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Restated	
		31 March 2012	31 March 2011
		£	£
Turnover	3	9,846,975	7,458,758
Operating costs	4 & 5	(6,831,858)	(4,693,503)
Operating surplus		3,015,117	2,765,255
Surplus on sale of fixed assets			
-housing properties	9	26,263	75,280
Interest receivable and other income	10	9,200	11,510
Interest payable and similar charges	11	(253,566)	(249,094)
Surplus on ordinary activities, before transfers to Reserves		2,797,014	2,602,951

The results for the year relate wholly to continuing activities.

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Restated	
		31 March 2012	31 March 2011
		£	£
Surplus on ordinary activities, before transfer to Reserves		2,797,014	2,602,951
Transfer to Designated Reserves	21	(417,330)	(372,266)
Total recognised surpluses since the last financial statements		2,379,684	2,230,685

The accounts for the year to 31 March 2011 have been restated as a result of the adoption of SORP 2010 and the implementation of component accounting. Details are provided in the notes to the financial statements

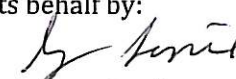
Total recognised surpluses relate wholly to continuing activities.

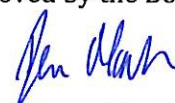
The notes on pages 31 to 49 form part of these financial statements.

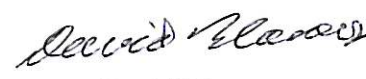
BALANCE SHEET AT 31 MARCH 2012

		31 March 2012	Restated 31 March 2011
		£	£
	Notes		
Tangible Fixed Assets			
Housing Properties at valuation	15	18,436,501	14,494,361
Other tangible fixed assets	15	854,882	445,615
Investments	15	1	1
		<u>19,291,384</u>	<u>14,939,977</u>
 Debtors due after more than one year	16	13,935,442	16,543,707
 Current Assets			
Stock		18,182	766,433
Debtors due within one year	16	981,547	443,944
Short-term deposits		861,313	1,298,941
Cash at bank and in hand		392,443	1,082,843
		<u>2,253,485</u>	<u>3,592,161</u>
Creditors: amounts falling due within one year	17	<u>(933,158)</u>	<u>(1,103,128)</u>
Net current assets		<u>1,320,327</u>	<u>2,489,033</u>
Total assets less current liabilities		<u>34,547,153</u>	<u>33,972,717</u>
 Creditors: amounts falling due after more than one year	18	<u>(7,328,047)</u>	<u>(6,878,635)</u>
		27,219,106	27,094,082
Provisions for liabilities and charges	19	<u>(13,841,595)</u>	<u>(16,445,030)</u>
Net Assets		<u>13,377,511</u>	<u>10,649,052</u>
 Capital and Reserves			
Share Capital	20	188	186
Designated Reserve	21	1,591,935	1,174,605
Capital Reserve	22	247,165	315,722
Revenue Reserve	21	11,538,223	9,158,539
		<u>13,377,511</u>	<u>10,649,052</u>

These financial statements were approved by the Board on 27th June 2012 and were signed on its behalf by:


George Lonie
Chair


Dena Macleod
Secretary


David Blaney
Vice Chair

The notes on pages 31 to 49 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

		31 March 2012	31 March 2011
		£	£
Net Cash inflow from operating activities	Notes 26	4,098,522	1,918,255
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		26,263	75,280
Interest Received		9,200	11,510
Interest Paid		(253,566)	(249,094)
Net Cash (outflow) from returns on investment and servicing of finance		(218,103)	(162,304)
Taxation			
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(8,336,086)	(4,989,273)
Purchase of other fixed assets & investment		(477,839)	(30,759)
Grants received		3,767,315	3,369,187
Sales of properties		44,576	12,987
Transfer of assets		-	-
Net Cash outflow from capital expenditure		(5,002,034)	(1,637,858)
Net Cash (outflow)/inflow before use of liquid resources and financing		(1,121,615)	118,093
Management of liquid resources		437,628	(37,215)
Financing			
Loan advances received		-	-
Loan principal repaid		(6,415)	(31,956)
Shares issued		2	4
		(6,413)	(31,952)
(Decrease)/Increase in cash in the year	26	(690,400)	48,926

The notes on pages 31 to 49 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

NOTE 1 Legal Status

Hebridean Housing Partnership Limited ("HHP" or "The Partnership") is registered under the Industrial and Provident Societies Act 1965 and is a Housing Association registered with Scottish Housing Regulator (previously Communities Scotland) under the Housing (Scotland) Act 2001. HHP has charitable status and is registered with OSCR.

NOTE 2 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements, except where noted below.

BASIS OF ACCOUNTING

The Financial Statements of the Partnership are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007, and under historical cost accounting rules, modified to include revaluation of properties held for letting and commercial properties. The Financial Statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2010, issued by National Housing Federation.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Financial Statements contain information about Hebridean Housing Partnership as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken the option not to prepare consolidated Financial Statements as its subsidiary, HHP Community Housing Limited, is a dormant company and is not considered material for the purpose of giving a true and fair view of the state of affairs of the company.

TURNOVER

Turnover, which is stated net of Value Added Tax, represents income receivable from lettings and service charges, fees receivable, revenue grants and other income.

GRANT INCOME

Grant Income received is matched with the expenditure to which it relates. Where grant is paid as a contribution towards the capital cost of housing schemes, it is deducted from the cost of housing properties. Where grant is paid as a contribution towards revenue expenditure, it is included in turnover.

DEPOSIT AND LIQUID RESOURCES

Cash, for the purpose of the cash flow statement comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at, or close to, their carrying value.

PENSION COSTS

The Partnership participates in the Highland Superannuation Scheme and contributions to the pension scheme are calculated as a percentage of pensionable salaries of the employees, determined in accordance with actuarial advice. The actual pension cost is charged to the income and expenditure account based on contributions to the fund.

HOUSING PROPERTIES

Housing properties in the course of construction are stated at cost and are not depreciated. Housing properties are transferred to completed properties when they are ready for letting and are stated at valuation. Where it is considered that there has been any impairment in value this is provided for accordingly. The cost of properties is their purchase price together with capitalised repairs. Expenditure on schemes that are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

IMPROVEMENTS TO HOUSING PROPERTIES

The Partnership capitalises repairs and improvement expenditure on its housing properties which result in an enhancement of the economic benefit of the asset. Certain items of Investment expenditure which had been written off in the Partnership's previous Income and Expenditure Accounts up to and including 31 March 2011 will now be capitalised as a result of the requirements of component accounting. The results of this are detailed in the Note explaining the Prior Year Adjustment in this year's Accounts.

IMPAIRMENT

Reviews for any impairment of housing properties are carried out on an annual basis where the estimated remaining economic life of those properties exceeds 50 years. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows expected from the continued use of these assets. Any impairment of assets would be recognised in the Income and Expenditure Account.

SHARED OWNERSHIP

Shared ownership properties are split proportionately between current and fixed assets based on the first tranche proportion.

First tranche proportions will be accounted for as current assets and the related sales proceeds shown in turnover; and

The remaining element of the share ownership property will be accounted for as a fixed asset and any subsequent sale will be treated as a part disposal of a fixed asset.

COMMERCIAL PROPERTIES

Commercial properties are valued at existing use value.

PROVISIONS

The Partnership only provides for contractual liabilities that exist at the balance sheet date.

TAXATION

Income and capital gains are generally exempt from tax if applied for charitable purposes.

DEPRECIATION

Depreciation is charged on a straight-line basis to write off the cost of each asset, less any estimated residual value, over its expected useful life, as set out below. Assets are depreciated in the year of acquisition, from the date of their acquisition, and in the year of disposal, up to the date of disposal. Land is not depreciated.

Housing Properties and Offices

All of the major components comprised within the Partnership's housing properties and offices are treated as separable assets and their costs (after the deduction of any related social housing grant) are depreciated by reference to the expected useful life of each component, on the following basis:

	<i>Years</i>
Roofs	50
Kitchens	20
Bathrooms	30
Showers	10
Heating Boilers	15
Heating Systems	15
Window & Doors	25
Other External Components	15
Structure	60

Other Fixed Assets

All other Fixed Assets are depreciated by reference to the following expected useful lives:

	<i>Years</i>
Furniture, Fittings and Office Equipment	5
Computer Hardware and Software	4

SALE OF HOUSING ACCOMMODATION

Properties are disposed of under the appropriate legislation and guidance. 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 and the grant removed from the Financial Statements.

CAPITALISATION OF DEVELOPMENT OVERHEADS

Staff costs that are directly attributable to bringing housing properties into working condition for their intended use are capitalised.

CAPITAL GRANTS

Where capitalised repairs have been financed wholly or partly by grant, the cost of these repairs has been reduced by the amount of the grant received.

VALUE ADDED TAX

The Partnership is registered for VAT. A large proportion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure

with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment works expenditure included in the development works agreement with Comhairle Nan Eilean Siar is fully recoverable. Expenditure on these works is shown net of VAT.

DEVELOPMENT AGREEMENT

The Partnership has entered into agreements with Comhairle Nan Eilean Siar whereby the undertaking of catch up repairs and improvement works remains with the Comhairle, with the obligation sub-contracted to HHP. This has been shown on the Partnership's Balance Sheet as a debtor offset by a provision of an equal amount. As work progresses, both sums will be adjusted downwards by the appropriate amount.

BAD AND DOUBTFUL DEBTS

Provision is made against rent arrears for current and former tenants as well as other miscellaneous debts to the extent that they are considered potentially irrecoverable.

INTANGIBLE FIXED ASSETS

Negative goodwill arising from the acquisition of the business will be shown as a negative asset and amortised over the life of the assets acquired.

LEASED ASSETS

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

DESIGNATED RESERVES

Designated reserves are unrestricted reserves earmarked by Directors for particular purposes.

NOTE 3 Turnover, Operating Costs and Operating Surplus

	2012			2011
	Operating Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Social housing lettings	7,388,467	4,393,733	2,994,734	2,710,575
Other activities	1,213,578	1,181,069	32,509	58,826
Grant Income	1,244,930	1,257,056	(12,126)	(4,146)
TOTAL	9,846,975	6,831,858	3,015,117	2,765,255

NOTE 4 Particulars of Income and Expenditure from Social Housing Lettings

	General Housing	Needs Accommodation	Supported Ownership	Shared Other	Total	2011
	£	£	£	£	£	£
Income from lettings						
Rent receivable net of service Charges	6,945,676	33,829	2,849	-	6,982,354	6,459,430
Service Charges receivable	21,463	3,411	2,076	4,512	31,462	22,419
Gross income from rents and service charges	6,967,139	37,240	4,925	4,512	7,013,816	6,481,849
Less voids	(52,742)	-	-	-	(52,742)	(41,548)
Net Income from rents and service charges	6,914,397	37,240	4,925	4,512	6,961,074	6,440,301
Grants from Scottish Ministers	250,000	-	-	-	250,000	474,365
Other Revenue Grants	177,393	-	-	-	177,393	272,125
Total Turnover from social letting activities	7,341,790	37,240	4,925	4,512	7,388,467	7,186,791
Expenditure on letting activities						
Management and Maintenance Administration costs	1,507,719	10,233	2,047	-	1,519,999	1,795,796
Planned and Cyclical Maintenance including major repairs	1,125,016	-	1,751	-	1,126,767	971,608
Reactive Maintenance	1,143,638	3,156	-	-	1,146,794	1,201,942
Bad Debts -rents and service charges	18,116	-	-	-	18,116	48,838
Depreciation of social housing	580,777	1,075	205	-	582,057	458,032
Operating costs of social letting activities	4,375,266	14,464	4,003	-	4,393,733	4,476,216
Operating surplus on letting activities	2,966,524	22,776	922	4,512	2,994,734	2,710,575

NOTE 5 Particular of Income and Expenditure on Other Activities

Other Activities	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus/ Deficit	2011
	£	£	£	£	£	£
Wider Action Development	56,226	-	56,226	68,352	(12,126)	(4,146)
Sale of Developments	-	-	-	65,291	(65,291)	(7,543)
Management Services	1,188,704	1,068,296	2,257,000	2,243,482	13,518	(2,188)
Amortization negative goodwill	-	76,725	76,725	61,000	15,725	68,557
	-	68,557	68,557	-	68,557	68,557
Total from other activities	1,244,930	1,213,578	2,458,508	2,438,125	20,383	54,680
31 March 2011	83,774	188,193	271,967	217,287	54,680	

NOTE 6 Board Members Emoluments

Board Members received £9,402 (2011 £9,486) by way of reimbursement of expenses. Board Members did not receive anything by way of emoluments.

NOTE 7 Executive Directors' Emoluments

DIRECTORS' AND EMPLOYEES EMOLUMENTS		
	2012 £	2011 £
The Directors are defined as the Chief Executive and any other person reporting directly to the Chief Executive whose total emoluments exceed £60,000 per annum.		
Aggregate emoluments payable to Directors exceeding £60,000 (including pension contributions and benefits in kind)	221,143	216,026
Emoluments payable to the highest paid officer (excluding pension contributions)	76,058	75,540

DIRECTORS' EMOLUMENTS		
	2012 £	2011 £
During the period the Directors emoluments (excluding pension contributions) fell within the following band distributions:		
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1
More than £80,000 but not more than £100,000	-	-
Emoluments include relocation expenses where appropriate		
The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff.		

NOTE 8 Employees

In the year to 31 March 2012 the average number of employees of the Partnership, including Executive Directors, was 42 (FTE), (2011 – 40 FTE).

EMPLOYEE INFORMATION		
	2012	2011
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,054,909	1,045,932
Social Security costs	77,436	78,301
Employers' pension costs	175,664	176,155
	<u>1,308,009</u>	<u>1,300,388</u>
Staff costs capitalised	<u>(386,534)</u>	<u>(265,650)</u>
	<u>921,475</u>	<u>1,034,738</u>

NOTE 9 Surplus on Sale of Fixed Assets

This represents net income from the sale of assets including properties sold under tenants' Right to Buy.

NOTE 10 Interest Receivable and Other Income

Interest Receivable and Other Income		
	2012	2011
	£	£
Bank interest receivable on deposits in the year	<u>9,200</u>	<u>11,510</u>

NOTE 11 Interest Payable and Similar Charges

Interest Payable and Similar Charges		
	2012	2011
	£	£
Loan interest Payable	250,576	249,094
HMRC interest payable	2,990	-
	<u>253,566</u>	<u>249,094</u>

NOTE 12 Tax on Ordinary Activities

The Partnership's charitable status means that no corporation tax is payable on its activities.

NOTE 13 Auditor's Remuneration

Auditors' Remuneration		
	2012	2011
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	11,820	8,400
-in respect of other services	-	-
	<u>11,820</u>	<u>8,400</u>

NOTE14 Financial Commitments

Capital Commitments		
	2012	2011
	£	£
Expenditure contracted for, but not provided in the accounts	7,200,204	2,143,695
Expenditure authorised by the Board but not contracted	12,219,440	26,287,413
	<u>19,419,644</u>	<u>28,431,108</u>

Operating leases		
	2012	2011
	£	£
At 31 March 2012 the Partnership had annual commitments under non-cancellable leases as follows		
<i>Operating leases that expire:</i>		
Within one year	9,043	1,395
In the second to fifth year inclusive	-	17,567
	<u>9,043</u>	<u>18,962</u>

NOTE 15 Tangible Fixed Assets

HOUSING PROPERTIES				
	Housing held for letting £	Shared Ownership £	Properties under construction £	Total £
Cost or valuation				
At 1 April 2011 (Restated)	50,075,649	127,643	8,308,371	58,511,663
Additions	2,574,903	-	5,761,183	8,336,086
Disposals	(104,073)	-	-	(104,073)
Transferred	9,401,595	-	(9,401,595)	-
At 31 March 2012	61,948,074	127,643	4,667,959	66,743,676
Grants				
At 1 April 2011 (Restated)	(35,282,198)	(123,596)	(7,154,641)	(42,560,435)
Received during the Year	(175,000)	-	(3,592,315)	(3,767,315)
Transferred	(6,642,946)	-	6,642,946	-
Eliminated on disposal	52,118	-	-	52,118
At 31 March 2012	(42,048,026)	(123,596)	(4,104,010)	(46,275,632)
Depreciation				
At 1 April 2011 (Restated)	(1,454,624)	(2,243)	-	(1,456,867)
Eliminated on Disposal	7,380	-	-	7,380
Charge for year	(581,851)	(205)	-	(582,056)
At 31 March 2012	(2,029,095)	(2,448)	-	(2,031,543)
Net Book Value				
at 31 March 2012	17,870,953	1,599	563,949	18,436,501
Net Book Value				
at 31 March 2011 (Restated)	13,338,827	1,804	1,153,730	14,494,361

OTHER TANGIBLE FIXED ASSETS				
	Commercial property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2011	369,054	132,580	246,210	747,844
Additions	460,880	9,524	7,435	477,839
Disposals	-	-	-	-
At 31 March 2012	829,934	142,104	253,645	1,225,683
Depreciation				
At 1 April 2011 (as restated)	(19,295)	(111,533)	(171,401)	(302,229)
Eliminated on disposal	-	-	-	-
Charge for year	(19,030)	(17,690)	(31,852)	(68,572)
At 31 March 2012	(38,325)	(129,223)	(203,253)	(370,801)
Net Book Value at 31 March 2012	791,609	12,881	50,392	854,882
Net Book Value at 31 March 2011 (as restated)	349,759	21,047	74,809	445,615

The number of units of accommodation owned and managed at 31 March 2012 by the Partnership was:

Housing Stock		
	2012	2011
Social Housing		
General Needs	2,213	2,165
Shared Ownership	3	3
Supported Housing	12	15
Total Social Housing	2,228	2,183
Investment		
	2012	2011
1 share in HHP Community Housing Ltd	1	1

NOTE 16 Debtors

Debtors: Due after more than one year		
	2012	2011
	£	£
Development Agreement (see Note 2)	13,841,594	16,445,030
Loan Arrangement Fee	93,848	98,677
	<u>13,935,442</u>	<u>16,543,707</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £13.84 million in respect of the expected cost of the development work that Comhairle Nan Eilean Siar has committed to undertake in order to refurbish the properties. The Comhairle has sub-contracted the Partnership to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

Debtors: Due within one year		
	2012	2011
	£	£
Arrears of rent and service charges	227,388	247,220
Less: provision for bad and doubtful debts	(88,992)	(104,317)
	<u>138,396</u>	<u>142,903</u>
Other debtors	843,151	301,041
Total	<u>981,547</u>	<u>443,944</u>

NOTE 17 Creditors: Amounts Falling Due within One Year

Creditors: Amounts falling due within one year		
	2012	2011
	£	£
Amounts falling due within one year:		
Trade creditors	138,425	49,289
Rent and service charges received in advance	39,526	36,341
Accruals	543,910	799,786
Loans (see Note 18)	211,297	217,712
Total	<u>933,158</u>	<u>1,103,128</u>

NOTE 18 Creditors: Amounts falling due after more than one year

Creditors: Amounts falling due after more than one year		
	2012	2011
	£	£
Right to Buy receipts due to the Scottish Executive	2,328,047	1,878,635
LOANS		
All loans are advanced by Banks, are repayable in 2027 (Fixed) and are secured by way of standard securities on the Partnership's housing land and buildings.		
a) Fixed Rate	5,000,000	5,000,000
b) Variable Rate	211,297	217,712
Analysis of duration of loans and interest rates:		
	2012	2011
	£	£
Repayable in one year or more	211,297	217,712
Repayable in more than five years	5,000,000	5,000,000
	<u>5,211,297</u>	<u>5,217,712</u>
Being Loans falling due		
-within one year	211,297	217,712
-after more than one year	5,000,000	5,000,000
	<u>5,211,297</u>	<u>5,217,712</u>
Average interest rates at 31 March		
Fixed	4.60%	4.93%
Variable	1.21%	1.05%
Overall	<u>4.83%</u>	<u>5.25%</u>

Bank Lending Facility

At the year end the Partnership had drawn down £5.211 million on the lending facility. A committed facility of £10 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £120,093 which are included in debtors and which are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 66 consent has been granted.

NOTE 19 Provisions for Liabilities and Charges

Provisions for Liabilities and Charges		
	2012	2011
	£	£
At 1 April 2011	16,445,030	17,971,963
Created in Year	-	-
Utilised	(2,603,435)	(1,526,933)
At 31 March 2012	13,841,595	16,445,030

Development Agreement

The provision represents the best estimate of the costs of contracted works for the repair of managed properties. This agreement is part of the development agreement and as work progresses the provision will be utilised when the work is actually undertaken.

NOTE 20 Share Capital

Share Capital		
	2012	2011
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2011	186	182
issued during period	2	4
At 31 March 2012	188	186

Shares were held by the following Board members during the year:

Angela Quail, Calum Mackay, Kevin Paterson, George Lonie, Jane Mackinnon, Helen Smith, and Daniel Coyle.

NOTE 21 Reserves

Revenue Reserves		
	2012	2011
	£	£
Accumulated surplus at 1 April 2011	9,158,539	1,729,562
Prior Year Adjustments	-	6,184,846
Surplus for the year	2,379,684	1,244,131
Accumulated surplus at 31 March 2012	11,538,223	9,158,539

Revenue Reserve Reconciliation		
	2012	2011
	£	£
Accumulated surplus as at 1 April as previously stated	2,973,693	1,729,562
Prior Year Adjustment	6,184,846	5,198,293
Accumulated surplus as at 1 April restated	9,158,539	6,927,855
Surplus for the year	2,797,014	2,602,950
Transfer to Designated Reserves	(417,067)	(365,573)
Transfer to Sinking Fund	(263)	(6,693)
Balance at 31 March 2012	11,538,223	9,158,539

Designated Reserves						
	Asbestos	Pension	Repairs & Renewals	Sinking Fund	2012	2011
	£	£	£	£	£	£
Balance at 1 April 2011	484,261	252,200	431,451	6,693	1,174,605	802,339
Transferred to Reserve	129,000	50,000	238,067	263	417,330	372,266
Balance at 31 March 2012	613,261	302,200	669,518	6,956	1,591,935	1,174,605

NOTE 22 Capital Reserve

On 1 April 2007 Muirneag Housing Association, Taighean Ceann A'Tuath Na Hearadh, Berneray Housing Association Limited, Buidheann Taigheadais Na Meadhanan Limited and Barra and Vatersay Housing Association Limited transferred engagements to Hebridean Housing Partnership. The Partnership has used acquisition accounting to account for the business combination. Negative goodwill arising on the acquisition has been transferred to the capital reserve.

Capital Reserve		
	2012	2011
	£	£
Fixed Assets at net book value	4,089,387	4,089,387
Current Assets	779,095	779,095
Cash	942,849	942,849
Liabilities	(1,459,564)	(1,459,564)
Loans	(3,761,505)	(3,761,505)
Net Assets	590,262	590,262
Amount amortised to Income and Expenditure		
In previous years	(274,540)	(205,983)
In current year	(68,557)	(68,557)
Reserve at 31 March 2012	247,165	315,722

NOTE 23 Pensions

The Partnership participates in the Highland Superannuation Fund (HSF) which, as part of the Local Government Pension Scheme is a defined benefit statutory scheme based on final pensionable pay. Contributions are charged to the Income and Expenditure Account so as to spread the cost of pension over employees' working lives. These contributions are determined by formal actuarial valuation, which last took place at 31 March 2009.

FRS 17 states that, where in a multi-employer pension scheme an employer may have no obligation other than to pay a contribution that reflects only the benefits earned in the current period, then if this is the case, from the point of view of the employer, the scheme is a defined contribution scheme and is accounted for as such. Therefore, the Partnership has accounted for its participation within the HSF as if it were a defined contribution scheme, and as a result, the cost recognised within the surplus for the year in the Income and Expenditure account is equal to the contributions payable to the scheme for that year.

The fund is administered by Highland Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998 as amended. Comhairle Nan Eilean Siar has granted an indemnity to the Partnership in relation to under-funding attributable to the period prior to 12 September 2006. This indemnity lasts until 2016 and no provision is considered necessary at this point but will be subject to review annually.

Major Assumptions		
	31-Mar 2012 % per annum	31-Mar 2011 % per annum
RPI increases	3.30%	3.50%
CPI increases	2.50%	2.70%
Salary increases	4.80%	5.00%
Pension increases	2.50%	2.70%
Discount rate	4.60%	5.50%

Assets (Employer)				
	Long Term Return at 31-Mar-12 %	Assets at 31-Mar-12 £000's	Long Term Return at 31-Mar-11 %	Assets at 31-Mar-11 £000's
Equities	6.70%	3,480	7.80%	3,501
Gilts	3.30%	321	4.40%	222
Other Bonds	4.60%	321	5.50%	266
Property	4.70%	412	5.80%	399
Cash	3.00%	46	3.00%	44
TOTAL	6.10%	4,580	7.40%	4,432

Net Pension Asset		
	2012 £000's	2011 £000's
Present Value of Funded Obligation	6,580	5,301
Fair Value of Scheme Assets	4,580	4,432
Net Liability	2,000	869
Present Value of Unfunded Obligation	24	20
Net Liability	2,024	889

NOTE 24 Scottish Government Grants

The Scottish Government has made available a non-repayable grant of £2.5 million payable over 10 years. The annual drawdown of the grant is subject to a number of specified conditions. The grant instalment of £0.250m received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2012 £	2011 £
Opening balance	1,300,000	1,500,000
Grant Funding received	250,000	200,000
Applied to investment expenditure		
Deferred for application against future expenditure	<u>1,050,000</u>	<u>1,300,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £449,412 being the Comhairle's share of the Right to Buy receipts received this year.

NOTE 25 Related Party Transactions

During the period the tenancies held by tenant Board Members were held on normal commercial terms and they are not able to use their position to their advantage.

The Partnership retains a register of Members' interests. There are no interests in related parties requiring to be declared.

NOTE 26 Cash flow Notes

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2012	2011
	£	£
Operating surplus	3,015,117	1,778,701
Movement in Stock	748,251	(782,902)
Depreciation charges	650,628	203,723
Amortisation of Capital Reserve	(68,557)	(68,557)
(Increase)/Decrease in debtors	(532,774)	223,391
(Decrease)/Increase in creditors and provisions (excluding loans)	285,857	563,899
Net Cash inflow from operating activities	4,098,522	1,918,255

Analysis of Net Debt		
	2012	2011
	£	£
Debt due after 1 Year	(5,000,000)	(5,000,000)
Debt due within 1 Year	(211,297)	(217,712)
	(5,211,297)	(5,217,712)
Bank and short term deposits	1,253,756	1,253,739
	(3,957,541)	(3,963,973)

Analysis of Changes in Net Cash			
	At 1 April 2011	Cash Inflow	31-Mar 2012
	£	£	£
Cash at bank and in hand	1,082,843	(690,400)	392,443
Overdraft			-
Reduction in cash	1,082,843	(690,400)	392,443
Deposits	1,298,941	(437,628)	861,313
Debt due after more than one year		-	-
	<u>2,381,784</u>	<u>(1,128,028)</u>	<u>1,253,756</u>

NOTE 27 Post Balance Sheet Event

On 8 May 2012 the Partnership was informed that the contractor working on a major development of 24 units had appointed Administrators and that the company has ceased to trade. Negotiations to complete the development are currently underway and should be concluded by the end of June 2012.