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**WEST HIGHLAND HOUSING ASSOCIATION LIMITED**  
**Financial Statements**

For the year ended 31 March 2010

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Registered Housing Association Number HEP 163  
Financial Services Authority Number 1691R(S)  
Charity Number SC017357

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## INFORMATION as at 31 March 2010

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### Registered Office

Crannog Lane, Oban, Argyll, PA34 4HB

### Registration Numbers

|                                       |          |
|---------------------------------------|----------|
| Industrial & Provident Society number | 1691R(S) |
| The Scottish Housing Regulator        | HEP 163  |
| Scottish Charity number               | SC017357 |

### Management Committee

|                    |                                 |
|--------------------|---------------------------------|
| Kenneth MacColl    | Chairman                        |
| Murray Sim         | Secretary                       |
| Blair Allan        |                                 |
| Antony Cave        | (Resigned 19 March 2010)        |
| Gordon Chalmers    | Councillor                      |
| Robin Currie       | Councillor                      |
| Cherilynn Duffield | Tenant.                         |
| Ian Gillies        | (resigned 27 August 2009)       |
| Donald Harrison    | (appointed 18 September 2009)   |
| Duncan MacKenzie   |                                 |
| Barbara Milne      | Tenant                          |
| Mary Morrison      | Tenant                          |
| Gwyneth Neal       |                                 |
| Elaine Robertson   |                                 |
| Margaret Smith     | Tenant (Resigned 19 March 2010) |

### Chief Executive (not a member of the committee)

Lesley McInnes

### Auditors

Baker Tilly UK Audit LLP  
Chartered Accountants  
Breckenridge House  
274 Sauchiehall Street  
Glasgow  
G2 3EH

### Accountant

David Smith, Chartered Accountant  
Keppoch  
Croft Road  
Oban

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### INFORMATION as at 31 March 2010

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#### Bankers

Alliance & Leicester Commercial Bank  
Customer Service Centre  
Bootle  
Merseyside

Bank of Scotland  
Station Road  
Oban

Clydesdale Bank  
6 Argyll Square  
Oban

Dunfermline Building Society  
Head Office  
Caledonia House  
Carnegie Avenue  
Dunfermline

Royal Bank of Scotland  
Corporate Banking  
Glasgow & West of Scotland  
Kirkstane House  
139 St Vincent Street  
Glasgow

Standard Life Bank  
Dundas House  
20 Brandon Street  
Edinburgh

Cooperative Bank  
206 St Vincent Street  
Glasgow

#### Solicitors

E Thornton & Co  
8 High Street  
Oban

T C Young  
7 West George Street  
Glasgow

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2010

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The Committee of Management present their report and audited financial statements for the year ended 31 March 2010.

### **Organisation**

The association is a non-profit making body registered with the Financial Services Authority as an Industrial and Provident Society, with the Scottish Housing Regulator as a Registered Social Landlord and with the Office of the Scottish Charities Regulator as a charity.

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

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

### **Principal activity**

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

### **Corporate Governance**

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

As well as the strategic direction the Management Committee monitors the operational activities of the association and set standards of service delivery.

The association's staff support the Management Committee and report to the Management Committee and service Committees.

### **Review of the Year**

The main focus of the association's efforts in the year to 31 March 2010 was the continuation of its property improvement programme. This year saw improvements to our properties in Colonsay and Mull. Allied to this the association has continued to improve its repairs and maintenance service and the committee are pleased to note that the improvements have continued.

The association has been facing reductions in the amount of grant subsidy available for new development and there has also been a cutback in the availability of finance from banks and building societies. One new project was approved last year – this being the Mull Progressive Care but this has not yet started on site. This project is for 15 properties linked to a new hospital and social work facility in Mull.

The association has continued to remove further development from its business planning process in order that there is a good awareness of the future without development

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2010

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### **Performance Management**

The association has good performance in a number of its performance indicators. The committee are delighted that real progress has been made in relation to the association's repairs performance and these figures are now showing excellent performance of above 95% for urgent and routine repairs and 100% for emergencies. The association's arrears figures remain good in relation to its peer group information but we can always improve. We have maintained our good performance in re-letting properties which have become vacant ensuring that the time taken until a property is reallocated is minimised. This is in part due to the demand for our properties but it is a reflection of the high quality of our properties

### **Development**

The association expects to have around 63 new rented properties at the end of 2010 – 34 in Oban, 11 in Kilmelford and 18 in Tobermory, Mull. These houses will assist meeting the housing need identified in Argyll and Bute. It is expected that many of these properties will help meet homeless targets set by Argyll and Bute Council.

In addition there will be a small number of low cost home ownership properties for sale in Kilmelford and on Mull. These properties offer people the opportunity to purchase a property at a an affordable price and will help to satisfy the demand from a number of people in the area who would prefer to buy a property as opposed to renting.

### **Housing Management**

The association is part of Home Argyll which provides easy access for any person looking for information on renting a property in Argyll from any of the associations. At present there are over 3000 people on the Home Argyll waiting list and this demonstrates the real need for good quality housing. During the year the association had 61 lets, with 23 being new build.

We are rightly proud of our work in helping people to sustain tenancies and want to ensure any court action is one not taken lightly. We are pleased to report that we reduced our number of formal recovery of tenancies from the previous year. However, we had 2 abandoned properties this year.

### **Maintenance**

The association has made changes to its planned and cyclical maintenance programmes and this should see benefits to all tenants. We made improvements to our properties on Colonsay and Mull and these have seen real benefits to our tenants.

The association has been piloting new energy systems to see whether they may assist people in the future but the energy market is changing rapidly and this is an area that we will need to invest time and money in during future years.

### **Management Structure**

The association currently operates with a small team of 3 senior managers who are operationally responsible for delivering the service on an operational basis with the Management Committee setting the strategic objectives.

### **Risk Management Strategy**

The association is developing its approach to risk management. As the association increases in size and does more development then the risks to the organisation increases. Much of the risk comes in terms of our future financing and also through the association's work on development. However, there are other risks other than financial, for example health and safety. The Management Committee with the staff group identify the types of risks the association faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2010

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### **Budgetary process**

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

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

### **Financing and liquidity**

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

The association does not enter into transactions of a speculative nature. At 31 March 2010, the association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

### **Statement of Management Committee's responsibilities**

The Industrial and Provident Societies Acts and registered social housing legislation require the committee to prepare financial statements for each financial year which give a true and fair view of the associations's state of affairs and of the surplus or deficit for that period. In preparing these financial statements the committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 association will continue in business.
- prepare a statement on internal financial control.

The committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association. The committee must ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and are based on the Statement of Recommended Practice for Registered Social Landlords. They are responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the association's suppliers are paid promptly.

As far as the Committee are aware, there is no relevant audit information of which the auditors are unaware and the Committee have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2010

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### Information for Auditors

As far as the committee are aware, there is no relevant audit information of which the auditors are unaware and the committee have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

### Auditors

R A Clements Associates resigned as auditors during the year and Baker Tilly UK Audit LLP were appointed to fill the vacancy. Baker Tilly UK Audit LLP have indicated their willingness to continue in office.

This report was approved by the committee on 20 August 2010 and signed on its behalf.

Murray Sim  
Secretary





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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS 31 March 2010

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

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

It is the committee's responsibility to establish and maintain systems of internal financial control. Such systems only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the association's systems include ensuring that:

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

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2009 and until the below date. 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 auditors' report on the financial statements.

This statement was approved by the committee on 20 August 2010 and signed on its behalf.

Murray Sim  
Secretary



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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS 31 March 2010

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### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 7 concerning the association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

### Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 1999/5 that was issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### Opinion

In our opinion the statement on internal financial control on page 7 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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



Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Glasgow

Date: 20. 8. 2010

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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We have audited the financial statements on pages 11 to 32, which have been prepared under the accounting policies set out on pages 15 to 18.

This report is made solely to the association'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 association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report or for the opinion we have formed.

### **Respective responsibilities of Committee of Management and auditors**

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is not consistent with the financial statements, if the association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Management Committee's remuneration and transactions with the association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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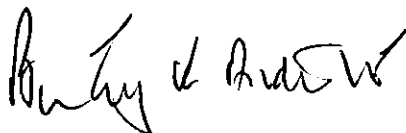
#### Group Accounts (Section 14(2) of the Friendly and Industrial and Provident Societies Act 1968)

We agree with the opinion of the Committee of Management of the association that it would be of no real value to the members of the association to consolidate or include the accounts of the association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010 because of the insignificant amounts involved.

#### Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the association's affairs as at 31 March 2010 and of its surplus 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 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

Baker Tilly UK Audit LLP  
Registered Auditors  
Chartered Accountants  
Glasgow



Date: 20.8.2010

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2010

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|   | Notes | 2010                  |                  | 2009                 |
|---|-------|-----------------------|------------------|----------------------|
| Turnover                                  | 2     | 2,455,060             |                  | 3,582,885            |
| Less Operating costs                      | 2     | <u>(1,824,058)</u>    |                  | <u>(3,059,289)</u>   |
| Operating surplus                         | 2     | 631,002               |                  | 523,596              |
| Charitable donation                       |       | (9,780)               |                  | -                    |
| Gain on sale of fixed assets              |       | <u>100,487</u>        |                  | <u>-</u>             |
|   |       | 721,709               |                  | 523,596              |
| Interest receivable                       |       | 17,632                | 87,151           |                      |
| Interest payable and similar charges      | 8     | <u>(487,755)</u>      | <u>(511,477)</u> | <u>(424,326)</u>     |
| Surplus on ordinary activities before tax |       | <u>(470,123)</u>      |                  | <u>(424,326)</u>     |
|   |       | 251,586               |                  | 99,270               |
| Taxation                                  | 9     | <u>-</u>              |                  | <u>-</u>             |
| Surplus for year                          |       | <u><u>251,586</u></u> |                  | <u><u>99,270</u></u> |

All activities relate to continuing activities within the year.

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS for the year ended 31 March 2010

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|  | Notes | 2010<br>£      | Restated<br>2009<br>£ |
|--|-------|----------------|-----------------------|
| <b>Surplus for the year and total recognised surpluses and deficits for the year</b> |       |                |                       |
| Surplus for the year before restatement  |       | <u>251,586</u> | <u>99,270</u>         |
| Total recognised surpluses and deficits for the year                                 |       | 251,586        | 99,270                |
| Prior year adjustment  |       | <u>-</u>       | <u>(63,574)</u>       |
| Total surpluses and deficits recognised since last financial statements              |       | <u>251,586</u> | <u>35,696</u>         |

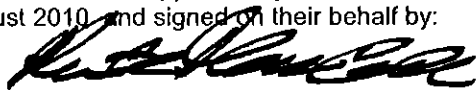
# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## BALANCE SHEET as at 31 March 2010

|                               | Notes |                  | 2010                |                  | 2009                |
|-------------------------------|-------|------------------|---------------------|------------------|---------------------|
|                               |       | £                | £                   | £                | £                   |
| <b>Tangible Fixed Assets</b>  |       |                  |                     |                  |                     |
| Housing property              | 10    |                  | 71,451,706          |                  | 67,753,211          |
| less Social Housing Grant     | 10    |                  | <u>(57,666,208)</u> |                  | <u>(56,168,300)</u> |
|                               |       |                  | 13,785,498          |                  | 11,584,911          |
| Other tangible fixed assets   | 11    |                  | <u>625,339</u>      |                  | <u>615,716</u>      |
|                               |       |                  | 14,410,837          |                  | 12,200,627          |
| <b>Investments</b>            | 12    |                  | <u>100</u>          |                  | <u>100</u>          |
|                               |       |                  | 14,410,937          |                  | 12,200,727          |
| <b>Current Assets</b>         |       |                  |                     |                  |                     |
| Work in progress              | 13    | 685,722          |                     | -                |                     |
| Debtors                       | 14    | 1,174,747        |                     | 4,501,664        |                     |
| Bank and cash                 |       | <u>2,570,502</u> |                     | <u>1,434,801</u> |                     |
|                               |       | 4,430,971        |                     | 5,936,465        |                     |
| <b>Current Liabilities</b>    |       |                  |                     |                  |                     |
| Creditors due within one year | 15    | <u>2,572,997</u> |                     | <u>4,662,417</u> |                     |
| <b>Net Current Assets</b>     |       |                  | <u>1,857,974</u>    |                  | <u>1,274,048</u>    |
|                               |       |                  | 16,268,911          |                  | 13,474,775          |
| Creditors due after one year  | 16    |                  | <u>(13,060,628)</u> |                  | <u>(10,518,076)</u> |
| <b>Net Assets</b>             |       |                  | <u>£ 3,208,283</u>  |                  | <u>£ 2,956,699</u>  |
| <b>Capital and Reserves</b>   |       |                  |                     |                  |                     |
| Share capital                 | 17    |                  | 193                 |                  | 195                 |
| Major repairs reserve         | 18    |                  | 2,707,480           |                  | 2,507,480           |
| Revenue reserve               | 18    |                  | <u>500,610</u>      |                  | <u>449,024</u>      |
|                               |       |                  | <u>£ 3,208,283</u>  |                  | <u>£ 2,956,699</u>  |

These financial statements were approved by the Committee of Management on 20 August 2010 and authorised for issue on 20 August 2010 and signed on their behalf by:

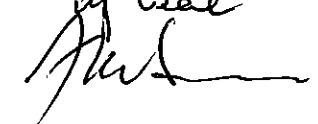
Committee Member



Committee Member



Secretary



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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### CASH FLOW STATEMENT for the year ended 31 March 2010

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|  | Notes | 2010                    | 2009                    |
|--|-------|-------------------------|-------------------------|
| <b>Net cash inflow from operating activities</b>       | 19.1  | 983,414                 | 1,914,306               |
| <b>Returns on investments and servicing of finance</b> |       |                         |                         |
| Interest received                                      |       | 87,151                  |                         |
| Interest paid  |       | <u>(511,477)</u>        | <u>(424,326)</u>        |
|  |       | (470,123)               |                         |
| <b>Investing activities</b>                            |       |                         |                         |
| Cash paid for construction and purchases               |       | (7,996,145)             |                         |
| Social Housing Grant received                          |       | 6,703,851               |                         |
| Sales of housing properties                            |       | -                       |                         |
| Purchase of other fixed asset                          |       | (16,287)                |                         |
| Social Housing Grant repaid                            |       | <u>-</u>                |                         |
| <b>Net cash outflow from investing</b>                 |       | (2,278,543)             | (1,308,581)             |
| <b>Financing</b>                                       |       |                         |                         |
| Loans received   |       | 1,056,903               |                         |
| Loan principal repaid                                  |       | (1,370,219)             |                         |
| Decrease in share capital                              |       | <u>(6)</u>              |                         |
| <b>Net cash inflow on financing</b>                    |       | 2,910,733               | (313,322)               |
| <b>Charitable donation</b>                             |       | <u>(9,780)</u>          | <u>-</u>                |
| <b>Increase/(Decrease) in cash</b>                     |       | <u><u>1,135,701</u></u> | <u><u>(131,923)</u></u> |



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

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### 1. Accounting Policies

#### 1.1 Introduction and accounting basis

The principal accounting policies of the Association are set out in the paragraphs below.

The association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. These financial statements are prepared under the historical cost convention and are based on the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice "Accounting by Registered Social Landlords", and in accordance with applicable accounting standards. The comparative figures have been reclassified to ensure comparability with the current period.

#### 1.2 Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Social Housing Grant by the Scottish Housing Regulator.

#### 1.3 Social Housing Grants

Social Housing Grants (SHG), previously referred to as Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of SHG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the Scottish Government. SHG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

#### 1.4 Social Housing Grant - Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by the Scottish Government and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2010

### 1.5 Fixed assets - Housing land and buildings

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" by Scottish Ministers for approved SHG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the association's reserves.

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

Development costs are capitalised to the extent that they are directly attributable to specific schemes, where such costs are not felt to be excessive.

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

Interest on the loan financing the development is capitalised up to the relevant date of SHG completion.

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

### 1.6 Depreciation

#### (i) Housing properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the properties, which is estimated to be 50 years.

No depreciation is charged on the cost of land.

#### (ii) Other fixed assets

The association's assets other than land are written off at rates calculated to write off the cost of each asset less any grant received evenly over their expected useful economic lives as follows:

|                       |   |                       |
|-----------------------|---|-----------------------|
| Office Property       | - | over 50 years         |
| Furniture & equipment | - | 20 % reducing balance |
| Motor vehicles        | - | 25% reducing balance  |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

as at 31 March 2010

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### 1.7 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. 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 from these units.

Impairment of assets would be recognised in the income and expenditure account.

### 1.8 Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- a) an increase in rental income or
- b) a material reduction in future maintenance costs or
- c) a significant extension of the life of the property.

Works to existing properties, which fail to meet the above criteria, are charged to the income and expenditure account.

### 1.9 Investments

Investments are stated at cost.

### 1.10 Stock and work in progress

Completed properties and property under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

### 1.11 Reserves

Designated reserve - reserve for major repairs

Accrued major repairs expenditure, being the Association's commitment to undertake major repairs to its properties, is set aside in a designated reserve to the extent that it is not met from SHG.

### 1.12 Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis of costs of the staff to the extent that they are directly engaged in each of the operations dealt with in those accounts.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

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### 1.13 Sale of housing properties

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, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements. First tranche shared ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account, in accordance with the SORP

Disposals under shared equity schemes are accounted for in the income and expenditure account.

### 1.14 Low Cost Initiatives for First Time buyers (previously known as Homestake)

LIFT transactions are grants received from the grant awarding body and passed onto an eligible beneficiary. The grant awarding body has a benefit of a fixed charge on the property. This entitles the grant awarding body to a share of the proceeds on the sale of the property by the beneficiary.

### 1.15 Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

### 1.16 Value added tax

The association is not VAT registered and expenditure is therefore shown inclusive of VAT.

### 1.17 Pensions

The association participates in the centralised SFHA 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.

The expected cost to the association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees.

### 1.18 Turnover

Turnover represents rental, service and management charges from properties, agency fees, revenue grants from Scottish Ministers and other grant awarding bodies and sale of first tranche shared ownership properties and sale of shared equity properties.

### 1.19 Consolidation

The association and its subsidiary undertaking comprise a group. The Financial Services Authority has granted exemption from preparing group accounts because of the insignificant amounts involved. The accounts represent the results of the association and not of the group.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 2. Particulars of turnover, operating costs and operating surplus by class of business

|  | Turnover         | Operating Costs    | Operating Surplus | 2009 Total     |
|--|------------------|--------------------|-------------------|----------------|
|  | £                | £                  | £                 | £              |
| Income and expenditure from letting          | 2,244,456        | (1,582,770)        | 661,686           | 546,157        |
| Income and expenditure from other activities | 210,604          | (241,288)          | (30,684)          | (22,561)       |
| Current year total                           | <u>2,455,060</u> | <u>(1,824,058)</u> | <u>631,002</u>    | <u>523,596</u> |
| Previous year total                          | <u>3,582,885</u> | <u>(3,059,289)</u> | <u>523,596</u>    |                |

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

#### 3 Particulars of income and expenditure from lettings

|   | General<br>Needs<br>Housing | Shared<br>Ownership  | 2010<br>Total           | 2009<br>Total           |
|---|-----------------------------|----------------------|-------------------------|-------------------------|
|   | £                           | £                    | £                       | £                       |
| <b>Income from lettings</b>   |                             |                      |                         |                         |
| Rent receivable net of<br>Identifiable Service charges                      | 2,189,771                   | 62,945               | 2,252,716               | 2,063,594               |
| Service charges receivable  | -                           | -                    | -                       | -                       |
| Gross Rents Receivable  | <u>2,189,771</u>            | <u>62,945</u>        | <u>2,252,716</u>        | <u>2,063,594</u>        |
| Rent losses from voids  | <u>(8,260)</u>              | <u>-</u>             | <u>(8,260)</u>          | <u>(19,634)</u>         |
| <b>Total turnover from social lettings activities</b>                       | <u><b>2,181,511</b></u>     | <u><b>62,945</b></u> | <u><b>2,244,456</b></u> | <u><b>2,043,960</b></u> |
| <b>Expenditure on social letting activities</b>                             |                             |                      |                         |                         |
| Management and maintenance administration                                   | 515,030                     | 7,397                | 522,427                 | 421,232                 |
| Service costs   | 81,909                      | -                    | 81,909                  | 40,718                  |
| Planned and cyclical maintenance including<br>major repair costs            | 669,524                     | -                    | 669,524                 | 701,098                 |
| Reactive maintenance  | 141,235                     | -                    | 141,235                 | 177,405                 |
| Bad debts   | 18,972                      | -                    | 18,972                  | 17,208                  |
| Depreciation on social housing  | <u>147,051</u>              | <u>1,652</u>         | <u>148,703</u>          | <u>140,142</u>          |
| <b>Operating costs for social letting activities</b>                        | <u><b>1,573,721</b></u>     | <u><b>9,049</b></u>  | <u><b>1,582,770</b></u> | <u><b>1,497,803</b></u> |
| <b>Operating Surplus for social lettings</b>                                | <u><b>607,790</b></u>       | <u><b>53,896</b></u> | <u><b>661,686</b></u>   | <u><b>546,157</b></u>   |
| <b>Operating surplus for social lettings for<br/>previous year restated</b> | <u><b>494,187</b></u>       | <u><b>51,970</b></u> | <u><b>546,157</b></u>   |                         |

There was no supported accommodation income or related costs in the year to 31 March 2010 or in the previous year

**WEST HIGHLAND HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

as at 31 March 2010

| 4 | Particulars of turnover, operating costs and operating surplus or deficit from other activities | Grants from<br>Scottish<br>Ministers<br>£ | Other<br>revenue<br>grants<br>£ | Other<br>income<br>£ | Total<br>turnover<br>£ | Operating<br>costs -<br>bad debts<br>£ | Other<br>operating<br>costs<br>£ | Operating<br>surplus or<br>deficit<br>£ | Operating<br>surplus or<br>deficit for<br>previous<br>year<br>£ |
|---|---|---|---------------------------------|----------------------|------------------------|--|----------------------------------|---|---|
|   | Administration charges  | -   | -                               | 6,380                | 6,380                  | -                                      | (6,380)                          | -                                       | -   |
|   | Development and improvement<br>administration   | 72,941                                    | -                               | -                    | 72,941                 | -                                      | (163,208)                        | (90,267)                                | (47,213)  |
|   | Development and improvement<br>administration capitalised                                       | (72,941)                                  | -                               | -                    | (72,941)               | -                                      | (163,208)                        | 90,267                                  | 47,213  |
|   | Wider role projects   | 173,465                                   | -                               | -                    | 173,465                | -                                      | (204,149)                        | (30,684)                                | 22,561  |
|   | Shared equity   | -   | -                               | -                    | -                      | -                                      | -                                | -                                       | -   |
|   | Other income  | -   | -                               | 30,759               | 30,759                 | -                                      | (30,759)                         | -                                       | -   |
|   |   | <u>173,465</u>                            | <u>-</u>                        | <u>37,139</u>        | <u>210,604</u>         | <u>-</u>                               | <u>(241,288)</u>                 | <u>(30,684)</u>                         | <u>(22,561)</u>   |
|   | Total for previous year   | <u>182,220</u>                            | <u>-</u>                        | <u>1,356,705</u>     | <u>1,538,925</u>       | <u>-</u>                               | <u>(1,561,486)</u>               | <u>(22,561)</u>                         | <u>-</u>  |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 5 AUDITOR'S REMUNERATION

|   | 2010<br>£     | 2009<br>£    |
|---|---------------|--------------|
| Remuneration of auditors for audit services                                 | 10,165        | 9,670        |
| Remuneration of auditors for services other than those as external auditors | -             | -            |
|   | <u>10,165</u> | <u>9,670</u> |

### 6 EMPLOYEE INFORMATION

|                         | 2010<br>£      | 2009<br>£      |
|-------------------------|----------------|----------------|
| Staff Costs during year |                |                |
| Wages and salaries      | 408,412        | 363,973        |
| Social security costs   | 30,498         | 26,042         |
| Other pension costs     | 46,764         | 41,537         |
|                         | <u>485,674</u> | <u>431,552</u> |

The average full time equivalent number of persons employed by the association during the year were as follows:

|                                |           |           |
|--------------------------------|-----------|-----------|
| Administration and Maintenance | <u>16</u> | <u>15</u> |
|--------------------------------|-----------|-----------|

### 7 DIRECTORS' REMUNERATION

The Directors are defined as the members of the Management Committee, the Chief Executive and any other person reporting directly to the Chief Executive or the Management Committee whose total emoluments exceed £60,000 per year. During the year there were no officers of the association whose emoluments, excluding pension contributions, exceeded £60,000.

|   | 2010<br>£     | 2009<br>£     |
|---|---------------|---------------|
| Emoluments paid to highest paid director(excluding pension contributions)   | 51,785        | 50,895        |
| Director's pension contributions  | 7,975         | 7,838         |
| Aggregate emoluments payable to directors (including pension contributions) | <u>59,760</u> | <u>58,733</u> |
| Expenses paid to Chief Executive and committee members                      | <u>1,686</u>  | <u>2,192</u>  |



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

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### 8 INTEREST PAYABLE

|   | 2010           | 2009           |
|---|----------------|----------------|
|   | £              | £              |
| Loan interest payable                       | 496,011        | 511,477        |
| less: Development loan interest capitalised | <u>(8,256)</u> | <u>-</u>       |
|   | <u>487,755</u> | <u>511,477</u> |

### 9 TAXATION

The association has charitable status and is not liable for Corporation Tax on its exempt activities.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 10 TANGIBLE FIXED ASSETS HOUSING PROPERTY

|                               | Letting properties |                            | Shared<br>ownership<br>£ | Total<br>£        |
|-------------------------------|--------------------|----------------------------|--------------------------|-------------------|
|                               | Complete<br>£      | Under<br>construction<br>£ |                          |                   |
| <b>Cost</b>                   |                    |                            |                          |                   |
| As at 1 April 2009            | 51,828,430         | 15,346,006                 | 1,262,941                | 68,437,377        |
| Additions during the year     | 135,563            | 3,796,388                  | -                        | 3,931,951         |
| Transfer                      | 4,756,198          | (4,756,198)                | -                        | -                 |
| Disposals during the year     | -                  | -                          | (85,763)                 | (85,763)          |
| As at 31 March 2010           | <u>56,720,191</u>  | <u>14,386,196</u>          | <u>1,177,178</u>         | <u>72,283,565</u> |
| <b>Depreciation</b>           |                    |                            |                          |                   |
| As at 1 April 2009            | 669,297            | -                          | 14,869                   | 684,166           |
| Provided for year             | 147,051            | -                          | 1,652                    | 148,703           |
| Eliminated on disposals       | -                  | -                          | (1,010)                  | (1,010)           |
| As at 31 March 2010           | <u>816,348</u>     | <u>-</u>                   | <u>15,511</u>            | <u>831,859</u>    |
| <b>Cost less depreciation</b> |                    |                            |                          |                   |
| As at 31 March 2010           | <u>55,903,843</u>  | <u>14,386,196</u>          | <u>1,161,667</u>         | <u>71,451,706</u> |
| As at 1 April 2009            | <u>51,159,133</u>  | <u>15,346,006</u>          | <u>1,248,072</u>         | <u>67,753,211</u> |
| <b>Social Housing Grant</b>   |                    |                            |                          |                   |
| As at 1 April 2009            | 40,032,338         | 15,023,144                 | 1,112,818                | 56,168,300        |
| Additions during year         | 37,616             | 1,540,125                  | -                        | 1,577,741         |
| Transfers                     | 3,818,252          | (3,818,252)                | -                        | -                 |
| Repaid and abated in year     | -                  | -                          | (79,833)                 | (79,833)          |
| As at 31 March 2010           | <u>43,888,206</u>  | <u>12,745,017</u>          | <u>1,032,985</u>         | <u>57,666,208</u> |
| <b>Net Book Value</b>         |                    |                            |                          |                   |
| As at 31 March 2010           | <u>12,015,637</u>  | <u>1,641,179</u>           | <u>128,682</u>           | <u>13,785,498</u> |
| As at 1 April 2009            | <u>11,126,795</u>  | <u>322,862</u>             | <u>135,254</u>           | <u>11,584,911</u> |

The net book amount at 31 March 2010 includes land cost of £5,541,021 (2009 : £4,947,325) which has not been depreciated.

Government and similar grants of £120,576 (cumulative to 31 March 2010: £652,281) were received during the year and are included in Social Housing Grant.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 11 OTHER TANGIBLE FIXED ASSETS

|                         | Office<br>property<br>£ | Office<br>equipment<br>£ | Motor<br>vehicles<br>£ | Total<br>£     |
|-------------------------|-------------------------|--------------------------|------------------------|----------------|
| Cost or valuation       |                         |                          |                        |                |
| As at 1 April 2009      | 652,223                 | 157,147                  | -                      | 809,370        |
| Additions               | 23,111                  | 2,479                    | 4,150                  | 29,740         |
| Disposals               | -                       | -                        | -                      | -              |
| As at 31 March 2010     | <u>675,334</u>          | <u>159,626</u>           | <u>4,150</u>           | <u>839,110</u> |
| Depreciation            |                         |                          |                        |                |
| As at 1 April 2009      | 71,496                  | 122,158                  | -                      | 193,654        |
| Charge for year         | 11,585                  | 7,494                    | 1,038                  | 20,117         |
| Eliminated on disposals | -                       | -                        | -                      | -              |
| As at 31 March 2010     | <u>83,081</u>           | <u>129,652</u>           | <u>1,038</u>           | <u>213,771</u> |
| <b>Net book value</b>   |                         |                          |                        |                |
| As at 31 March 2010     | <u>592,253</u>          | <u>29,974</u>            | <u>3,112</u>           | <u>625,339</u> |
| As at 1 April 2009      | <u>580,727</u>          | <u>34,989</u>            | <u>-</u>               | <u>615,716</u> |

### 12 INVESTMENTS

|   | 2010<br>£  | 2009<br>£  |
|---|------------|------------|
| Shares in West Highland Rural Solutions Limited | <u>100</u> | <u>100</u> |

West Highland Rural Solutions Limited is a wholly owned subsidiary of the association. Related party information is given at note 24.

During the year West Highland Rural Solutions Limited made a profit of £182 (2009: £199), which was carried forward to reserves, bringing total reserves to £210.

In the opinion of the management committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amount at which those assets are stated in the association's balance sheet.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 13 WORK IN PROGRESS

Work in Progress as at the year end includes the development costs and related overhead for the LIFT properties, net of Social Housing Grant received.

|   | 2010<br>£        | 2009<br>£ |
|---|------------------|-----------|
| Development costs and associated overhead | 1,369,153        | -         |
| less Social Housing Grant                 | <u>(683,431)</u> | <u>-</u>  |
|   | <u>685,722</u>   | <u>-</u>  |

### 14 DEBTORS

|                                | 2010<br>£        | 2009<br>£        |
|--------------------------------|------------------|------------------|
| Gross rent arrears             | 79,924           | 63,803           |
| Bad debt provision             | <u>(42,417)</u>  | <u>(36,615)</u>  |
| Net rent arrears               | 37,507           | 27,188           |
| Other debtors                  | 1,057,112        | 4,283,154        |
| Prepayments and accrued income | <u>80,128</u>    | <u>191,322</u>   |
|                                | <u>1,174,747</u> | <u>4,501,664</u> |

### 15 CREDITORS DUE WITHIN ONE YEAR

|                                   | 2010<br>£        | 2009<br>£        |
|-----------------------------------|------------------|------------------|
| Loans                             | 593,025          | 224,842          |
| Trade creditors                   | 121,845          | 2,307,101        |
| Social security and other taxes   | 9,650            | 10,012           |
| Other creditors                   | 1,358,115        | 1,269,613        |
| Amounts due to group undertakings | 13,200           | 16,830           |
| Accruals and deferred income      | <u>477,162</u>   | <u>834,019</u>   |
|                                   | <u>2,572,997</u> | <u>4,662,417</u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 16 CREDITORS DUE AFTER ONE YEAR

|                                 | 2010<br>£         | 2009<br>£         |
|---------------------------------|-------------------|-------------------|
| Bank loans                      | <u>13,060,628</u> | <u>10,518,076</u> |
| In respect of loans above:      |                   |                   |
| Amounts payable by instalments  |                   |                   |
| within one year                 | 593,025           | 224,842           |
| within one to two years         | 321,208           | 234,535           |
| within two to five years        | 1,035,161         | 766,979           |
| in five years or more           | <u>11,704,259</u> | <u>9,516,562</u>  |
|                                 | 13,653,653        | 10,742,918        |
| Less amount due within one year | <u>(593,025)</u>  | <u>(224,842)</u>  |
|                                 | <u>13,060,628</u> | <u>10,518,076</u> |

The above loans are secured by specific charges on the association's properties. Loans are repayable at varying rates of interest from 0.75% to 13% (2009: 0.75% to 13%).

### 17 SHARE CAPITAL

|                                    | 2010<br>£  | 2009<br>£   |
|------------------------------------|------------|-------------|
| Shares of £1 fully paid and issued |            |             |
| As at 1 April 2009                 | 195        | 201         |
| Issued in year                     | 4          | 5           |
| Cancelled in year                  | <u>(6)</u> | <u>(11)</u> |
| As at 31 March 2010                | <u>193</u> | <u>195</u>  |

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 18 RESERVES

#### 18.1 Major repairs reserve

|                               | 2010             | 2009             |
|-------------------------------|------------------|------------------|
|                               | £                | £                |
| As at 1 April 2009            | 2,507,480        | 2,507,480        |
| Transfer from Revenue reserve | 200,000          | -                |
| As at 31 March 2010           | <u>2,707,480</u> | <u>2,507,480</u> |

There are no restrictions on this reserve

#### 18.2 Revenue reserve

|                                      | 2010           | 2009           |
|--------------------------------------|----------------|----------------|
|                                      | £              | £              |
| At 1 April 2009 as previously stated | 449,024        | 413,328        |
| Prior year adjustment                | -              | (63,574)       |
| Restated as at 1 April 2009          | <u>449,024</u> | <u>349,754</u> |
| Surplus for the year                 | 251,586        | 99,270         |
| Transfer to major repairs reserve    | (200,000)      | -              |
| As at 31 March 2010                  | <u>500,610</u> | <u>449,024</u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 19 NOTES TO THE CASH FLOW STATEMENT

#### 19.1 Reconciliation of surplus to net cash inflow from operating activities

|   | 2010<br>£             | 2009<br>£               |
|---|-----------------------|-------------------------|
| Surplus for the year                    | 251,586               | 99,270                  |
| Net interest payable                    | <u>470,123</u>        | <u>424,326</u>          |
| Operating surplus excluding interest    | 721,709               | 523,596                 |
| Depreciation                            | 168,820               | 160,011                 |
| Gain on sale of property                | (100,487)             | -                       |
| Charitable donation                     | 9,780                 | -                       |
| (Increase)/decrease in work in progress | (685,722)             | 1,212,405               |
| Decrease/(increase) in debtors          | 3,326,917             | (821,364)               |
| (Decrease)/increase in creditors        | <u>(2,457,603)</u>    | <u>839,658</u>          |
|   | <u><u>983,414</u></u> | <u><u>1,914,306</u></u> |

#### 19.2 Reconciliation of movement in net debt

|                             |                            |                           |
|-----------------------------|----------------------------|---------------------------|
| Increase/(decrease) in cash | 1,135,701                  | (131,923)                 |
| Loans received              | (3,189,171)                | (1,056,903)               |
| Loan repayments             | <u>278,436</u>             | <u>1,370,219</u>          |
| Change in net debt          | (1,775,034)                | 181,393                   |
| Net debt at 1 April 2009    | <u>(9,308,117)</u>         | <u>(9,489,510)</u>        |
| Net debt at 31 March 2010   | <u><u>(11,083,151)</u></u> | <u><u>(9,308,117)</u></u> |

#### 19.3 Analysis of change in net debt

|                          | As at<br>01/04/09<br>£    | Cash Flow<br>£            | Other<br>changes<br>£ | As at<br>31/03/10<br>£     |
|--------------------------|---------------------------|---------------------------|-----------------------|----------------------------|
| Cash at bank and in hand | 1,434,801                 | 1,135,701                 | -                     | 2,570,502                  |
| Overdraft                | -                         | -                         | -                     | -                          |
| Debt due within one year | (224,842)                 | (368,183)                 | -                     | (593,025)                  |
| Debt due after one year  | <u>(10,518,076)</u>       | <u>(2,542,552)</u>        | -                     | <u>(13,060,628)</u>        |
|                          | <u><u>(9,308,117)</u></u> | <u><u>(1,775,034)</u></u> | <u><u>-</u></u>       | <u><u>(11,083,151)</u></u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 20 PENSIONS

West Highland Housing Association participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010.

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

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



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

### 20 PENSIONS (continued)

The association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As at this date the estimated employer debt for the association was £1,063,955.

### 21 CAPITAL COMMITMENTS

As at the year end the association had capital commitments in respect of amounts contracted for but not provided for in these financial statements as follows:

|                                 | 2010<br>£        | 2009<br>£        |
|---------------------------------|------------------|------------------|
| Contracted but not provided for | <u>3,956,118</u> | <u>9,866,860</u> |

This expenditure will be funded by Social Housing Grant and by loans secured on the association's developments

### 22 HOUSING STOCK

The number of units in management at 31 March 2010 was as follows:-

|                                      | 2010<br>No. | 2009<br>No. |
|--------------------------------------|-------------|-------------|
| Property for rent                    | 643         | 623         |
| Shared ownership                     | 27          | 29          |
| Property for rent managed for others | -           | -           |
|                                      | <u>670</u>  | <u>652</u>  |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2010

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### 23 RELATED PARTIES

#### **Tenants**

Various members of the Management Committee are tenants of the association. Their transactions with the association are all done on standard terms, as applicable to all tenants.

#### **Councillors**

Committee members Gordon Chalmers, Robin Currie and Elaine Robertson are councillors with Argyll and Bute Council. Any transactions with Argyll and Bute Council are carried out at arms length, on normal commercial terms and none of the above councillors can use their position to their advantage.

#### **West Highland Rural Solutions Limited**

West Highland Rural Solutions Limited is a wholly owned subsidiary of West Highland Housing Association. Two of the directors of West Highland Rural Solutions Limited are committee members of West Highland Housing Association.

At the year end West Highland Housing Association owed £13,200 (2009: £16,830) to West Highland Rural Solutions Limited.

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2010

| Rental income                 | 2010           |                         | 2009           |                         |
|-------------------------------|----------------|-------------------------|----------------|-------------------------|
|                               | £              | £                       | £              | £                       |
| Rent                          | 2,136,886      |                         | 1,948,153      |                         |
| Shared ownership rents        | 62,945         |                         | 63,253         |                         |
| Other rents                   | <u>52,885</u>  |                         | <u>52,188</u>  |                         |
|                               |                | 2,252,716               |                | 2,063,594               |
| Voids                         |                | <u>(8,260)</u>          |                | <u>(19,634)</u>         |
|                               |                | 2,244,456               |                | 2,043,960               |
| <br>                          |                |                         |                |                         |
| <b>Other Income</b>           |                |                         |                |                         |
| Factoring administration fee  | 6,380          |                         | 6,138          |                         |
| Commercial property income    | 26,799         |                         | 25,489         |                         |
| Sale of LIFT properties       | -              |                         | 1,318,750      |                         |
| Wider role grant income       | 173,465        |                         | 182,220        |                         |
| Other income                  | <u>3,960</u>   |                         | <u>6,328</u>   |                         |
|                               |                | <u>210,604</u>          |                | <u>1,538,925</u>        |
| <br>                          |                |                         |                |                         |
| <b>Turnover</b>               |                | <u><u>2,455,060</u></u> |                | <u><u>3,582,885</u></u> |
| <br>                          |                |                         |                |                         |
| <b>Direct property costs</b>  |                |                         |                |                         |
| Reactive repairs              | 120,263        |                         | 161,998        |                         |
| Cyclical repairs              | 116,271        |                         | 31,788         |                         |
| Major repairs                 | 553,253        |                         | 669,310        |                         |
| Void repairs                  | 20,972         |                         | 15,407         |                         |
| Service costs                 | 81,909         |                         | 40,718         |                         |
| Bad debts                     | 18,972         |                         | 17,208         |                         |
| Legal fees                    | 12,271         |                         | 21,030         |                         |
| Insurance                     | 17,789         |                         | 18,152         |                         |
| Property depreciation         | <u>148,703</u> |                         | <u>140,142</u> |                         |
|                               |                | <u><u>1,090,403</u></u> |                | <u><u>1,115,753</u></u> |
| <br>                          |                |                         |                |                         |
| <b>Other attributed costs</b> |                |                         |                |                         |
| LIFT cost of sales            |                | -                       |                | 1,318,750               |
| Wider role expenses           |                | <u>204,149</u>          |                | <u>204,781</u>          |
|                               |                | <u><u>204,149</u></u>   |                | <u><u>1,523,531</u></u> |

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## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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### DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2010

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| Administration costs               | 2010             |                  | 2009             |                  |
|------------------------------------|------------------|------------------|------------------|------------------|
|                                    | £                | £                | £                | £                |
| Staff salaries                     | 438,910          |                  | 390,015          |                  |
| Staff pension                      | 46,764           |                  | 41,537           |                  |
| Recruitment and relocation         | 3,382            |                  | 8,437            |                  |
| Training and library               | 13,956           |                  | 14,016           |                  |
| Motor and travel expenses          | 13,843           |                  | 11,372           |                  |
| Committee and directors expenses   | 1,686            |                  | 2,192            |                  |
| Affiliation fees and subscriptions | 10,698           |                  | 10,048           |                  |
| Postage and stationery             | 13,691           |                  | 14,703           |                  |
| Telephone                          | 5,391            |                  | 6,578            |                  |
| Equipment rental                   | 3,326            |                  | 2,233            |                  |
| Computer and IT costs              | 18,199           |                  | 13,915           |                  |
| Advertising and promotion          | 6,044            |                  | 9,230            |                  |
| Rent and rates                     | 2,511            |                  | 1,940            |                  |
| Insurance                          | 9,257            |                  | 8,922            |                  |
| Heat and light                     | 10,478           |                  | 15,063           |                  |
| Repairs                            | 10,721           |                  | 9,112            |                  |
| Cleaning                           | 64               |                  | 325              |                  |
| Accountancy fees                   | 7,890            |                  | 9,025            |                  |
| Payroll service                    | 860              |                  | 633              |                  |
| Audit fee                          | 10,165           |                  | 9,670            |                  |
| Internal audit fees                | 5,864            |                  | 3,321            |                  |
| Consultancy fees                   | 14,201           |                  | 9,802            |                  |
| Legal fees                         | 3,462            |                  | 11,190           |                  |
| Bank charges                       | 18,102           |                  | 8,117            |                  |
| Sundry expenses                    | 3,132            |                  | 2,248            |                  |
| Depreciation                       | 20,117           |                  | 19,869           |                  |
|                                    | <u>692,714</u>   |                  | <u>633,513</u>   |                  |
| Development overhead               | <u>(163,208)</u> |                  | <u>(213,508)</u> |                  |
|                                    |                  | <u>529,506</u>   |                  | <u>420,005</u>   |
| Total operating costs              |                  | <u>1,824,058</u> |                  | <u>3,059,289</u> |
| Operating surplus for year         |                  | <u>631,002</u>   |                  | <u>523,596</u>   |