

**West Highland Housing Association Limited.**

**Report and Financial Statements**

**For the year ended 31st March 2012**

**Registered Housing Association No. HEP167**

**FSA Reference No. 1691R(S)**

**Scottish Charity No. SC017357**

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## CONTENTS

|                                                            | Page |
|------------------------------------------------------------|------|
| MEMBERS OF THE MANAGEMENT BOARD<br>EXECUTIVES AND ADVISERS | 1    |
| REPORT OF THE MANAGEMENT BOARD                             | 2    |
| REPORT BY THE AUDITORS ON<br>CORPORATE GOVERNANCE MATTERS  | 5    |
| REPORT OF THE AUDITORS                                     | 6    |
| INCOME AND EXPENDITURE ACCOUNT                             | 8    |
| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES             | 8    |
| BALANCE SHEET                                              | 9    |
| CASH FLOW STATEMENT                                        | 10   |
| NOTES TO THE FINANCIAL STATEMENTS                          | 11   |

**WEST HIGHLAND HOUSING ASSOCIATION LIMITED.**

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**MANAGEMENT BOARD, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2012**

**MANAGEMENT BOARD**

|                      |                   |
|----------------------|-------------------|
| Alexander Murray Sim | Chair             |
| Gwyneth Neal         | Vice Chair        |
| Barbara Milne        | Secretary         |
| Kenneth MacColl      |                   |
| Cllr Gordon Chalmers |                   |
| Duncan MacKenzie     | Resigned Jan 2012 |
| Mary Morrison        |                   |
| Elaine Robertson     |                   |
| Blair Allan          |                   |
| Donald Harrison      |                   |
| Rev Ken Hunter       |                   |
| Michael MacKenzie    |                   |
| Elaine Munro         |                   |

**EXECUTIVE OFFICERS**

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

**REGISTERED OFFICE**

Crannog Lane  
Oban  
PA34 4HB

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
GLASGOW  
G2 7HF

**BANKERS**

Bank of Scotland  
Station Road  
Oban  
PA34 4LL

Clydesdale Bank plc  
6 Argyll Square  
Oban  
PA34 4AZ

Dunfermline Building Society  
Caledonia House  
Carnegie Avenue  
Dunfermline  
KY11 8PJ

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

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

Santander  
Customer Service Centre  
Bootle  
Merseyside  
L30 4GB

**SOLICITORS**

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

T C Young  
17 West George Street  
Glasgow  
G2 1BA

**ACCOUNTANT**

David Smith  
Keppoch  
Croft Road  
OBAN  
PA34 5JN

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**REPORT OF THE MANAGEMENT BOARD  
FOR THE YEAR ENDED 31ST MARCH 2012**

The Management Board presents its report and the Financial Statements for the year ended 31st March 2012.

**Legal Status**

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1691R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC017357.

**Principal Activities**

The principal activities of the Association are the provision and management of affordable rented accommodation.

**Review of Business and Future Developments**

The main focus of our efforts in the year to 31 March 2012 was continuing its work on energy. This year we improved the insulation in many of our properties. We were also successful in receiving

As noted last year we have removed future development from our Business Plan projections and will only make a decision to develop where it has a positive or neutral impact on our 30 year Business Plan. This decision was made to mitigate potential future development risks. However, we have been awarded grant funding to build new houses at Dunbeg. This scheme will assist people who want to buy a property but, at the present time, want to rent and save for a deposit.

Like many organisations we had a challenging winter period with storms and high winds but our customers were very understanding. However costs repair work for that period were estimated at an additional £20,000.

**Performance Management**

The Association has good performance in a number of its performance indicators. We are delighted that our repairs performance remains good although there has been a small dip in emergency repairs. Our income collection figures remain good in relation to other organisations information but we can always improve. We continue to have good performance in turning our properties around so we are not waiting long until a property is allocated. This is in part due to the demand for our properties but it is also due to the quality of our properties.

**Development**

We only built one property this year. This was a commitment by ourselves, the Scottish Government and Argyll and Bute Council and the property was a "one-off" but importantly this will make a significant different to the family that are allocated the property. However our staff were busy working on site with 2 schemes in Mull that will bring another 35 rented houses.

**Housing Management**

We are part of Home Argyll which provides easy access for any person looking for information on renting a property in Argyll from any of the Associations. At present there are over 3500 people on the Home Argyll waiting list and this demonstrates the real need for good quality housing. Last year we had 54 lets with 1 being a 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. However we had 2 abandoned properties this year.

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REPORT OF THE MANAGEMENT BOARD  
FOR THE YEAR ENDED 31ST MARCH 2012

**Review of Business and Future Developments (Contd.)**

**Maintenance**

**Responsive Repairs**

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

Over the year over 2200 repairs were completed with the vast majority within our service target. The service was stretched at points over December and January due to the unusually stormy weather. The feedback from tenants has been broadly positive.

**Investment and Improvement Works**

During the year the whole stock condition survey was completed and the data is being used to re-formulate the 30 year investment programme. In addition to this the short 3 year investment programme was agreed which will run from 2011-2014. The main focus of the 3 year programme is works to ensure SHQS compliance and investment in affordable sustainable heating systems and insulation upgrades making best use of grant funding streams where possible.

**Management Structure**

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

**Risk Management Strategy**

The Association is developing a proactive approach to risk management. As the association increases in size and does more particularly in respect to renewable heating then the risks to the organisation increases. Much of the risk comes in terms of financing and also using innovative technologies. However, there are other risks other than ones of innovation and finance, for example demand for some of our properties in the more rural areas or health and safety.

The Management Board with the staff group identify the types of risks the association faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks.

**Budgetary process**

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

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

**Financing and liquidity**

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

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REPORT OF THE MANAGEMENT BOARD  
FOR THE YEAR ENDED 31ST MARCH 2012

**Management Board and Executive Officers**

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

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

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

**Statement of Management Board's Responsibilities**

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

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

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

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

In so far as the Management Board are aware:

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

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REPORT OF THE MANAGEMENT BOARD  
FOR THE YEAR ENDED 31ST MARCH 2012

**Statement on Internal Financial Control**

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

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

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

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

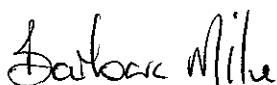
**Donations**

During the year the Association made charitable donations amounting to £7,029 (2011: £9,089)

**Auditors**

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

**By order of the Management Board**



**BARBARA MILNE**  
Secretary  
24th August 2012

WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

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

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

**Basis of Opinion**

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

**Opinion**

In our opinion the Statement on Internal Financial Control on page 4 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 that 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".



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
24th August 2012



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

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We have audited the financial statements of West Highland Housing Association Limited. for the year ended 31st March 2012 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit

### **Respective Responsibilities of Management Board and Auditors**

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

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

### **Scope of the audit on the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee'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 the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the 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 exemption granted by the Financial Services Authority from the requirement to prepare Group Accounts is applicable as the amounts involved are not material.

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

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

- the information given in the Management Committee's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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**Matters on which we are required to report by exception (contd.)**

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



**ALEXANDER SLOAN**  
Chartered Accountants  
Statutory Auditors  
GLASGOW  
24th August 2012

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

|                                      | Notes | 2012<br>£          | Restated<br>2011<br>£ |
|--------------------------------------|-------|--------------------|-----------------------|
| TURNOVER                             | 2.    | 3,357,623          | 3,850,812             |
| Operating Costs                      | 2.    | <u>(2,209,679)</u> | <u>(2,752,821)</u>    |
| OPERATING SURPLUS                    | 9.    | 1,147,944          | 1,097,991             |
| Gain On Sale Of Housing Stock        | 7.    | 11,761             | -                     |
| Charitable Donation                  | 30.   | (7,029)            | (9,089)               |
| Interest Receivable and Other Income |       | 52,968             | 17,235                |
| Interest Payable and Similar Charges | 8.    | <u>(612,226)</u>   | <u>(551,916)</u>      |
|                                      |       | <u>(554,526)</u>   | <u>(543,770)</u>      |
| SURPLUS FOR YEAR                     |       | <u>593,418</u>     | <u>554,221</u>        |

All amounts relate to continuing activities.

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

|                                                 | 2012<br>£        | Restated<br>2011<br>£ |
|-------------------------------------------------|------------------|-----------------------|
| Surplus for the financial year                  | 593,418          | 554,221               |
| Prior year adjustment (as explained in Note 26) | <u>(517,837)</u> | <u>-</u>              |
| Total gains recognised since last annual report | <u>75,581</u>    | <u>554,221</u>        |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

BALANCE SHEET AS AT 31st MARCH 2012

|                                                                | Notes  | £                | 2012<br>£         | £                | Restated<br>2011<br>£ |
|----------------------------------------------------------------|--------|------------------|-------------------|------------------|-----------------------|
| <b>TANGIBLE FIXED ASSETS</b>                                   |        |                  |                   |                  |                       |
| Housing Properties - Depreciated Cost                          | 11.(a) |                  | 77,910,904        |                  | 75,696,432            |
| Less: Social Housing Grant                                     | 11.(a) |                  | (62,279,163)      |                  | (60,428,889)          |
|                                                                |        |                  | <u>15,631,741</u> |                  | <u>15,267,543</u>     |
| Other fixed assets                                             | 11.(b) |                  | 609,137           |                  | 627,293               |
|                                                                |        |                  | <u>16,240,878</u> |                  | <u>15,894,836</u>     |
| <b>FIXED ASSET INVESTMENTS</b>                                 |        |                  |                   |                  |                       |
| Investment in subsidiaries                                     | 22.    |                  | 101               |                  | 100                   |
| Shared Equity Cost                                             | 22.    | 1,779,237        |                   | 1,436,310        |                       |
| Shared Equity Grant                                            | 22.    | (1,779,237)      |                   | (1,436,310)      |                       |
|                                                                |        |                  | <u>-</u>          |                  | <u>-</u>              |
| <b>CURRENT ASSETS</b>                                          |        |                  |                   |                  |                       |
| Debtors                                                        | 14.    | 419,649          |                   | 1,982,632        |                       |
| Development Cost of Housing Property                           | 23.    | 90,000           |                   | 381,000          |                       |
| Investments                                                    | 24.    | 3,002,737        |                   | 1,535,218        |                       |
| Cash at bank and in hand                                       |        | 1,836,515        |                   | 1,553,835        |                       |
|                                                                |        | <u>5,348,901</u> |                   | <u>5,452,685</u> |                       |
| <b>CREDITORS: Amounts falling due within one year</b>          | 15.    | (3,154,604)      |                   | (3,991,838)      |                       |
| <b>NET CURRENT ASSETS</b>                                      |        |                  | <u>2,194,297</u>  |                  | <u>1,460,847</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |        |                  | <u>18,435,276</u> |                  | <u>17,355,783</u>     |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 16.    |                  | (14,597,200)      |                  | (14,111,113)          |
| <b>NET ASSETS</b>                                              |        |                  | <u>3,838,076</u>  |                  | <u>3,244,670</u>      |
| <b>CAPITAL AND RESERVES</b>                                    |        |                  |                   |                  |                       |
| Share Capital                                                  | 18.    |                  | 184               |                  | 196                   |
| Designated Reserves                                            | 19.(a) |                  | 3,407,480         |                  | 3,407,480             |
| Revenue Reserves                                               | 19.(b) |                  | 430,412           |                  | (163,006)             |
|                                                                |        |                  | <u>3,838,076</u>  |                  | <u>3,244,670</u>      |

The Financial Statements were approved by the Management Board and signed on their behalf on 24th August 2012.

  
Alexander Murray Sim  
Chairperson

  
Gwyneth Neal  
Vice-Chairperson

  
Barbara Milne  
Secretary

**WEST HIGHLAND HOUSING ASSOCIATION LIMITED.**

**CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2012**

|                                                                                 | Notes       | 2012<br>£   | Restated<br>2011<br>£ |
|---------------------------------------------------------------------------------|-------------|-------------|-----------------------|
| <b>Net Cash Inflow from Operating Activities</b>                                | 17.         | 2,560,076   | 1,908,325             |
| <b>Returns on Investment and Servicing of Finance</b>                           |             |             |                       |
| Interest Received                                                               | 52,968      | 17,235      |                       |
| Interest Paid                                                                   | (612,226)   | (551,916)   |                       |
| <b>Net Cash Outflow from Investment and Servicing of Finance</b>                |             | (559,258)   | (534,681)             |
| <b>Capital Expenditure and Financial Investment</b>                             |             |             |                       |
| Purchase of Share Capital in Subsidiary                                         | (1)         | -           |                       |
| Acquisition and Construction of Properties                                      | (2,804,677) | (5,195,989) |                       |
| Purchase of Other Fixed Assets                                                  | (3,589)     | (25,394)    |                       |
| Social Housing Grant Received                                                   | 2,588,491   | 3,123,852   |                       |
| Social Housing Grant Repaid                                                     | (150,000)   | -           |                       |
| Proceeds on Disposal of Properties                                              | 63,178      | -           |                       |
| <b>Net Cash Outflow from Capital Expenditure and Financial Investment</b>       |             | (306,598)   | (2,097,531)           |
| <b>Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing</b> |             | 1,694,220   | (723,887)             |
| <b>Management of Liquid Resources</b>                                           |             |             |                       |
| Change in short term deposits with banks                                        |             | (1,467,519) | (253,984)             |
| <b>Financing</b>                                                                |             |             |                       |
| Loan Advances Received                                                          | 864,479     | 1,516,547   |                       |
| Loan Principal Repayments                                                       | (808,504)   | (274,112)   |                       |
| Share Capital Issued                                                            | 4           | 3           |                       |
| <b>Net Cash Inflow from Financing</b>                                           |             | 55,979      | 1,242,438             |
| <b>Increase in Cash</b>                                                         | 17.         | 282,680     | 264,567               |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### **Basis Of Accounting**

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

##### **Group Accounts**

The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The Financial Statements for West Highland Housing Association Limited present information about it as an individual undertaking and not about its Group.

##### **Turnover**

Turnover represents rental and service charge income receivable, fees receivable and revenue grants

##### **Retirement Benefits**

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

##### **Valuation Of Housing Properties**

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

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

##### **Depreciation And Impairment Of Other Fixed Assets**

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

|                         |                                    |
|-------------------------|------------------------------------|
| Office Premises         | - over 50 years straightline basis |
| Furniture and equipment | - 20% reducing balance basis       |
| Motor vehicles          | - 25% reducing balance basis       |

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

##### **Social Housing Grant And Other Grants In Advance/Arrears**

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

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

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

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

##### **Sales Of Housing Properties**

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

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

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

### **Leases/Leased Assets**

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

### **Works to Existing Properties**

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

### **Capitalisation Of Development Overheads**

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

### **Development Interest**

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

### **Designated Reserves**

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

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

### **Property Development Cost**

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

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



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|                  | Notes | 2012             |                         |                                          | 2011 - restated  |                         |                                          |
|------------------|-------|------------------|-------------------------|------------------------------------------|------------------|-------------------------|------------------------------------------|
|                  |       | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ |
| Social Lettings  | 3.    | 2,772,121        | 1,597,639               | 1,174,482                                | 2,543,694        | 1,366,652               | 1,177,042                                |
| Other Activities | 4.    | 585,502          | 612,040                 | (26,538)                                 | 1,307,117        | 1,386,169               | (79,052)                                 |
| <b>Total</b>     |       | <b>3,357,623</b> | <b>2,209,679</b>        | <b>1,147,944</b>                         | <b>3,850,811</b> | <b>2,752,821</b>        | <b>1,097,990</b>                         |

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

|                                                           | General<br>Needs<br>Housing<br>£ | Shared<br>ownership<br>£ | 2012<br>Total<br>£ | Restated<br>2011<br>Total<br>£ |
|-----------------------------------------------------------|----------------------------------|--------------------------|--------------------|--------------------------------|
| <b>Income from Lettings</b>                               |                                  |                          |                    |                                |
| Rent Receivable Net of Identifiable Service Charges       | 2,717,100                        | 59,513                   | 2,776,613          | 2,549,129                      |
| Service Charges Receivable                                | -                                | -                        | -                  | -                              |
| <b>Gross Rents Receivable</b>                             | <b>2,717,100</b>                 | <b>59,513</b>            | <b>2,776,613</b>   | <b>2,549,129</b>               |
| Less: Rent losses from voids                              | 4,492                            | -                        | 4,492              | 5,435                          |
| <b>Net Rents Receivable</b>                               | <b>2,712,608</b>                 | <b>59,513</b>            | <b>2,772,121</b>   | <b>2,543,694</b>               |
| Revenue Grants from Scottish Ministers                    | -                                | -                        | -                  | -                              |
| Revenue Grants From Local Authorities and Other Agencies  | -                                | -                        | -                  | -                              |
| <b>Total Income From Social Letting</b>                   | <b>2,712,608</b>                 | <b>59,513</b>            | <b>2,772,121</b>   | <b>2,543,694</b>               |
| <b>Expenditure on Social Letting Activities</b>           |                                  |                          |                    |                                |
| Service Costs                                             | 72,303                           | 1,584                    | 73,887             | 47,767                         |
| Management and maintenance administration costs           | 566,154                          | 9,073                    | 575,227            | 572,429                        |
| Reactive Maintenance                                      | 249,702                          | -                        | 249,702            | 157,065                        |
| Bad Debts - Rents and Service Charges                     | (12,041)                         | -                        | (12,041)           | 20,871                         |
| Planned and Cyclical Maintenance, including Major Repairs | 295,846                          | -                        | 295,846            | 157,638                        |
| Depreciation of Social Housing                            | 413,416                          | 1,602                    | 415,018            | 410,882                        |
| <b>Operating Costs of Social Letting</b>                  | <b>1,585,380</b>                 | <b>12,259</b>            | <b>1,597,639</b>   | <b>1,366,652</b>               |
| <b>Operating Surplus on Social Letting Activities</b>     | <b>1,127,228</b>                 | <b>47,254</b>            | <b>1,174,482</b>   | <b>1,177,042</b>               |
| 2011 (as restated)                                        | 1,127,428                        | 49,614                   |                    |                                |

WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|                                                     | Grants From Scottish Ministers | Other Revenue Grants | Supporting People Income | Other Income     | Total Turnover   | Operating Costs Bad Debts | Operating Costs Other | Operating Surplus / (Deficit) 2012 | Operating Surplus / (Deficit) 2011 |
|-----------------------------------------------------|--------------------------------|----------------------|--------------------------|------------------|------------------|---------------------------|-----------------------|------------------------------------|------------------------------------|
|                                                     | £                              | £                    | £                        | £                | £                | £                         | £                     | £                                  | £                                  |
| Wider Role Activities                               | 143,567                        | -                    | -                        | -                | 143,567          | -                         | 140,250               | 3,317                              | (60,353)                           |
| Factoring                                           | -                              | -                    | -                        | 21,256           | 21,256           | -                         | 21,256                | -                                  | -                                  |
| Development and construction of property activities | -                              | -                    | -                        | 291,000          | 291,000          | -                         | 291,000               | -                                  | -                                  |
| Other Agency or Management Services                 | -                              | -                    | -                        | 35,555           | 35,555           | -                         | 49,696                | (14,141)                           | (9,441)                            |
| Other Income                                        | -                              | -                    | -                        | 41,855           | 41,855           | -                         | 41,855                | -                                  | (1)                                |
| Energy Project                                      | 28,600                         | 23,669               | -                        | -                | 52,269           | -                         | 67,983                | (15,714)                           | (9,257)                            |
| <b>Total From Other Activities</b>                  | <b>172,167</b>                 | <b>23,669</b>        | <b>-</b>                 | <b>389,666</b>   | <b>585,502</b>   | <b>-</b>                  | <b>612,040</b>        | <b>(26,538)</b>                    | <b>(79,052)</b>                    |
| <b>2011</b>                                         | <b>236,134</b>                 | <b>16,908</b>        | <b>-</b>                 | <b>1,054,075</b> | <b>1,307,117</b> | <b>-</b>                  | <b>1,386,169</b>      | <b>(79,052)</b>                    | <b>(79,052)</b>                    |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

|                                                                                                                                                                         | 2012 | 2011 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association. | £    | £    |

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

No Pension contributions were made to Officers receiving greater than £60,000

|                                                                         |               |               |
|-------------------------------------------------------------------------|---------------|---------------|
| Emoluments payable to Chief Executive (excluding pension contributions) | <u>53,501</u> | <u>52,951</u> |
|-------------------------------------------------------------------------|---------------|---------------|

#### 6. EMPLOYEE INFORMATION

|                                                                                         | 2012      | 2011      |
|-----------------------------------------------------------------------------------------|-----------|-----------|
|                                                                                         | No.       | No.       |
| The average monthly number of full time equivalent persons employed during the year was | <u>16</u> | <u>18</u> |

|                                                                    |           |           |
|--------------------------------------------------------------------|-----------|-----------|
| The average total number of Employees employed during the year was | <u>17</u> | <u>18</u> |
|--------------------------------------------------------------------|-----------|-----------|

| Staff Costs were:     | £              | £              |
|-----------------------|----------------|----------------|
| Wages and Salaries    | 433,470        | 473,309        |
| Social Security Costs | 33,864         | 33,488         |
| Other Pension Costs   | 66,392         | 51,082         |
|                       | <u>533,726</u> | <u>557,879</u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 7. GAIN ON SALE OF HOUSING STOCK

|                               | 2012          | 2011     |
|-------------------------------|---------------|----------|
|                               | £             | £        |
| Sales Proceeds                | 62,954        | -        |
| Cost of Sales                 | 51,193        | -        |
| Gain On Sale Of Housing Stock | <u>11,761</u> | <u>-</u> |

#### 8. INTEREST PAYABLE

|                            | 2012           | 2011           |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| On Bank Loans & Overdrafts | 612,226        | 556,066        |
| On Other Loans             | -              | -              |
|                            | <u>612,226</u> | <u>556,066</u> |
| Less: Interest Capitalised | -              | 4,150          |
|                            | <u>612,226</u> | <u>551,916</u> |

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2011 £nil).

Interest capitalised was incurred at varying rates of interest.

#### 9. SURPLUS FOR YEAR

|                                                                           | 2012         | Restated<br>2011 |
|---------------------------------------------------------------------------|--------------|------------------|
|                                                                           | £            | £                |
| Surplus on Ordinary Activities before Taxation is stated after charging:- |              |                  |
| Depreciation - Tangible Owned Fixed Assets                                | 436,539      | 434,322          |
| Auditors' Remuneration - Audit Services                                   | 10,090       | 11,026           |
| - Other Services                                                          | 4,315        | 5,306            |
| Operating Lease Rentals - Other                                           | <u>4,885</u> | <u>3,688</u>     |

#### 10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

| a) Housing Properties          | Housing Properties Held for Letting<br>£ | Housing Properties In course of Construction<br>£ | Completed Shared Ownership Properties<br>£ | Total<br>£        |
|--------------------------------|------------------------------------------|---------------------------------------------------|--------------------------------------------|-------------------|
| <b>COST</b>                    |                                          |                                                   |                                            |                   |
| As at 1st April 2011- restated | 69,560,387                               | 7,682,949                                         | 1,177,178                                  | 78,420,514        |
| Additions                      | 114,846                                  | 2,689,831                                         | -                                          | 2,804,677         |
| Disposals                      | (156,058)                                | -                                                 | (23,642)                                   | (179,700)         |
| Schemes Completed              | 292,676                                  | (292,676)                                         | -                                          | -                 |
| As at 31st March 2012          | <u>69,811,851</u>                        | <u>10,080,104</u>                                 | <u>1,153,536</u>                           | <u>81,045,491</u> |
| <b>DEPRECIATION</b>            |                                          |                                                   |                                            |                   |
| As at 1st April 2011- restated | 2,706,946                                | -                                                 | 17,136                                     | 2,724,082         |
| Charge for Year                | 413,192                                  | -                                                 | 1,602                                      | 414,794           |
| Disposals                      | (3,945)                                  | -                                                 | (344)                                      | (4,289)           |
| As at 31st March 2012          | <u>3,116,193</u>                         | <u>-</u>                                          | <u>18,394</u>                              | <u>3,134,587</u>  |
| <b>SOCIAL HOUSING GRANT</b>    |                                          |                                                   |                                            |                   |
| As at 1st April 2011- restated | 51,962,214                               | 7,433,690                                         | 1,032,985                                  | 60,428,889        |
| Additions                      | 21,188                                   | 1,974,658                                         | -                                          | 1,995,846         |
| Disposals                      | (123,994)                                | -                                                 | (21,578)                                   | (145,572)         |
| Schemes Completed              | 226,778                                  | (226,778)                                         | -                                          | -                 |
| As at 31st March 2012          | <u>52,086,186</u>                        | <u>9,181,570</u>                                  | <u>1,011,407</u>                           | <u>62,279,163</u> |
| <b>NET BOOK VALUE</b>          |                                          |                                                   |                                            |                   |
| As at 31st March 2012          | <u>14,609,472</u>                        | <u>898,534</u>                                    | <u>123,735</u>                             | <u>15,631,741</u> |
| As at 31st March 2011          | <u>14,891,227</u>                        | <u>249,259</u>                                    | <u>127,057</u>                             | <u>15,267,543</u> |

Additions to housing properties includes capitalised development administration costs of £45,337 (2011 - £132,573) and capitalised major repair costs to existing properties of £25,451 (2011 £4,855)

All land and housing properties are freehold.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

| b) Other Tangible Assets      | Motor<br>Vehicles<br>£ | Office<br>Premises<br>£ | Furniture<br>& Equipment<br>£ | Total<br>£ |
|-------------------------------|------------------------|-------------------------|-------------------------------|------------|
| <b>COST</b>                   |                        |                         |                               |            |
| As at 1st April 2011          | 4,150                  | 675,334                 | 185,020                       | 864,504    |
| Additions                     | -                      | -                       | 3,589                         | 3,589      |
| As at 31st March 2012         | 4,150                  | 675,334                 | 188,609                       | 868,093    |
| <b>AGGREGATE DEPRECIATION</b> |                        |                         |                               |            |
| As at 1st April 2011          | 1,816                  | 94,669                  | 140,726                       | 237,211    |
| Charge for year               | 583                    | 11,585                  | 9,577                         | 21,745     |
| As at 31st March 2012         | 2,399                  | 106,254                 | 150,303                       | 258,956    |
| <b>NET BOOK VALUE</b>         |                        |                         |                               |            |
| As at 31st March 2012         | 1,751                  | 569,080                 | 38,306                        | 609,137    |
| As at 31st March 2011         | 2,334                  | 580,665                 | 44,294                        | 627,293    |

#### 12. CAPITAL COMMITMENTS

|                                                                                                            | 2012<br>£ | 2011<br>£ |
|------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements | 1,413,848 | 3,761,781 |

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

#### 13. COMMITMENTS UNDER OPERATING LEASES

| At the year end, the annual commitments under operating leases were as follows:- | 2012<br>£ | 2011<br>£ |
|----------------------------------------------------------------------------------|-----------|-----------|
| Other                                                                            |           |           |
| Expiring between two and five years                                              | 7,628     | 8,112     |

**WEST HIGHLAND HOUSING ASSOCIATION LIMITED.**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14. DEBTORS**

|                                     | 2012           | 2011             |
|-------------------------------------|----------------|------------------|
|                                     | £              | £                |
| Arrears of Rent & Service Charges   | 70,274         | 69,522           |
| Less: Provision for Doubtful Debts  | (39,940)       | (52,009)         |
|                                     | <u>30,334</u>  | <u>17,513</u>    |
| Social Housing Grant Receivable     | 211,941        | 804,586          |
| Other Debtors                       | 177,374        | 1,158,700        |
| Amounts Due from Group Undertakings | -              | 1,833            |
|                                     | <u>419,649</u> | <u>1,982,632</u> |

**15. CREDITORS: Amounts falling due within one year**

|                                    | 2012             | 2011             |
|------------------------------------|------------------|------------------|
|                                    | £                | £                |
| Housing Loans                      | 354,863          | 784,975          |
| Trade Creditors                    | 675,951          | 1,235,815        |
| Rent in Advance                    | 49,668           | 48,279           |
| Other Taxation and Social Security | 9,956            | 13,731           |
| Amounts Due to Group Undertakings  | 620              | -                |
| Other Creditors                    | 1,535,122        | 1,463,226        |
| Accruals and Deferred Income       | 528,424          | 445,812          |
|                                    | <u>3,154,604</u> | <u>3,991,838</u> |

At the balance sheet date there were pension contributions outstanding of £7,760 (2011 £5,547)

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

|                                                                                                                                                                       | 2012              | 2011              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                                                                                       | £                 | £                 |
| Housing Loans                                                                                                                                                         | <u>14,597,200</u> | <u>14,111,113</u> |
| Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:- |                   |                   |
| Within one year                                                                                                                                                       | 354,863           | 784,975           |
| Between one and two years                                                                                                                                             | 369,249           | 321,208           |
| Between two and five years                                                                                                                                            | 1,201,739         | 1,035,161         |
| In five years or more                                                                                                                                                 | 13,026,212        | 12,754,744        |
|                                                                                                                                                                       | <u>14,952,063</u> | <u>14,896,088</u> |
| Less: Amount shown in Current Liabilities                                                                                                                             | 354,863           | 784,975           |
|                                                                                                                                                                       | <u>14,597,200</u> | <u>14,111,113</u> |

**WEST HIGHLAND HOUSING ASSOCIATION LIMITED.**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17. CASH FLOW STATEMENT**

| <i>Reconciliation of operating surplus to net cash inflow from operating activities</i> | 2012<br>£               | Restated<br>2011<br>£   |
|-----------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Operating Surplus                                                                       | 1,147,944               | 1,097,991               |
| Depreciation                                                                            | 436,539                 | 434,322                 |
| Change in properties developed for resale                                               | 291,000                 | 304,722                 |
| Change in Debtors                                                                       | 970,338                 | (807,885)               |
| Change in Creditors                                                                     | (278,700)               | 888,264                 |
| Charitable Donation                                                                     | (7,029)                 | (9,089)                 |
| Share Capital Written Off                                                               | (16)                    | -                       |
| <b>Net Cash Inflow from Operating Activities</b>                                        | <b><u>2,560,076</u></b> | <b><u>1,908,325</u></b> |

| <i>Reconciliation of net cash flow to movement in net debt</i> | 2012<br>£ | 2011<br>£                  | 2011<br>£                  |
|----------------------------------------------------------------|-----------|----------------------------|----------------------------|
| Increase in Cash                                               | 282,680   | 264,567                    |                            |
| Cash flow from management of liquid resources                  | 1,467,519 | 253,984                    |                            |
| Cash flow from change in debt                                  | (55,975)  | (1,242,435)                |                            |
| <b>Movement in net debt during year</b>                        |           | <b>1,694,224</b>           | <b>(723,884)</b>           |
| Net debt at 1st April 2011                                     |           | <u>(11,807,035)</u>        | <u>(11,807,035)</u>        |
| <b>Net debt at 31st March 2012</b>                             |           | <b><u>(10,112,811)</u></b> | <b><u>(12,530,919)</u></b> |

| <i>Analysis of changes in net debt</i> | At<br>01.04.11<br>£        | Cash<br>Flows<br>£        | Other<br>Changes<br>£ | At<br>31.03.12<br>£        |
|----------------------------------------|----------------------------|---------------------------|-----------------------|----------------------------|
| Cash at bank and in hand               | 1,553,835                  | 282,680                   |                       | 1,836,515                  |
| Bank Overdrafts                        | -                          | -                         |                       | -                          |
|                                        | <u>1,553,835</u>           | <u>282,680</u>            |                       | <u>1,836,515</u>           |
| Liquid Resources                       | 1,535,218                  | (1,467,519)               |                       | 3,002,737                  |
| Debt: Due within one year              | (784,975)                  | (55,975)                  | 486,087               | (354,863)                  |
| Due after more than one year           | (14,111,113)               | -                         | (486,087)             | (14,597,200)               |
| <b>Net Debt</b>                        | <b><u>(11,807,035)</u></b> | <b><u>(1,240,814)</u></b> | <b><u>-</u></b>       | <b><u>(10,112,811)</u></b> |



# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 18. SHARE CAPITAL

|                                         |            |
|-----------------------------------------|------------|
| Shares of £1 each Issued and Fully Paid | £          |
| At 1st April 2011                       | 196        |
| Issued in year                          | 4          |
| Cancelled in year                       | (16)       |
| At 31st March 2012                      | <u>184</u> |

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

#### 19. RESERVES

| (a) Designated Reserves               | Major            | Total            |
|---------------------------------------|------------------|------------------|
|                                       | Repairs          |                  |
|                                       | £                | £                |
| At 1st April 2011                     | 3,407,480        | 3,407,480        |
| Transfer to / (from) Revenue Reserves | -                | -                |
| At 31st March 2012                    | <u>3,407,480</u> | <u>3,407,480</u> |

| (b) Revenue Reserves            | Total          |
|---------------------------------|----------------|
|                                 | £              |
| At 1st April 2011 (as restated) | (163,006)      |
| Surplus for the year            | <u>593,418</u> |
| At 31st March 2012              | <u>430,412</u> |

#### 20. HOUSING STOCK

| The number of units of accommodation in management at the year end was:- | 2012       | 2011       |
|--------------------------------------------------------------------------|------------|------------|
|                                                                          | No.        | No.        |
| General Needs - New Build                                                | 709        | 711        |
| Shared Ownership                                                         | 27         | 27         |
|                                                                          | <u>736</u> | <u>738</u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 21. RELATED PARTY TRANSACTIONS

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

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

- 3 members are tenants of the Association
- 2 members are relevant local councillors

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

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

#### 22. FIXED ASSET INVESTMENT

|                                            | 2012       | 2011       |
|--------------------------------------------|------------|------------|
|                                            | £          | £          |
| <b>Shared Equity Properties</b>            |            |            |
| Development Cost of Shared Equity Property | 1,779,237  | 1,436,310  |
| Less: Grants Receivable                    | 1,779,237  | 1,436,310  |
|                                            | <u>-</u>   | <u>-</u>   |
| <b>Investments in Subsidiaries</b>         |            |            |
| As at 31st March 2012 & 31st March 2011    | <u>101</u> | <u>100</u> |

The Association has two 100% owned subsidiaries, West Highland Futures Limited and West Highland Rural Solutions Limited. The former was incorporated on 28 March 2012 and did not trade in the period to 31 March 2012.

During the year the Association paid administration fees of £4,420 to West Highland Rural Solutions Limited. At the year end £620 was payable to West Highland Rural Solutions Limited. The relationship between the Association and its subsidiaries is set out in independence agreements between both parties.

The aggregate amount of capital and reserves and the results of West Highland Rural Solutions Limited for the year ended 31st March 2012 were as follows:

|                                      | Capital & Reserves |              | Profit for Year |                |
|--------------------------------------|--------------------|--------------|-----------------|----------------|
|                                      | 2012               | 2011         | 2012            | 2011           |
|                                      | £                  | £            | £               | £              |
| West Highland Rural Solution Limited | <u>100</u>         | <u>-1658</u> | <u>1,758</u>    | <u>(2,149)</u> |
| West Highland Futures Limited        | <u>1</u>           | <u>-</u>     | <u>-</u>        | <u>-</u>       |

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

WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**23. DEVELOPMENT COST OF HOUSING PROPERTY**

|                                               | 2012           | 2011           |
|-----------------------------------------------|----------------|----------------|
|                                               | £              | £              |
| <b>Shared Equity Properties</b>               |                |                |
| In the course of construction                 | -              | -              |
| Completed Properties Unsold                   | 184,119        | 779,437        |
|                                               | <u>184,119</u> | <u>779,437</u> |
| Less: Grants Received from Scottish Ministers | (94,119)       | (398,437)      |
|                                               | <u>90,000</u>  | <u>381,000</u> |

**24. CURRENT ASSET INVESTMENTS**

|                     | 2012             | 2011             |
|---------------------|------------------|------------------|
|                     | £                | £                |
| Short Term Deposits | 3,002,737        | 1,535,218        |
|                     | <u>3,002,737</u> | <u>1,535,218</u> |

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS

##### General

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

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

The Scheme offers five benefit structures to employers, namely:

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

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

West Highland Housing Association Limited. has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2008 and the career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 1st April 2008.

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

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

During the accounting period West Highland Housing Association Limited. paid contributions at the rate of 8.6% to 9.6% of pensionable salaries. Member contributions were 8.5% to 9.6 %.

As at the balance sheet date there were 11 active members of the Scheme employed by West Highland Housing Association Limited.. The annual pensionable payroll in respect of these members was £316,141. West Highland Housing Association Limited. continues to offer membership of the Scheme to its employees.

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

#### Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

|                                                                | % p.a. |
|----------------------------------------------------------------|--------|
| - Investment return pre-retirement                             | 7.4    |
| - Investment return post-retirement - non pensioners           | 4.6    |
| - Investment return post-retirement - pensioners               | 4.8    |
| - Rate of Salary increases                                     | 4.5    |
| - Rate of pension increases:                                   |        |
| pension accrued pre 6 April 2005 in excess of GMP              | 2.9    |
| pension accrued from 6 April 2005                              | 2.2    |
| (for leavers before 1 October 1993 pension increases are 5.0%) |        |
| - Rate of price inflation                                      | 3.0    |

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS (Continued)

##### Valuation Results

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

| <i>Benefit Structure</i> | <i>Long-term joint contribution rate (% of pensionable)</i> |
|--------------------------|-------------------------------------------------------------|
| Final salary - 60ths     | 19.2                                                        |
| Career average 60ths     | 17.1                                                        |
| Career average 70ths     | 14.9                                                        |
| Career average 80ths     | 13.2                                                        |
| Career average 120ths    | 9.4                                                         |

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

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

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

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

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 26. PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

The figures in the 2011 Financial Statements have been adjusted as follows:

|                             | Reported in<br>2011 Accounts<br>£ | Restated 2011<br>figures<br>£ | Value of<br>Restatement<br>£ |
|-----------------------------|-----------------------------------|-------------------------------|------------------------------|
| Housing Property            | 16,006,274                        | 15,267,543                    | (738,731)                    |
| Revenue Reserves            | <u>575,725</u>                    | <u>(163,006)</u>              | (738,731)                    |
| Housing Depreciation Charge | 185,133                           | 410,882                       | 225,749                      |
| Major Repairs Charge        | <u>162,493</u>                    | <u>157,638</u>                | <u>(4,855)</u>               |
|                             |                                   |                               | <u>220,894</u>               |

The reported surplus in 2011 has been restated by £220894 and now stands at £554221