



hebridean housing  
partnership

# Annual Report & Accounts

For the Year Ended 31 March 2009

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# Review by the Board of Management

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The Board of Management presents its business review and the audited accounts for the year ended 31 March 2009.

## Overview of Business

Hebridean Housing Partnership Ltd was incorporated in July 2004 and registered as a Registered Social Landlord in September 2006.

The principal activity of HHP is to provide and manage good quality affordable accommodation for people in housing need in the Western Isles. HHP is a charitable RSL set up to receive the housing stock owned by Comhairle Nan Eilean Siar as a result of a whole stock transfer in September 2006. HHP owns and manages a range of houses for rent primarily general need accommodation but also some sheltered houses and supported accommodation. HHP provides accommodation for homeless people who are referred as statutory homeless and requiring permanent secure accommodation by Comhairle Nan Eilean Siar.

## Core Values

HHP is committed to:

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

HHP began its operation in September 2006 when 1800 houses transferred from Comhairle Nan Eilean Siar. Subsequently in April 2007 a transfer of engagement took place involving the 5 small locally based housing associations resulting in an additional 300 houses coming under the ownership of HHP.

## Regulation

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

During the inspection the Scottish Housing Regulator found that “HHP had some strengths but also some areas where improvement is needed”. The Regulator recognised that HHP is a very young

organisation that at the time of inspection had operated for less than 2 years. The Regulator commended HHP for the focus on delivering the promises made to tenants at the ballot.

HHP is aware of the weaknesses identified and has drawn up an Improvement Plan to enable the Board to monitor progress in achieving the necessary improvements.

### Strategy and Objectives

HHP's strategy and objectives are detailed in its 30 Year Business Plan which was prepared at the point of Transfer. The Business Plan highlights 6 core business activities which will shape the future of HHP and the way housing services are delivered to our tenants:

1. Investment Programme
2. Environmental Improvements
3. New Build Programme
4. Repairs and Maintenance
5. Housing Management
6. Management of the Homeless Service

Each year the Business Plan is updated to take account of performance and major changes in the operating environment. During 2008/09 there has been significant change in the financial and political environment which has negatively impacted the 30 year business plan. Discussions with the Scottish Government are taking place to identify potential solutions.

### Key Plans for 2009/10 and beyond

Each year the Board approves an Internal Management Plan which includes a review of HHP's Business Plan. The Business Plan approved by The Scottish Government (previously the Scottish Executive) and Comhairle Nan Eilean Siar prior to the tenant ballot is the key strategic document providing a 30 year planning framework.

However the delivery of the Business Plan needs shorter term planning. The Internal Management Plan contains a 2 – 3 year action plan linking the shorter term to HHP's Business Plan strategic objective.

The Internal Management Plan therefore includes 2 year development plan, investment plan and cyclical maintenance programme.

### Performance in the Year

HHP achieved record investment in new houses and in improvements during 2008/09. In total £5.74 million was spent on new houses completing 74 units and commencing work on 45 units. Our house investment programme saw 140 kitchen replacements, 40 new bathrooms and heating systems and 50 window and door installations. In total HHP spent £1.631million in housing investment plus £1.845 million on response repairs and £0.545 million on planned maintenance including cyclical painterwork. The amount of expenditure has had a significant impact on sustaining jobs throughout the Western Isles not just for large contractors but also for small contractors, suppliers and service providers.

The Key outputs of the Business Plan for 2008/09 were 73.44 % of the stock meeting the Scottish Housing Quality Standard, adding 74 new units to the housing stock through new build and rent of the shelf scheme.

A total of £119,500 Wider Role Grants were received from Communities Scotland and were issued to the following organizations

<i>Tighean Innse Gall</i>	£25,000	<i>Sgailean Western Isles Foyer</i>	£30,000
<i>TIG –Heat Project</i>	£18,500	<i>Theatre Hebrides</i>	£7,000
<i>TIG-Energy Awareness</i>	£14,000	<i>Voluntary Action Lewis</i>	£20,000
		<i>Benbecula Community Assoc</i>	£5,000

## Dynamics of the Social Landlord

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

## Investment for the Future

HHP plans to invest £13.3 million over the next 5 years in bringing its houses up to the Scottish Housing Quality Standard. £6.2 million of private finance will need to be earmarked for new build projects over the same period, the number of units delivered will be dependent on the HAG funding available from the Scottish Government.

## Key Risks impacting on Future Performance

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

Any risk which materially jeopardizes the Partnership's ability to achieve its Mission and Objectives or conduct its business will not be accepted.

## Operational Review

### Investment Programme

After a slow start our Investment Programme for refurbishing tenants' houses began to operate effectively and by March 2009 we had completed

- 140 Kitchens
- 40 Bathrooms & Heating Systems
- 50 Windows and Doors

## Development Programme

HHP completed a total of 66 new build units and 8 Rent of the Shelf units in 2008/09. The new build included the completion

- 22 units at Elizabeth Haldane, Stornoway
- 36 Units at Gleann Dubh, Newmarket, Stornoway
- 8 Units at Beinn Mhor Cottages in Howmore, South Uist
- 3 Rent of the Shelf properties in Harris
- 1 Rent of the Shelf property in Barra
- 4 Rent of the Shelf properties in Lewis

Housing developments were in progress or commenced at 12 units at Perceval Road, 4 units at Galson Old School, 4 units at Berneray School and Schoolhouse, a drug and alcohol dependency supported project in Tong, 6 units at 57 Back, 12 units at Milking Hill, Tony and 8 units at the Bridge Centre, Stornoway.

The developments at Perceval Road, Tong and Back include houses suitable for tenants with particular needs.

As part of our commitment to energy efficient houses a number of our new properties include air sources heat pumps. All had the highest level of insulation to assist reduce heating bills at a time when fuel costs have risen significantly. HHP is committed to making a contribution to the attempts by public organizations in the Western Isles to reduce fuel poverty.

## Housing Services

During 2008-09 HHP housed 225 households 50 of which were housed in new properties. During that period of the 225 households rehoused 70 were referred to HHP by the Homeless Service at Comhairle Nan Eilean Siar.

There are 860 applicants on the waiting list over 500 of whom want to be housed in Stornoway. Of all the allocations made in Stornoway over 40% were made to homeless households.

During the year much effort was focused on reducing rent arrears. Arrears were reduced from 6.8% of Gross rent in 2007/08 to 5.19% in 2008/09. The number of the most serious arrears cases owing more than £1,000 was reduced from 106 to 81 cases.

## Financial Review

### Financial results

The turnover for the year to 31 March 2009 was £6.652 million against operating costs of £5.970 million. Operating costs for the year included £1.631 million of capital investment written off against expenditure. Investment expenditure, which is greater than valuation in any one year, will be written off against income and expenditure. The main source of income was from rental income of

£5.953 million with £0.422million received in grant from The Scottish Government. £0.275million of the grant received was to support our Business Plan activities.

The operating surplus on Letting Activities was £0.635 million, 11.4% of Net Rental Income (2008: £0.043million 0.7% of Net Rental Income). The main reason for the increase in the Operating surplus from 2008/09 is a slight reduction in management costs, bad debt provision and slippage on the investment programme.

There was a significant decrease in the surplus on sale of properties which is due to a clause in the Stock Transfer agreement enabling HHP to retain in full all the Right to Buy receipts received up to 31 March 2007 being applied in 2007/08. The funds are being used to create designated reserves for

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

## Balance Sheet

HHP's Balance Sheet is shown on Page 20. The key factors affecting the balance sheet are

- a) The addition of 74 new units for rent funded largely from Housing Association Grant from the Scottish Government.
- b) The development contract entered into with Comhairle Nan Eilean Siar for investment in the properties transferred to HHP amounting to £20.163 million. This is shown under Long Term debtors and Long Term creditors
- c) Accrued Housing Association Grant accounts for the increase in Debtors due within one year
- d) New borrowing of £1.5million during the year shown under Creditors amounts falling due within one year.

## Cash Flow

The Cash Flow is shown on page 21. Our net cash flow from operating activities was £0.030 million which included a Business Plan support grant of £0.275m from The Scottish Government. The principal cash outflows were operating costs and investment in assets.

## Current Liquidity

At 31 March 2009 HHP had cash and short-term deposits of £1.646 m. This was £2.144m more than budget. This was due to the under spend on the investment programme and the level of repairs invoices accrued at the year end. Our future investment and development programme will see this cash balance reduce significantly over the forthcoming year. There will be no requirement to draw down against our loan facilities during the forthcoming year.

## Capital Structure and Treasury Management Policy

HHP's activities are funded on the basis of a business plan, which is updated annually. The main elements of HHP's long term funding are a 30 year loan facility arranged with the Royal Bank of Scotland, deficit funding and loan facilities provided by The Scottish Government. The loan facility allows HHP to borrow up to £10 million. In broad terms, our current business plan assumes that we will increase our borrowing each year until we reach a maximum of £10million in 2021 reflecting the

significant investment programme in the first ten years of the plan. Debt is progressively paid off in subsequent years and is projected to be fully paid off by 2032.

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

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

The Treasury Management Policy was approved in April 2006. The Treasury Management Policy sets down the framework for investing and managing cash, raising loans, interest rate management and the use of financial derivatives by the Group. A key objective of the Policy is to ensure that the Partnership’s loan portfolio represents the optimum balance of risk in interest rate, loan maturity and fixed rate exposure.

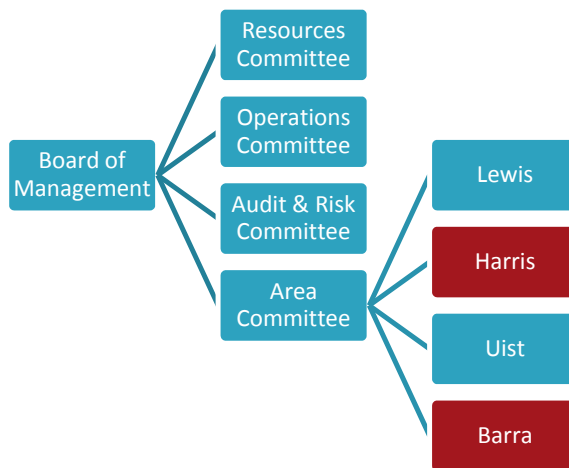
### Governance & Management

HHP is an Industrial and Provident Society and is governed by a set of Rules appropriate for a Registered Social Landlord. The Partnership is governed by a voluntary Board of Management which is supported by a Chief Executive, Management Team and staff. A full list of Board Members is at page 40.

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

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

Figure 1 Board of Management



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

The Partnership's Standing Orders allow for three standing committees and four area committee. The standing committees are all operational but of the Area Committees only the Lewis and Uist Area Committees are operational.

The Board comprises up to 15 members - 5 tenant members, 5 Comhairle Nan Eilean Siar nominees, 5 community representatives and up to 3 co-optees. There are currently 14 Board members.

HHP's Rules require that two community and two tenant members step down each year. There will be elections for the vacant positions at the Annual General Meeting in September 2009.

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

During 2008/09 3 shares were issued to new members.

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

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

In order that it can deliver its role effectively, HHP's Board has delegated responsibility to the following Committees:

### **Audit and Risk**

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

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

### **Operations**

The Operations Committee is responsible for ensuring that suitable arrangements are in place for the provision of as high a quality of affordable houses and housing services as is possible having regard to policy, legal, financial and other constraints, and for the regular review of such arrangements. Specifically this committee:

- Manages the investment for the housing stock

- Manages the development of new homes
- Establishes targets and performance indicators for housing management
- Establishes and arranges tenant consultation and participation

## Resources

The Resources Committee is responsible for ensuring that suitable arrangements are in place for the planning, setting and monitoring of all budgets and establishing value for money. The Committee ensures that there are appropriate personnel arrangements in place to enable the Partnership to fulfil its responsibility as a good employer.

## Area Committees

A condition of registration for HHP was that Area Committees should be set up in Lewis, Harris, the Uists and Barra.

Area Committees have been constituted in Lewis and the Uists and have been up and running for over a year. The Committees have focused on training for Committee members and HHP's development functions.

In Harris three informal meetings per annum are held with tenants and HHP members. Locally it was agreed that a formal Committee was not what was wanted but rather an informal forum where a wide range of issues could be discussed with senior officers from HHP. Attendance is very encouraging with as many as 20 tenants and members coming along to the meetings which are held on the same cycle as the Area Committees.

In Barra meetings have been held to which all members and tenants are invited, Meetings are poorly attended and there is no appetite for an Area Committee. The local Coucillor and former members of the local housing association meet with HHP staff to discuss HHP's plans.

HHP is considering seeking a removal of the condition of registration in relation to formal Area Committees for Harris and Barra and continue with the informal arrangements currently in place.

## Tenant Participation

HHP is fully committed to Tenant Participation and to work with the Western Isles Forum of Tenants and Residents Associations to develop and encourage involvement in the work of HHP. Tenants make up a third of the Board and make up the majority of Area Committees. Through regular consultation exercises and the provision of clear written information tenants and residents will be encouraged to influence policy and practice leading to improvements in the quality of housing services provided by HHP.

HHP provided WIFTRA with a grant of £3,000 to support the tenants groups with running costs. A further grant of £10,000 was provided to the tenants conference which was run early in April 2009.

HHP in conjunction with the Western Isles Forum of Tenants and Residents Associations is setting up Tenant Panels (or Focus Groups) in a number of locations in the Western Isles to facilitate greater input from users of the service.

## Health and Safety

The Board place the highest priority on the Health and Safety of tenants, staff and contractors. A full audit of Health and Safety procedures and practices has been undertaken.

## Political and charitable donations

There were no political donations made by HHP during the financial year. No charitable donations were made during the financial year.

## Disclosure of information to auditors

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

## Auditors

A resolution to re-appoint CIB Audit as auditors of HHP will be proposed at the Annual General Meeting in September 2009.

## Employee Policies

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

## Recruitment

HHP want staff to feel safe in their working environment and that they are treated fairly irrespective of colour, age, disability, religion or sexual orientation. We have developed a recruitment policy which aims to:

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

## Training

HHP is committed to the training and development of all its employees and Board Members. The Regulator highlighted in the Inspection Report that Board Members training was a particular strength. Regular training needs assessments are carried out for Board Members which feed into Training Plans. A training programme for staff for 2009-10 is being compiled from training needs highlighted during the staff performance appraisal system.

## Internal Financial Control

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

## Framework of Internal Control

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

## Management Structure

The organization for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its officers, committees and eventually area committees. The Executive Team, comprising of the Chief Executive and the Directors, has two main functions, Operations and Resources.

## Audit and Risk Committee

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

## Systems of Internal Control

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

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

## Identification of business risk

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

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

### **Corporate Risk**

The Risk Register has been updated for 2008/09. The Risk Register is organisation wide and shows each risk, the significance of the risk, and the probability of these risks occurring. The Register also details the impact of the risk should they occur and who will have prime responsibility for the design and operation of suitable controls and mitigating actions.

### **Management Information Systems**

Management Information Systems have been established which provide monthly information on key aspects of the business. Management accounts comparing actual results against budget are presented to the Board along with performance against key financial and non-financial indicators. Over the next two years HHP's management team intends to further develop the management information produced to provide managers with reliable and up to date information which enables them to respond quickly to service delivery issues as they arise whilst continuing to achieve the strategic objectives and goals of the organisation.

### **Internal Audit**

The Board has appointed The Internal Audit Association (TIAA) as their internal auditors who report directly to the Audit and Risk Committee.

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

### **Investment appraisal**

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

### **Post Balance Sheet Events**

The Board approved the setting up of a subsidiary to enable the Partnership to deliver new build units for sale under the LIFT scheme. The subsidiary will be wholly owned and called HHP Community Housing Limited.

**Board Statement on Internal Financial Control**

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the Year ended 31 March 2009. This review was informed by the work of Internal Audit and by the Executive Team, which has responsibility for the development and maintenance of the internal control framework. It was also informed by comments made by the External Auditors in their management reports. Such a system can only provide reasonable, and not absolute, assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

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

On behalf of the Board

George Lonie

Chair

# Statement of Board Responsibilities

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The Board is responsible for preparing the Board report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year.

The financial statements are required by law to give a true and fair view of the state of affairs of the Partnership and of the surplus or deficit for that period.

In preparing these financial statements, the 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 UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Partnership will continue in business

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Partnership and enable it to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlord (Accounting Requirements) (Scotland) Order 2007.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Partnership to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Partnership's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditors' Report

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We have audited the financial statements of Hebridean Housing Partnership Limited for the year ended 31 March 2009 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective responsibilities of the Board of Management and Auditors**

The Board of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Board 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, the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007. We also report to you if, in our opinion, the Board of Management's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and other transactions with the Partnership is not disclosed.

We read the Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **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 Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership'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 accounts are free from material misstatement, 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 accounts.

### **Opinion**

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Partnership's affairs as at 31 March 2009 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, the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.

CIB Audit  
Registered Auditor  
63 Kenneth Street  
Stornoway  
Isle of Lewis

Dated: 25 June 2009

# Auditors Report on Corporate Governance

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## Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on page 12 concerning the Partnership's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

## Basis of Opinion

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

## Opinion

In our opinion the statement on internal financial controls on page 12 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.

CIB Audit

Registered Auditor

63 Kenneth Street

Stornoway

Isle of Lewis

Dated: 25 June 2009

# Financial Statements

## Income and Expenditure Account for the year ended 31 March 2009

		31 March 2009	31 March 2008
		£	£
	<b>Notes</b>		
Turnover	3	6,652,634	6,255,058
Operating costs	4 & 5	(5,970,215)	(6,183,056)
<b>Operating surplus</b>		<b>682,419</b>	<b>72,002</b>
Surplus on sale of fixed assets			
-housing properties	9	74,994	341,217
Interest receivable and other income	10	40,113	81,269
Interest payable and similar charges	11	(212,576)	(199,131)
<b>Surplus on ordinary activities, before transfers to Reserves</b>		<b>584,950</b>	<b>295,357</b>

The results for the year relate wholly to continuing activities.

## Statement of Total Recognised Surpluses and Deficits

### for the year ended 31 March 2009

		31 March 2009	31 March 2008
		£	£
Surplus on ordinary activities, before transfer to Reserves		584,950	295,357
Transfer to Designated Reserves	21	(259,482)	(123,693)
<b>Total recognised surpluses since the last financial statements</b>		<b>325,468</b>	<b>171,664</b>

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 22 to 38 form part of these financial statements.

**Balance Sheet as at 31 March 2009**

		31 March 2009	31 March 2008
		£	£
	<b>Notes</b>		
<b>Tangible Fixed Assets</b>			
Housing Properties at valuation	15	6,117,048	4,605,624
Other tangible fixed assets	15	512,532	161,250
		<u>6,629,580</u>	<u>4,766,874</u>
Debtors due after more than one year	16	20,271,131	21,526,288
<b>Current Assets</b>			
Debtors due within one year	16	910,332	495,333
Short-term deposits		1,259,433	1,496,432
Cash at bank and in hand		387,086	775,405
		<u>2,556,851</u>	<u>2,767,170</u>
Creditors: amounts falling due within one year	17	(3,047,558)	(2,311,373)
<b>Net current assets</b>		<u>(490,707)</u>	<u>455,797</u>
<b>Total assets less current liabilities</b>		<u>26,410,004</u>	<u>26,748,959</u>
Creditors: amounts falling due after more than one year	18	(4,595,884)	(4,165,234)
		<u>21,814,120</u>	<u>22,583,725</u>
Provisions for liabilities and charges	19	(20,162,797)	(21,448,125)
<b>Net Assets</b>		<u>1,651,323</u>	<u>1,135,600</u>
<b>Capital and Reserves</b>			
Share Capital	20	175	172
Designated Reserve	21	383,175	123,693
Capital Reserve	22	453,179	522,409
Revenue Reserve	21	814,794	489,326
		<u>1,651,323</u>	<u>1,135,600</u>

These financial statements were approved by the Board on 25<sup>th</sup> June 2009 and were signed on its behalf by:

**George Lonie**  
Chair

**Dena Macleod**  
Secretary

**David Blaney**  
Vice Chair

The notes on pages 22 to 38 form part of these financial statements.

**Cash Flow Statement for the Year ended 31 March 2009**

		31 March 2009	31 March 2008
		£	£
Net Cash (outflow)/inflow from operating activities	Notes 26	30,052	1,016,631
<b>Returns on investment and servicing of finance</b>			
Right to Buy Proceeds		74,994	341,217
Interest Received		40,113	81,269
Interest Paid		(212,576)	(199,131)
<b>Net Cash (outflow)/ inflow from returns on investment and servicing of finance</b>		<b>(97,470)</b>	<b>223,355</b>
<b>Taxation</b>			
Corporation Tax paid		-	-
less grant received		-	-
<b>Net Cash outflow from Taxation</b>		<b>-</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>			
Acquisition and construction of properties		(5,750,142)	(5,506,051)
Purchase of other fixed assets		(411,992)	(21,594)
Grants received		4,128,831	4,909,183
Sales of properties		(4,274)	-
Transfer of assets			(4,087,501)
<b>Net Cash outflow from capital expenditure</b>		<b>(2,037,577)</b>	<b>(4,705,963)</b>
<b>Net Cash outflow before use of liquid resources and financing</b>		<b>(2,104,994)</b>	<b>(3,465,977)</b>
<b>Management of liquid resources</b>			
Cash lodged on deposit account		236,999	(738,595)
<b>Financing</b>			
Loan advances received		1,500,000	3,778,548
Loan principal repaid		(20,327)	
Cash transferred on TOE		-	942,995
Shares issued		3	
		1,479,676	4,721,543
<b>(Reduction)/increase in cash</b>	<b>26</b>	<b>(388,319)</b>	<b>516,971</b>

The notes on pages 22 to 38 form part of these financial statements

## Notes to the financial statements for the Year ended 31 March 2009

### NOTE 1 Legal Status

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

### NOTE 2 Accounting Policies

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

#### *Basis of accounting*

The financial statements of the Partnership are prepared in accordance with applicable accounting standards and in accordance with the accounting requirements included with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999, and under historical cost accounting rules, modified to include revaluation of properties held for letting and commercial properties. The financial statements have also been prepared in accordance with the Statement of Recommended Practice, Accounting by Registered Social Landlords Update 2008, issued by National Housing Federation.

#### *Turnover*

Turnover, which is stated net of value added tax, represents income receivable from lettings and service charges, fee receivable, revenue grants and other income.

#### *Grant Income*

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

#### *Deposit and liquid resources*

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

#### *Pension costs*

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

#### *Housing Properties*

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

**Improvements to Housing Properties**

The Partnership capitalizes repairs and improvement expenditure on housing properties that results in an enhancement of the economic benefit of the asset.

**Impairment**

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 recognized in the income and expenditure account.

**Shared Ownership**

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

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

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

**Commercial Properties**

Commercial properties and valued at existing use value.

**Provisions**

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

**Taxation**

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

**Depreciation**

Depreciation is charged on a straight-line basis over the expected useful lives of fixed assets to write off the cost less estimated residual values at the following annual rates. Assets are depreciated in the year of acquisition.

Commercial properties	60 years 2%
Offices	60 years 2%
Furniture, Fittings Office Equipment	20%
Computer Hardware and Software	25%

**Sale of housing accommodation**

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

**Capitalisation of development overheads**

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

**Capital Grants**

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

**Value Added Tax**

The Partnership is registered for VAT. A large proportion of its income, including rental receipts, is exempt for VAT purposes, giving rise to a partial exemption calculation. Expenditure with recoverable VAT is shown net of VAT and expenditure with irrecoverable VAT is shown inclusive of VAT. VAT on refurbishment works expenditure included in the development works agreement with Comhairle Nan Eilean Siar is fully recoverable. Expenditure on these works is shown net of VAT.

**Development Agreement**

The Partnership has entered into agreements with Comhairle Nan Eilean Siar whereby the under-taking of catch up repairs and improvement works remains with the Comhairle, with the obligation sub-contracted to HHP. This has been shown on the Partnership's Balance Sheet as a debtor offset by a provision of an

equal amount. As work progresses both sums will be adjusted downwards by the appropriate amount.

**Bad and doubtful debts**

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

**NOTE 3 Turnover, operating costs and operating surplus**

	2009			2008
	Operating Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus £
Social housing lettings	6,404,086	5,765,343	638,743	43,305
Other activities	129,048	85,372	43,676	28,697
Grant Income	119,500	119,500	-	-
<b>TOTAL</b>	<b>6,652,634</b>	<b>5,970,215</b>	<b>682,419</b>	<b>72,002</b>

**NOTE 4 Particulars of income and expenditure from social housing lettings**

	General Needs Housing	Supported Accommodation	Shared Ownership	Total	2008
	£	£	£	£	£
<b>Income from lettings</b>					
Rent receivable net of service Charges	6,052,716	27,875	2,563	6,083,154	5,645,130
Service Charges receivable	13,069	5,070	2,722	20,861	16,652
<b>Gross income from rents and service charges</b>	<b>6,065,785</b>	<b>32,945</b>	<b>5,285</b>	<b>6,104,015</b>	<b>5,661,782</b>
Less voids	(122,358)	-	-	(122,358)	(112,283)
<b>Net Income from rents and service charges</b>	<b>5,943,427</b>	<b>32,945</b>	<b>5,285</b>	<b>5,981,657</b>	<b>5,549,499</b>
Grants from Scottish Ministers	275,000	-	-	275,000	325,000
Other Revenue Grants	147,429	-	-	147,429	199,108
<b>Total Turnover from social letting activities</b>	<b>6,365,856</b>	<b>32,945</b>	<b>5,285</b>	<b>6,404,086</b>	<b>6,073,607</b>
<b>Expenditure on letting activities</b>					
Management and Maintenance Administration costs	1,626,196	12,080	2,416	1,640,692	1,665,445
Planned and Cyclical Maintenance including major repairs	2,175,683	-	-	2,175,683	2,525,598
Reactive Maintenance	1,833,155	7,621	403	1,841,179	1,683,513
Bad Debts -rents and service charges	13,985	-	-	13,985	83,222
Depreciation of social housing	92,503	1,256	45	93,804	72,524
<b>Operating costs of social letting activities</b>	<b>5,741,522</b>	<b>20,957</b>	<b>2,864</b>	<b>5,765,343</b>	<b>6,030,302</b>
<b>Operating surplus on letting activities</b>	<b>624,334</b>	<b>11,988</b>	<b>2,421</b>	<b>638,743</b>	<b>43,305</b>

**NOTE 5 Particular of income and expenditure on other activities**

Other Activities	Grants from Scottish Ministers £	Other Income £	Total Turnover £	Other Operating Costs £	Operating Surplus/ Deficit £	2008 £
Wider Action	119,500		119,500	119,500	-	-
Development			-	32,098	(32,098)	(48,383)
Management Services		59,818	59,818	53,274	6,544	9,227
Amortization negative goodwill		69,230	69,230		69,230	67,853
<b>Total from other activities</b>	<b>119,500</b>	<b>129,048</b>	<b>248,548</b>	<b>204,872</b>	<b>43,676</b>	<b>28,697</b>
<b>31 March 2008</b>	<b>46,665</b>	<b>134,786</b>	<b>181,451</b>	<b>152,754</b>	<b>28,697</b>	

**NOTE 6 Board members emoluments**

Board members received £9,070 (2008 £10,842) by way of reimbursement of expenses. Board members did not receive anything by way of emoluments.

**NOTE 7 Executive Directors' emoluments**

DIRECTORS' AND EMPLOYEES EMOLUMENTS		
	2009	2008
	£	£
The Directors are defined as the Chief Executive and any other person reporting directly to the Chief Executive whose total emoluments exceed £60,000 per annum.		
Aggregate emoluments payable to Directors' exceeding £60,000 (including pension contributions and benefits in kind)	83,600	82,000
Emoluments payable to the highest paid officer (excluding pension contributions)	72,320	71,050

DIRECTORS' EMOLUMENTS		
	2009	2008
	£	£
During the period the Directors emoluments (excluding pension contributions) fell within the following band distributions:		
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1
Emoluments include relocation expenses where appropriate		
The directors are members of the Highland Superannuation Fund and employer's contributions are paid on the same basis as other members of staff.		

**NOTE 8 Employees**

In the year to 31 March 2009 the average number of employees of the Partnership, including executive directors, was 40.5 (FTE) (2008 - 40 FTE).

EMPLOYEE INFORMATION		
	2009	2008
	£	£
Staff costs (for the above persons)		
Wages and Salaries	952,238	948,171
Social Security costs	70,322	70,210
Employers' pension costs	141,129	177,592
	<u>1,163,689</u>	<u>1,195,973</u>
Staff costs capitalised	(175,623)	(154,322)
	<u>988,066</u>	<u>1,041,651</u>

**NOTE 9 Surplus on sale of fixed assets-housing properties**

This represents net income from the sale of properties under tenant Right to Buy entitlement. Net income amounted to £74,994 (2008 - £341,217).

**NOTE 10 Interest receivable and other income**

Interest Receivable and Other Income		
	2009	2008
	£	£
Bank interest receivable on deposits in the year	40,113	81,269
	<u>40,113</u>	<u>81,269</u>

**NOTE 11 Interest payable and similar charges**

Interest Payable and Similar Charges		
	2009	2008
	£	£
Loan interest Payable	212,576	199,131
Bank interest payable	-	-
	<u>212,576</u>	<u>199,131</u>

**NOTE 12 Tax on ordinary activities**

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

**NOTE 13 Auditor's remuneration**

Auditors' Remuneration		
	2009	2008
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	7,360	7,215
-in respect of other services	-	-
	<u>7,360</u>	<u>7,215</u>

**NOTE14 Financial Commitments**

Capital Commitments		
	2009	2008
	£	£
Expenditure contracted for, but not provided in the accounts	3,000,262	4,153,669
Expenditure authorised by the Board but not contracted	<u>5,929,428</u>	<u>2,954,514</u>
	<u>8,929,690</u>	<u>7,108,183</u>
Operating leases		
	2009	2008
	£	£
At 31 March 2009 the Partnership had annual commitments under non-cancellable leases as follows		
<i>Operating leases that expire:</i>		
Within one year	-	-
In the second to fifth year inclusive	2,640	-
	<u>2,640</u>	<u>-</u>

**NOTE 15 Tangible Fixed Assets**

<b>HOUSING PROPERTIES</b>						
	Housing held for letting	Transferred property	Shared Ownership	Properties under construction	Transferred Property under constr	Total
	£	£	£	£	£	£
<b>Cost or valuation</b>						
At 1 April 2008	3,303,960	22,857,924	127,643	4,994,221	3,525,897	34,809,645
Additions	107,026	109,809	-	5,600,512	-	5,817,347
Disposals	-	(93,107)	-	-	-	(93,107)
Transferred	8,149,258	-	-	(5,281,642)	(2,867,616)	-
<b>At 31 March 2009</b>	<b>11,560,244</b>	<b>22,874,626</b>	<b>127,643</b>	<b>5,313,091</b>	<b>658,281</b>	<b>40,533,885</b>
<b>Grants</b>						
At 1 April 2008	(2,846,246)	(18,770,358)	(123,596)	(4,608,821)	(3,443,619)	(29,792,640)
Received during the Year	7,360	(23,073)	-	(4,180,323)	-	(4,196,036)
Transferred	(6,822,346)	-	-	3,970,415	2,851,931	-
Eliminated on disposal	-	75,051	-	-	-	75,051
<b>At 31 March 2009</b>	<b>(9,661,232)</b>	<b>(18,718,380)</b>	<b>(123,596)</b>	<b>(4,818,729)</b>	<b>(591,688)</b>	<b>(33,913,625)</b>
<b>Depreciation</b>						
At 1 April 2008	(4,045)	(405,227)	(2,108)	-	-	(411,380)
Eliminated on Disposal	-	1,972	-	-	-	1,972
Charge for year	(24,482)	(69,277)	(45)	-	-	(93,804)
<b>At 31 March 2009</b>	<b>(28,527)</b>	<b>(472,532)</b>	<b>(2,153)</b>	<b>-</b>	<b>-</b>	<b>(503,212)</b>
<b>Net Book Value</b>						
at 31 March 2009	1,870,485	3,683,714	1,894	494,362	66,593	6,117,048
<b>Net Book Value</b>						
at 31 March 2008	453,669	3,682,339	1,939	385,400	82,278	4,605,625

**NOTE 15 Tangible Fixed Assets**

<b>OTHER TANGIBLE FIXED ASSETS</b>				
	Commerical property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 April 2008	-	117,671	120,983	238,654
Additions	357,367	5,703	48,922	411,992
Disposals	-	-	-	-
<b>At 31 March 2009</b>	<u>357,367</u>	<u>123,374</u>	<u>169,905</u>	<u>650,646</u>
<b>Depreciation</b>				
At 1 April 2008	-	(34,067)	(43,337)	(77,404)
Eliminated on disposal	-	-	-	-
Charge for year	(2,978)	(24,642)	(33,090)	(60,710)
<b>At 31 March 2009</b>	<u>(2,978)</u>	<u>(58,709)</u>	<u>(76,427)</u>	<u>(138,114)</u>
<b>Net Book Value at 31 March 2009</b>	<u>354,389</u>	<u>64,665</u>	<u>93,478</u>	<u>512,532</u>
<b>Net Book Value at 31 March 2008</b>	<u>-</u>	<u>83,604</u>	<u>77,646</u>	<u>161,250</u>

The number of units of accommodation owned and managed at 31 March 2009 by the Partnership was:

<b>Housing Stock</b>		
	2009	2008
<b>Social Housing</b>		
General Needs	2,124	2,072
Shared Ownership	3	3
Supported Housing	15	15
<b>Total Social Housing</b>	<u>2,142</u>	<u>2,090</u>

**NOTE 16 Debtors**

<b>Debtors: Due after more than one year</b>		
	2009	2008
	£	£
Development Agreement (see Note 2)	20,162,797	21,448,125
Loan Arrangement Fee	108,334	78,163
	<u>20,271,131</u>	<u>21,526,288</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £20.2m in respect of the expected cost of the development work that Comhairle nan Eilean Siar

has committed to undertake in order to refurbish the properties. The Comhairle has sub-contracted the Partnership to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilized when the work is actually undertaken.

Debtors: Due within one year		
	2009	2008
	£	£
Arrears of rent and service charges	312,866	374,000
Less: provision for bad and doubtful debts	(203,924)	(253,704)
	108,942	120,296
other debtors	801,390	375,037
<b>Total</b>	<b>910,332</b>	<b>495,333</b>

#### NOTE 17 Creditors amounts falling due within one year

Creditors: Amounts falling due within one year		
	2009	2008
	£	£
Amounts falling due within one year:		
Trade creditors	136,801	84,289
Grants in Advance	-	92,694
Rent and service charges received in advance	44,144	50,473
Salaries, wages, other taxation and social security	57,832	53,383
Accruals	1,050,560	1,751,986
Loans (see Note 18)	1,758,221	278,548
<b>Total</b>	<b>3,047,558</b>	<b>2,311,373</b>

**NOTE 18 Creditors amounts falling due after more than one year**

<b>Creditors: Amounts falling due after more than one year</b>		
	2009	2008
	£	£
Right to Buy receipts due to the Scottish Executive	1,095,884	665,234
<b>LOANS</b>		
All loans are advanced by Banks, are repayable in 2027 (Fixed) and are secured by way of standard securities on the Partnership's housing land and buildings.		
a) Fixed Rate	3,500,000	3,500,000
b) Variable Rate	1,758,221	278,548
<b>Analysis of duration of loans and interest rates:</b>		
	2009	2008
	£	£
	3.85% to 5.40%	
Repayable in one year or more	1,758,221	278,548
Repayable in more than five years	3,500,000	3,500,000
	<b>5,258,221</b>	<b>3,778,548</b>
Being Loans falling due		
-within one year	1,758,221	278,548
-after more than one year	3,500,000	3,500,000
	<b>5,258,221</b>	<b>3,778,548</b>
<b>Average interest rates at 31 March</b>		
Fixed	5.40%	5.34%
Variable	3.85%	6.19%
Overall	<b>4.62%</b>	<b>5.76%</b>

**Bank lending facility**

At the year end the Partnership had drawn down £5.258 million on the lending facility. A committed facility of £10million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £82,093 which are included in debtors and which are being amortised over the period of the loan drawdown. Security over the housing properties has been granted to the Royal Bank for the period of the lending facility. Section 66 consent has been granted.

**NOTE 19 Provisions for liabilities and charges**

Provisions for Liabilities and Charges		
	2009	2008
	£	£
At 1 April 2008	21,448,125	22,941,574
Created in Year	-	-
Utilised	(1,285,328)	(1,493,449)
<b>At 31 March 2009</b>	<b>20,162,797</b>	<b>21,448,125</b>

**Development Agreement**

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

**NOTE 20 Share Capital**

Share Capital		
	2009	2008
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2008	172	19
issued during period	3	9
Transferred		146
Surrendered during period		(2)
<b>At 31 March 2009</b>	<b>175</b>	<b>172</b>

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

Angela Quail, Calum Mackay, Kevin Patterson, George Lonie, Jane Mackinnon, Helen Smith, Paul Allred, Daniel Coyle and George Banks.

**NOTE 21 Reserves**

Revenue Reserves		
	2009	2008
	£	£
Accumulated surplus at 1 April 2008	489,326	317,662
Surplus for the year	325,468	171,664
Accumulated surplus at 31 March 2009	<u>814,794</u>	<u>489,326</u>

Designated Reserves					
	Asbestos	Pension	Repairs & Renewals	2009	2008
	£	£	£	£	£
Balance at 1 April 2008	97,261	-	26,432	123,693	-
Transferred to Reserve	129,000	38,000	92,482	259,482	123,693
Balance at 31 March 2009	<u>226,261</u>	<u>38,000</u>	<u>118,914</u>	<u>383,175</u>	<u>123,693</u>

**NOTE 22 Capital Reserve**

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

Capital Reserve		
	2009	2008
	£	£
Fixed Assets at net book value	4,089,387	4,089,387
Current Assets	779,095	779,095
Cash	942,849	942,849
Liabilities	(1,459,564)	(1,459,564)
Loans	(3,761,505)	(3,761,505)
Net Assets	<u>590,262</u>	<u>590,262</u>
Amount amortised to Income and Expenditure		
In previous years	(67,853)	-
In current year	(69,230)	(67,853)
Reserve at 31 March 2009	<u>453,179</u>	<u>522,409</u>

**NOTE 23 Pensions**

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

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

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

Major Assumptions		
	31-Mar 2009	31-Mar 2008
	% per annum	% per annum
Price increases	3.00%	3.70%
Salary increases	4.50%	5.20%
Pension increases	3.00%	3.70%
Discount rate	6.70%	6.60%

Assets (Employer)				
	Long Term Return at 31-Mar-09 %	Assets at 31-Mar-09 £000's	Long Term Return at 31-Mar-08 %	Assets at 31-Mar-08 £000's
Equities	7.40%	453	7.70%	543
Gilts (1)	4.00%	32	4.30%	69
Other Bonds	6.50%	46	6.60%	64
Property	5.40%	67	5.70%	90
Cash	3.00%	16	5.00%	14
<b>TOTAL</b>	<b>7.00%</b>	<b>614</b>	<b>7.00%</b>	<b>780</b>

Net Pension Asset		
	2009 £000's	2008 £000's
Present Value of Funded Obligation	3,242	3,423
Fair Value of Scheme Assets	2,646	2,922
<b>Net Liability</b>	<b>596</b>	<b>500</b>
Present Value of Unfunded Obligation	20	20
Unrecognised Past Service Cost	-	-
<b>Net Liability</b>	<b>616</b>	<b>520</b>

#### NOTE 24 Scottish Government Grants

The Scottish Government has made available a non repayable grant of £2.5 million payable over 10 years. The annual drawdown of the grant is subject to a number of specified conditions. The grant instalment of £275,000 received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2009 £	2008 £
Opening balance	2,000,000	2,325,000
Grant Funding received	275,000	325,000
Applied to investment expenditure		
Deferred for application against future expenditure	<u>1,725,000</u>	<u>2,000,000</u>

In addition The Scottish Government has made available a loan to the Partnership of £430,650 being the Comhairle's share of the Right to Buy receipts received this year.

**NOTE 25      Related Party Transaction**

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

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

**NOTE 26** Cash flow notes

Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities		
	2009	2008
	£	£
Operating surplus	682,419	72,002
Abortive development costs	-	11,514
Depreciation charges	154,514	123,943
Amortisation of Capital Reserve	(69,230)	(67,853)
(Increase)/Decrease in debtors	(445,170)	706,482
(Decrease)/Increase in creditors and provisions (excluding loans)	(292,481)	170,543
<b>Net Cash inflow from operating activities</b>	<b>30,052</b>	<b>1,016,631</b>

Analysis of Net Debt		
	2009	2008
	£	£
Debt due after 1 Year	(3,500,000)	(3,500,000)
Debt due within 1 Year	(1,758,221)	(278,548)
	<u>(5,258,221)</u>	<u>(3,778,548)</u>
Bank and short term deposits	1,646,519	2,271,837
	<u>(3,611,702)</u>	<u>(1,506,711)</u>

Analysis of Changes in Net Cash			
	At 1 April 2008	Cash Inflow	31-Mar 2009
	£	£	£
Cash at bank and in hand	775,405	(388,319)	387,086
Overdraft			-
Reduction in cash	<u>775,405</u>	<u>(388,319)</u>	<u>387,086</u>
Deposits	1,496,432	(236,999)	1,259,433
Debt due after more than an year		-	-
	<u>2,271,837</u>	<u>(625,318)</u>	<u>1,646,519</u>

# Detailed Income & Expenditure Account

	2009				2008			
	Lettings	Other	Grant	Total	Lettings	Other	Grant	Total
	£	£	£	£	£	£	£	£
<b>Income</b>								
Net Rental Income	5,981,657			5,981,657	5,549,499			5,549,499
Factoring Fee		7,738		7,738		11,504		11,504
Fee income for Services		52,081		52,081		55,430		55,430
Fees charged to Investment		175,623		175,623		154,322		154,322
Negative Goodwill amortised		69,230		69,230		67,853		67,853
Other Grants			266,929	266,929			245,773	245,773
Deficit Funding Grant			275,000	275,000			325,000	325,000
	5,981,657	304,671	541,929	6,828,257	5,549,499	289,109	570,773	6,409,381
<b>Operating costs</b>								
Employee costs	989,070	97,114	-	1,086,184	1,067,433	83,338	-	1,150,771
Premises Costs	73,123	14,000	-	87,123	104,365	14,000	-	118,365
IT & Telecoms	163,289	-	-	163,289	134,667	1,933	-	136,600
Area Offices	43,602	-	-	43,602	41,243	-	-	41,243
Internal Audit	8,800	-	-	8,800	6,539	-	-	6,539
Payroll & Cashdesk	20,264	-	-	20,264	21,601	-	-	21,601
Finance Services	-	-	-	-	-	-	-	-
<b>Supplies &amp; Services</b>	309,078	14,000	-	323,078	308,415	15,933	-	324,348
Postage, printing & stationery	40,839	586	-	41,425	33,052	474	-	33,526
Admin, Furniture & equipment	287	-	-	287	2,227	-	-	2,227
Training	20,963	-	-	20,963	19,471	-	-	19,471
Community Support	22,132	-	-	22,132	27,877	-	-	27,877
Misc Admin	5,280	-	-	5,280	5,223	-	-	5,223
Recruitment costs	3,378	-	-	3,378	421	-	-	421
<b>Administration Costs</b>	92,879	586	-	93,465	88,271	474	-	88,745
Consultants + Audit Fees	124,192	-	-	124,192	100,616	-	-	100,616
Insurance	147,396	-	-	147,396	143,629	-	-	143,629
Affiliation Fees	19,309	-	-	19,309	16,474	-	-	16,474
Governance	20,148	-	-	20,148	23,270	-	-	23,270
Wider Role Grant		-	119,500	119,500		-	46,665	46,665
Bank Charges & Fees	17,045	-	-	17,045	8,644	-	-	8,644
Public Relations/Marketing	5,924	-	-	5,924	6,426	-	-	6,426
<b>Corporate Expenses</b>	334,014	-	119,500	453,514	299,059	-	46,665	345,724
<b>Supervision &amp; Management</b>	1,725,041	111,700	119,500	1,956,241	1,763,178	99,745	46,665	1,909,588
Bad Debt provision movement	13,985			13,985	83,222			83,222
Response Repairs	1,845,414			1,845,414	1,584,389		99,124	1,683,513
Planned/Cyclical Maintenance	544,638			544,638	592,420			592,420
Investment Programme	1,208,616		422,429	1,631,045	1,508,194		424,984	1,933,178
Total investment in properties	3,598,668		422,429	4,021,097	3,685,003		524,108	4,209,111
Abortive Developments		-		-		11,514		11,514
Depreciation	154,515			154,515	123,944			123,944
Total Operating Costs	5,492,209	111,700	541,929	6,145,838	5,655,347	111,259	570,773	6,337,379
Operating surplus/deficit	489,448	192,971	-	682,419	(105,848)	177,850	-	72,002

This page does not form part of the audited financial statements

# Board of Management

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Name	Category	Changes during the year	
		Appointed	Resigned
George Lonie (Chairman)	Community	18 Sept 2008 (re-appointed)	
David Blaney (Vice-Chair)	Councillor	28 June 2007	
Kevin Paterson (Treasurer)	Tenant	18 Sept 2008 (re-appointed)	
Angela Quail	Tenant	18 Sept 2008 (re-appointed)	
Michael Cross	Tenant	20 Sept 2007	25 June 2008
Paul Alldred	Tenant	19 Sept 2008	
Daniel Coyle	Tenant	27 Nov 2008	
Calum Mackay	Community	18 Sept 2008 (re-appointed)	
Jane Mackinnon	Community	7 May 2002	
Hamish Fraser	Community	7 May 2002	18 Sept 2008
George Banks	Community	20 Sept 2007	
Helen Smith	Community	18 Sept 2008	
Neil Campbell	Councillor	28 June 2007	
Archie Campbell	Councillor	28 June 2007	
Charles Nicolson	Councillor	28 June 2007	
Gerry Macleod	Councillor	28 June 2007	

# Supplementary Information

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**Secretary and Registered Office**

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

**Funders**

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

**Auditors**

CIB Audit  
60 Kenneth Street  
STORNOWAY  
Isle of Lewis

**Solicitors**

McClure NaiSmith  
3 Ponton Street  
EDINBURGH  
EH3 9QQ

Harper Macleod  
The Ca'd'oro  
45 Gordon Street  
GLASGOW  
G1 3PE

**Bankers**

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

**Directors**

Chief Executive : Angus Lamont BA DIHS MCIH  
Director of Operations: Tony Pendle BA (Hons)  
Director of Resources: Dena Macleod BA CA