



hebridean housing
partnership

Annual Report & Accounts

For the Year Ended 31 March 2010

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Review by the Board of Management

The Board of Management presents its business review and the audited accounts for the year ended 31 March 2010.

Overview of Business

Hebridean Housing Partnership Ltd was incorporated in July 2004 and registered as a Registered Social Landlord (RSL) 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 centred housing service
- Transparent, open decision making
- Sound financial management practices throughout the organisation
- Realising the highest professional standards in all areas of activities
- Integrity in all that we do
- Promoting innovation and learning from mistakes
- Valuing our staff
- Working in partnership with other organisations
- Equal opportunities

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. Since then HHP has built 171 new houses and acquired 10 under the Government's Rent off the Shelf scheme. HHP's housing stock at 31 March 2010 was 2183.

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.

Following the inspection a Regulation Plan was issued by the Scottish Housing Regulator.

HHP is aware of the weaknesses identified in the report and has drawn up an Improvement Plan in accordance with the Regulator's requirement to enable the Board to monitor progress in achieving

the necessary improvements. Progress has been consistent with the timeline in the Improvement Plan and a number of performance targets in relation to void management and arrears control have been exceeded. The Regulator monitors key areas in the Plan and will carry out an audit in June 2011.

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 2009/10 lengthy negotiations took place with Scottish Government about the grant shortfall arising from changes in Housing Association Grant (HAG) levels relating to the new build programme of 275 houses agreed prior to ballot and subsequent transfer. An agreement was reached with Scottish Government which will in part compensate for the lower level of grant than what was assumed in the pre transfer Business Plan approved by the then Scottish Executive and Comhairle Nan Eilean Siar.

Key Plans for 2010/11 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 2009/10. In total £6.34 million was spent on new houses completing 58 units and commencing work on 73 units. Our house investment programme saw 99 kitchen replacements, 120 new bathrooms, 52 heating systems and 101 window and door installations. In total HHP spent £2.785 million in housing investment plus £1.109 million on response repairs and £0.462 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 2009/10 were 23 % of the stock meeting the Scottish Housing Quality Standard, adding 58 new units to the housing stock through new build.

A total of £44,530 Wider Role Grants were received from Scottish Government and were issued to the following organisations

<i>TIG-Energy Awareness</i>	£13,000
<i>Sgailean Western Isles Foyer</i>	£20,500
<i>CAB Uist –Tenant Early Intervention</i>	£11,030

Dynamics of the Social Landlord

The Partnership is focused on providing housing within the Western Isles and recent figures show that despite a declining population, there is an increase in the demand for socially rented properties. HHP is the key partner for the Comhairle in the delivery of its 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 minimise that risk, a risk strategy and risk register has been prepared. The strategy is updated annually and the register is reviewed quarterly and updated as necessary.

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

Operational Review

Planned and Cyclical Maintenance

The Planned and Cyclical Maintenance programme saw a combined spend of £3.339m in 2009/10 (2008/09: £2.176m) This delivered:

Works	2009/10	2008/09
Kitchens	99	140
Bathrooms	120	40
Heating Systems	52	40
New Windows	101	50
Re-roughcast	12	-

In addition £1.105m (2008-09: £1.841m) was spent on Reactive Maintenance and repairs to empty houses.

The percentage of stock which fully meets the Scottish Housing Quality Standard is 23%. The reasons for failure are largely due to energy efficiency issues including insulation levels and the limited types of heating systems available in the islands.

The targets for the next few years will see a steady increase towards achieving the SHSQ in 2015. However, the Energy Efficiency criteria will be closely monitored and applications for exemptions considered if required.

Energy Grants for Renewable heating systems totaling £120,292 were received during the year. The grants were received from

Awarding body		£
Scottish and Southern	Carbon Emission Reduction Target (CERT)	10,800
Government	Low Carbon Building Programme (LCBG)	109,492
	TOTAL	120,292

Grant funding of £285,412 was also made available from the Government to deliver aids and adaptations for tenants with health and mobility problems.

Development Programme

HHP had another very successful year with its housing development programme. We completed a total of 58 homes in 2009/10. The new build included the completion

- 12 units at Arras Cottages, Perceval Road, Stornoway, Lewis
- 6 Units at Tom Na Ba, Galson, Lewis
- 6 Units at An T-Sithean, Back, Lewis
- 8 units at the Bridge, Stornoway. Lewis
- 3 units at 48 Coll, Lewis
- 12 units at Milkinghill, Lewis

- 4 units at Taigh Sgoile, Berneray
- 3 units at Cialla, Eoligarra, Barra
- 4 units at St Michael's Cottages, Barra

HHP continues to use new technology to try and drive down the cost to our tenants of heating their homes. The developments completed this year had a range of heating systems fitted – air source heat pumps, ground source heat pumps, heat recovery units, solar panels and gas. Survey data from tenants indicate good levels of satisfaction with these innovative heating systems, high levels of insulation in these properties also helps drive down fuel bills.

HHP's development programme continues apace and the following projects are now on site:

- 42 units at MacRae Hostel (Manor Drive) Stornoway
- 12 units at Smith's Shoe Shop (Ardanmhor Court) Stornoway
- 18 units at Bridge Cottages Stornoway
- 8 units at Bunnavoneadar Harris
- 11 units at Gearraidh Ghuirm Coll, Lewis.

The programmes at MacRae Hostel and Smith Shoe Shop include a total of 18 units which will be sold under the Government LIFT project.

Housing Services

Performance improved significantly during 2009/10 across a range of core performance areas making it HHP's best performance since transfer. Current Rent arrears were reduced by over a third and the number of tenants in serious arrears of over £1000 were reduced from 81 to 36. The focus was particularly on early action and prevention of arrears and we entered into a partnership with the Citizens Advice Service to improve the support and advice available to tenants.

We have also entered into discussions with a range of other local agencies to seek ways by which we can work better together for the benefit of tenants. Although this is at an early stage we believe that there is considerable scope for us to improve joint working and to achieve more through partnerships.

Performance on the speed of re-letting houses improved markedly. The average length of time to let houses was reduced from over 60 days in 2008/09 to around 30 days. Over 70% of houses were let within 28 days and we are working to improve on this. This improved performance generated additional income for the business.

Over 250 houses were allocated during the year. We continued to work closely with the Comhairle to address homelessness and 39% of all lets were made to homeless households compared to 27% the previous year.

We are committed to keeping housing estates in good condition and to address problems early. We introduced a system of annual estate inspections to identify problem issues and to seek to address these and resolve these. It is important to us that tenants are happy with the areas in which they live and we wish to develop this approach to involve tenants in these annual inspections.

We continued to develop our approach to Customer Service and now route all calls to the Customer Service team. We want to ensure that all our tenants receive the best possible service and that we direct their enquiries to the person best able to assist. We will continue to build on this approach and to improve the way we deliver services.

Financial Review

Financial Results

The turnover for the year to 31 March 2010 was £7.762 million against operating costs of £6.293 million. Operating costs for the year included £2.785 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 £6.440 million with £1.44 million received in grant from The Scottish Government. £0.225 million of the grant received was to support our Business Plan activities.

The operating surplus on Letting Activities was £1.450 million, 22.5% of Net Rental Income (2009: £0.639 million 10.7% of Net Rental Income). The main reasons for the increase in the Operating surplus from 2008/09 is the additional grant support received from Scottish Government in relation to HAG changes, the reduction in the reactive maintenance spend of £0.736 million and the slight reduction in management costs.

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.
- c) Pension reserve

Balance Sheet

HHP's Balance Sheet is shown on Page 22. The key factors affecting the balance sheet are:

- a) The addition of 58 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 £17.972 million. This is shown under Long Term debtors and Long Term creditors
- c) Decrease in prepayments and accrued income for the reduction in Debtors due within one year
- d) Borrowing of £1.5 million fixed for a 4 year period and shown under Creditors amounts falling due in more than one year.

Cash Flow

The Cash Flow is shown on page 23. Our net cash flow from operating activities was £1.664 million which included a Business Plan support grant of £0.738 million from The Scottish Government. The principal cash outflows were operating costs and investment in assets.

Current Liquidity

At 31 March 2010 HHP had cash and short-term deposits of £2.295 million. This was £2.144 million 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 £10 million 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 £20 million. The loans are repayable by year 30.

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

The Treasury Management Policy was approved in 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.

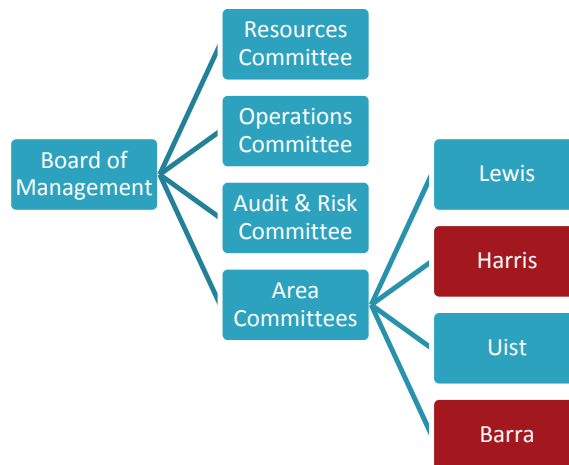
Governance & Management

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 Committees. 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 13 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 2010.

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

During 2009/10 seven 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 Standing 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
- Scrutinises the financial statements
- Monitors the implementation of internal audit recommendations, external audit reports and management letters
- Reviews the internal audit plan and scope of work
- Reviews the effectiveness of the overall risk strategy

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 fulfill 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 Councillor 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 agreed a new Tenant Participation strategy during 2009. This was based on work carried out with Western Isles Forum of Tenants and Residents Associations (WIFTRA) and followed a consultation exercise where all tenants were asked for their views. This strategy seeks to establish a variety of means for tenants to participate so that people can get involved in ways and at times that suit them. We have set up a small panel of tenants who said they would be willing to be approached periodically about their views on particular subjects. A Tenants' Conference was held in Stornoway in May 2010 and a further one is planned for Balivanich in September 2010.

We re-introduced a twice yearly newsletter for tenants and we have issued a summary of the Annual Report to all tenants. We continue to support and encourage tenants' voices and tenants groups in areas where tenants wish this.

We continue to seek the most effective ways of communicating with tenants. For example we have sought tenants' views on the Repair and Maintenance service through the tenants conference, through a public drop-in session and a postal survey of all tenants in Barra and via a focus group in Uist. We seek to learn from the success of these different options and to adapt our approach to what works for tenants.

Health and Safety

The Board places 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 2010.

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 2010-11 is being compiled from training needs highlighted during the staff performance appraisal system.

Internal Financial Control

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

Framework of Internal Control

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

Management Structure

The organisation for which the Board has overall responsibility is governed by a set of Standing Orders, which reserves specific powers to the Board and delegates functions and powers to its Officers, 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 2010/11. 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

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

Board Statement on Internal Financial Control

The Board, through the Audit and Risk Committee, has reviewed the effectiveness of HHP's internal control for the Year ended 31 March 2010. 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

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

We have audited the financial statements of Hebridean Housing Partnership Limited for the year ended 31 March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement 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 Report of the Board of Management is not consistent with the Financial Statements, if the Partnership 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 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007.



Calum Macdonald

Senior Statutory Auditor

for and on behalf of CIB Audit, Statutory Auditor

63 Kenneth Street

Stornoway

Isle of Lewis

Dated: 24 June 2010

Auditors Report on Corporate Governance

Corporate Governance

In addition to our audit of the Financial Statements, we have reviewed the Board of Management's statement on page 14 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 14 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
CIB Audit

Registered Auditor

63 Kenneth Street

Stornoway

Isle of Lewis

Dated: 24 June 2010

Financial Statements

Income and Expenditure Account for the year ended 31 March 2010

The results for the year relate wholly to continuing activities.

Statement of Total Recognised Surpluses and Deficits

		31 March 2010	31 March 2009
		£	£
	Notes		
Turnover	3	7,798,473	6,652,634
Operating costs	4 & 5	(6,329,737)	(5,970,215)
Operating surplus		1,468,736	682,419
Surplus on sale of fixed assets			
-housing properties	9	66,522	74,994
-other assests	9	10,570	-
Interest receivable and other income	10	6,281	40,113
Interest payable and similar charges	11	(218,177)	(212,576)
Surplus on ordinary activities, before transfers to Reserves		1,333,932	584,950

for the year ended 31 March 2010

		31 March 2010	31 March 2009
	Notes	£	£
Surplus on ordinary activities, before transfer to Reserves		1,333,932	584,950
Transfer to Designated Reserves	21	(419,164)	(259,482)
Total recognised surpluses since the last financial statements		914,768	325,468

Total recognised surpluses relate wholly to continuing activities.

The notes on pages 24 to 41 form part of these financial statements.

Balance Sheet as at 31 March 2010

		31 March 2010	31 March 2009
		£	£
	Notes		
Tangible Fixed Assets			
Housing Properties at valuation	15	6,806,783	6,117,048
Other tangible fixed assets	15	497,744	512,532
		<u>7,304,527</u>	<u>6,629,580</u>
 Debtors due after more than one year	16	18,075,469	20,271,131
 Current Assets			
Debtors due within one year	16	662,506	910,332
Short-term deposits		1,261,726	1,259,433
Cash at bank and in hand		<u>1,033,917</u>	<u>387,086</u>
		2,958,149	2,556,851
Creditors: amounts falling due within one year	17	(968,056)	(3,047,558)
Net current assets		<u>1,990,093</u>	<u>(490,707)</u>
Total assets less current liabilities		<u>27,370,089</u>	<u>26,410,004</u>
 Creditors: amounts falling due after more than one year	18	(6,481,764)	(4,595,884)
		20,888,325	21,814,120
Provisions for liabilities and charges	19	(17,971,963)	(20,162,797)
Net Assets		<u>2,916,362</u>	<u>1,651,323</u>
 Capital and Reserves			
Share Capital	20	182	175
Designated Reserve	21	802,339	383,175
Capital Reserve	22	384,279	453,179
Revenue Reserve	21	<u>1,729,562</u>	<u>814,794</u>
		<u>2,916,362</u>	<u>1,651,323</u>

These financial statements were approved by the Board on 24th June 2010 and were signed on its behalf by:

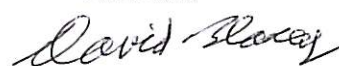
George Lonie
Chair



Dena Macleod
Secretary



David Blaney
Vice Chair



The notes on pages 24 to 41 form part of these financial statements.

Cash Flow Statement for the Year ended 31 March 2010

		31 March 2010	31 March 2009
		£	£
Net Cash (outflow)/inflow from operating activities	Notes 26	1,663,754	30,052
Returns on investment and servicing of finance			
Right to Buy Proceeds + Sale of Assets		77,092	74,994
Interest Received		6,281	40,113
Interest Paid		(218,177)	(212,576)
Net Cash (outflow)/ inflow from returns on investment and servicing of finance		(134,804)	(97,469)
Taxation			
Corporation Tax paid		-	-
less grant received		-	-
Net Cash outflow from Taxation		-	-
Capital expenditure and financial investment			
Acquisition and construction of properties		(6,341,418)	(5,750,142)
Purchase of other fixed assets		(66,440)	(411,992)
Grants received		5,517,820	4,128,831
Sales of properties		18,759	(4,274)
Transfer of assets		-	-
Net Cash outflow from capital expenditure		(871,279)	(2,037,577)
Net Cash outflow before use of liquid resources and financing		657,671	(2,104,994)
Management of liquid resources			
Cash lodged on deposit account		(2,293)	236,999
Financing			
Loan advances received		-	1,500,000
Loan principal repaid		(8,553)	(20,327)
Shares issued		7	3
		(8,546)	1,479,676
Increase/(Reduction) in cash	26	646,831	(388,319)

The notes on pages 24 to 41 form part of these financial statements

Notes to the financial statements for the Year ended 31 March 2010

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 capitalises repairs and improvement expenditure on housing properties that result 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 recognised in the income and expenditure account.

Shared Ownership

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

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

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

Commercial Properties

Commercial properties are valued at existing use value.

Provisions

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

Taxation

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

Depreciation

Depreciation is charged on a straight-line basis 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 capitalised repairs have been financed wholly or partly by grant, the cost of these repairs has been reduced by the amount of the grant received.

Value Added Tax

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

Development Agreement

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

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

Bad and Doubtful Debts

Provision is made against rent arrears 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

	2010			2009
	Operating Turnover £	Operating Costs £	Operating Surplus £	Operating Surplus £
Social housing lettings	7,584,575	6,171,025	1,413,550	638,743
Other activities	169,368	114,182	55,186	43,676
Grant Income	44,530	44,530	-	-
TOTAL	7,798,473	6,329,737	1,468,736	682,419

NOTE 4 Particulars of Income and Expenditure from Social Housing Lettings

	General Needs Housing £	Supported Accommodation £	Shared Ownership £	Total £	2009 £
Income from lettings					
Rent receivable net of service Charges	6,448,051	28,874	2,666	6,479,591	6,083,154
Service Charges receivable	11,933	5,183	2,907	20,023	20,861
Gross income from rents and service charges	6,459,984	34,057	5,573	6,499,614	6,104,015
Less voids	(59,298)	-	-	(59,298)	(122,358)
Net Income from rents and service charges	6,400,686	34,057	5,573	6,440,316	5,981,657
Grants from Scottish Ministers	738,555	-	-	738,555	275,000
Other Revenue Grants	405,704	-	-	405,704	147,429
Total Turnover from social letting activities	7,544,945	34,057	5,573	7,584,575	6,404,086
Expenditure on letting activities					
Management and Maintenance Administration costs	1,586,529	12,106	2,466	1,601,101	1,640,692
Planned and Cyclical Maintenance including major repairs	3,339,557	-	-	3,339,557	2,175,683
Reactive Maintenance	1,088,380	16,668	100	1,105,148	1,841,179
Bad Debts -rents and service charges	10,668	-	-	10,668	13,985
Depreciation of social housing	113,250	1,256	45	114,551	93,804
Operating costs of social letting activities	6,138,384	30,030	2,611	6,171,025	5,765,343
Operating surplus on letting activities	1,406,561	4,027	2,962	1,413,550	638,743

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 £	2009 £
Wider Action	44,530		44,530	44,530	-	-
Development		36,772	36,772	55,832	(19,060)	(32,098)
Management Services		63,696	63,696	58,350	5,346	6,544
Amortization negative goodwill		68,900	68,900		68,900	69,230
Total from other activities	44,530	169,368	213,898	158,712	55,186	43,676
31 March 2010	119,500	129,048	248,548	204,872	43,676	

NOTE 6 Board Members Emoluments

Board members received £7,154 (2009 £9,070) 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		
	2010	2009
	£	£
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)	92,953	83,600
Emoluments payable to the highest paid officer (excluding pension contributions)	83,069	72,320

DIRECTORS' EMOLUMENTS		
	2010	2009
	£	£
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
More than £80,000 but not more than £100,000	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 2010 the average number of employees of the Partnership, including executive directors, was 45 (FTE) (2009 – 40.5 FTE).

EMPLOYEE INFORMATION		
	2010	2009
	£	£
Staff costs (for the above persons)		
Wages and Salaries	1,014,045	952,238
Social Security costs	73,982	70,322
Employers' pension costs	159,398	141,129
	<u>1,247,425</u>	<u>1,163,689</u>
Staff costs capitalised	<u>(282,363)</u>	<u>(175,623)</u>
	<u>965,062</u>	<u>988,066</u>

NOTE 9 Surplus on Sale of Fixed Assets

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

NOTE 10 Interest Receivable and Other Income

Interest Receivable and Other Income		
	2010	2009
	£	£
Bank interest receivable on deposits in the year	6,281	40,113
	<u>6,281</u>	<u>40,113</u>

NOTE 11 Interest Payable and Similar Charges

Interest Payable and Similar Charges		
	2010	2009
	£	£
Loan interest Payable	218,177	212,576
Bank interest payable	-	-
	<u>218,177</u>	<u>212,576</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		
	2010	2009
	£	£
The remuneration of the auditors is as follows		
Auditors' remuneration		
-in their capacity as auditors	7,800	7,360
-in respect of other services	-	-
	<u>7,800</u>	<u>7,360</u>

NOTE14 Financial Commitments

Capital Commitments		
	2010	2009
	£	£
Expenditure contracted for, but not provided in the accounts	9,469,759	3,000,262
Expenditure authorised by the Board but not contracted	885,834	5,929,428
	<u>10,355,593</u>	<u>8,929,690</u>
Operating leases		
	2010	2009
	£	£
At 31 March 2010 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	19,718	2,640
	<u>19,718</u>	<u>2,640</u>

NOTE 15 Tangible Fixed Assets

HOUSING PROPERTIES						
	Housing held for letting	Transferred property	Shared Ownership	Properties under construction	Transferred Property under constr	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2009	11,560,244	22,874,626	127,643	5,313,091	658,281	40,533,885
Additions	108,788	99	-	6,232,531	-	6,341,418
Disposals	-	(129,612)	-	-	-	(129,612)
Transferred	7,101,525	-	-	(6,664,070)	(437,455)	-
At 31 March 2010	18,770,557	22,745,113	127,643	4,881,552	220,826	46,745,691
Grants						
At 1 April 2009	(9,661,232)	(18,718,380)	(123,596)	(4,818,729)	(591,688)	(33,913,625)
Received during the Year	(14,851)	-	-	(5,502,969)	-	(5,517,820)
Transferred	(5,836,094)	-	-	5,409,010	427,084	-
Eliminated on disposal	-	107,010	-	-	-	107,010
At 31 March 2010	(15,512,177)	(18,611,370)	(123,596)	(4,912,688)	(164,604)	(39,324,435)
Depreciation						
At 1 April 2009	(28,527)	(472,532)	(2,153)	-	-	(503,212)
Eliminated on Disposal	-	3,844	-	-	-	3,844
Charge for year	(46,160)	(68,900)	(45)	-	-	(115,105)
At 31 March 2010	(74,687)	(537,588)	(2,198)	-	-	(614,473)
Net Book Value						
at 31 March 2010	3,183,693	3,596,155	1,849	(31,136)	56,222	6,806,783
Net Book Value						
at 31 March 2009	1,870,485	3,683,714	1,894	494,362	66,593	6,117,048

NOTE 15 Tangible Fixed Assets

OTHER TANGIBLE FIXED ASSETS				
	Commerical property	Furniture Fittings & Equipment	Computer Equipment	Total
	£	£	£	£
Cost or valuation				
At 1 April 2009	357,367	123,374	169,905	650,646
Additions	1,535	6,949	57,956	66,440
Disposals	-	-	-	-
At 31 March 2010	358,902	130,323	227,861	717,086
Depreciation				
At 1 April 2009	(2,978)	(58,709)	(76,427)	(138,114)
Eliminated on disposal	-	-	-	-
Charge for year	(5,982)	(26,100)	(49,146)	(81,228)
At 31 March 2010	(8,960)	(84,809)	(125,573)	(219,342)
Net Book Value				
at 31 March 2010	349,942	45,514	102,288	497,744
Net Book Value				
at 31 March 2009	354,389	64,665	93,478	512,532

The number of units of accommodation owned and managed at 31 March 2010 by the Partnership was:

Housing Stock		
	2010	2009
Social Housing		
General Needs	2,165	2,124
Shared Ownership	3	3
Supported Housing	15	15
Total Social Housing	2,183	2,142

NOTE 16 Debtors

Debtors: Due after more than one year		
	2010	2009
	£	£
Development Agreement (see Note 2)	17,971,963	20,162,797
Loan Arrangement Fee	103,506	108,334
	<u>18,075,469</u>	<u>20,271,131</u>

In accordance with the development agreement accounting policy, included in debtors is a balance of £17.97 million in respect of the expected cost of the development work that Comhairle nan Eilean Siar has committed to undertake in order to refurbish the properties. The Comhairle has sub-contracted the Partnership to carry out the programme of catch-up repairs to the residential accommodation as part of a development agreement. This balance relates to the identical provision in the accounts for this expenditure and as work progresses both of these balances will be utilised when the work is actually undertaken.

Debtors: Due within one year		
	2010	2009
	£	£
Arrears of rent and service charges	273,630	312,866
Less: provision for bad and doubtful debts	(98,933)	(203,924)
	<u>174,697</u>	<u>108,942</u>
Other debtors	487,809	801,390
Total	<u>662,506</u>	<u>910,332</u>

NOTE 17 Creditors Amounts Falling Due Within One Year

Creditors: Amounts falling due within one year		
	2010	2009
	£	£
Amounts falling due within one year:		
Trade creditors	148,326	136,801
Rent and service charges received in advance	32,049	44,144
Salaries, wages, other taxation and social security	56,789	57,832
Accruals	481,224	1,050,560
Loans (see Note 18)	249,668	1,758,221
Total	<u>968,056</u>	<u>3,047,558</u>

NOTE 18 Creditors amounts falling due after more than one year

Creditors: Amounts falling due after more than one year		
	2010	2009
	£	£
Right to Buy receipts due to the Scottish Executive	1,481,764	1,095,884
LOANS		
All loans are advanced by Banks, are repayable in 2027 (Fixed) and are secured by way of standard securities on the Partnership's housing land and buildings.		
a) Fixed Rate	5,000,000	3,500,000
b) Variable Rate	249,668	1,758,221
Analysis of duration of loans and interest rates:		
	2010	2009
	£	£
	3.85% to 5.40%	
Repayable in one year or more	1,749,668	1,758,221
Repayable in more than five years	3,500,000	3,500,000
	5,249,668	5,258,221
Being Loans falling due		
-within one year	249,668	1,758,221
-after more than one year	5,000,000	3,500,000
	5,249,668	5,258,221
Average interest rates at 31 March		
Fixed	5.22%	5.40%
Variable	1.00%	3.85%
Overall	3.11%	5.76%

Bank Lending Facility

At the year end the Partnership had drawn down £5.258 million on the lending facility. A committed facility of £10 million was available from the Royal Bank of Scotland along with an uncommitted overdraft facility of £0.250 million. In setting up this facility the Partnership incurred total arrangement fees of £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		
	2010	2009
	£	£
At 1 April 2009	20,162,797	21,448,125
Created in Year	-	-
Utilised	(2,190,834)	(1,285,328)
At 31 March 2010	17,971,963	20,162,797

Development Agreement

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

NOTE 20 Share Capital

Share Capital		
	2010	2009
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2009	175	172
issued during period	7	3
Transferred	-	-
Surrendered during period	-	-
At 31 March 2010	182	175

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

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

NOTE 21 Reserves

Revenue Reserves		
	2010	2009
	£	£
Accumulated surplus at 1 April 2009	814,794	489,326
Surplus for the year	914,768	325,468
Accumulated surplus at 31 March 2010	1,729,562	814,794

Designated Reserves					
	Asbestos	Pension	Repairs & Renewals	2010	2009
	£	£	£	£	£
Balance at 1 April 2009	226,261	38,000	118,914	383,175	123,693
Transferred to Reserve	129,000	140,000	150,164	419,164	259,482
Balance at 31 March 2010	355,261	178,000	269,078	802,339	383,175

NOTE 22 Capital Reserve

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

Capital Reserve		
	2010	2009
	£	£
Fixed Assets at net book value	4,089,387	4,089,387
Current Assets	779,095	779,095
Cash	942,849	942,849
Liabilities	(1,459,564)	(1,459,564)
Loans	(3,761,505)	(3,761,505)
Net Assets	590,262	590,262
Amount amortised to Income and Expenditure		
In previous years	(137,083)	(67,853)
In current year	(68,900)	(69,230)
Reserve at 31 March 2010	384,279	453,179

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 2010 % per annum	31-Mar 2009 % per annum
Price increases	3.90%	3.00%
Salary increases	5.40%	4.50%
Pension increases	3.90%	3.00%
Discount rate	5.50%	6.70%

Assets (Employer)				
	Long Term		Long Term	
	Return at	Assets at	Return at	Assets at
	31-Mar-10	31-Mar-10	31-Mar-09	31-Mar-09
	%	£000's	%	£000's
Equities	7.90%	3,125	7.40%	453
Gilts (1)	4.50%	198	4.00%	32
Other Bonds	5.50%	277	6.50%	46
Property	5.90%	316	5.40%	67
Cash	3.00%	40	3.00%	16
TOTAL	7.40%	3,956	6.70%	614

Net Pension Asset		
	2010	2009
	£000's	£000's
Present Value of Funded Obligation	5,978	3,242
Fair Value of Scheme Assets	3,956	2,646
Net Liability	2,022	596
Present Value of Unfunded Obligation	23	20
Unrecognised Past Service Cost	-	-
Net Liability	2,045	616

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 installment of £225,000 received during the year has been applied as follows:

Scottish Government Non-Specific Grants		
	2010	2009
	£	£
Opening balance	1,725,000	2,000,000
Grant Funding received	225,000	275,000
Applied to investment expenditure		
Deferred for application against future expenditure	<u>1,500,000</u>	<u>1,725,000</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		
	2010	2009
	£	£
Operating surplus	1,468,736	682,419
Depreciation charges	196,333	154,514
Amortisation of Capital Reserve	(68,900)	(69,230)
(Increase)/Decrease in debtors	252,654	(445,170)
(Decrease)/Increase in creditors and provisions (excluding loans)	(185,069)	(292,481)
<i>Net Cash inflow from operating activities</i>	<u>1,663,754</u>	<u>30,052</u>

Analysis of Net Debt		
	2010	2009
	£	£
Debt due after 1 Year	(5,000,000)	(3,500,000)
Debt due within 1 Year	(249,668)	(1,758,221)
	<u>(5,249,668)</u>	<u>(5,258,221)</u>
Bank and short term deposits	2,295,643	1,646,519
	<u>(2,954,025)</u>	<u>(3,611,702)</u>

Analysis of Changes in Net Cash			
	At 1 April	Cash	31-Mar
	2009	Inflow	2010
	£	£	£
Cash at bank and in hand	387,086	646,831	1,033,917
Overdraft			-
Reduction in cash	<u>387,086</u>	<u>646,831</u>	<u>1,033,917</u>
Deposits	1,259,433	2,293	1,261,726
Debt due after more than an year		-	-
	<u>1,646,519</u>	<u>649,124</u>	<u>2,295,643</u>

Detailed Income & Expenditure Account

	2010				2009			
	Lettings	Other	Grant	Total	Lettings	Other	Grant	Total
	£	£	£	£	£	£	£	£
Income								
Net Rental Income	6,440,316			6,440,316	6,429,645			6,429,645
Factoring Fee		6,417		6,417		7,738		7,738
Fee income for Services		57,279		57,279		52,081		52,081
Fees charged to Investment		282,363		282,363		175,623		175,623
Negative Goodwill amortised		68,900		68,900		69,230		69,230
Other Grants			963,789	963,789			266,929	266,929
Deficit Funding Grant			225,000	225,000			275,000	275,000
	6,440,316	414,959	1,188,789	8,044,064	6,429,645	304,672	541,929	7,276,246
Operating costs								
Employee costs	1,090,045	123,296	-	1,213,341	989,070	97,114	-	1,086,184
Premises Costs	91,103	12,229	-	103,332	73,123	14,000	-	87,123
IT & Telecoms	159,977	-	-	159,977	163,289	-	-	163,289
Area Offices	42,978	-	-	42,978	43,602	-	-	43,602
Internal Audit	10,591	-	-	10,591	8,800	-	-	8,800
Payroll & Cashdesk	17,735	-	-	17,735	20,264	-	-	20,264
Finance Services	-	-	-	-	-	-	-	-
Supplies & Services	322,384	12,229	-	334,613	309,078	14,000	-	323,078
Postage, printing & stationery	37,419	744	-	38,163	40,839	586	-	41,425
Admin, Furniture & equipment	1,914	-	-	1,914	287	-	-	287
Training	24,023	-	-	24,023	20,963	-	-	20,963
Community Support	9,064	-	-	9,064	22,132	-	-	22,132
Misc Admin	4,639	-	-	4,639	5,280	-	-	5,280
Recruitment costs	3,233	-	-	3,233	3,378	-	-	3,378
Administration Costs	80,292	744	-	81,036	92,879	586	-	93,465
Consultants + Audit Fees	67,238	30,668	-	97,906	124,192	-	-	124,192
Insurance	146,866	-	-	146,866	147,396	-	-	147,396
Affiliation Fees	17,842	-	-	17,842	19,309	-	-	19,309
Governance	-	-	-	-	20,148	-	-	20,148
Wider Role Grant	12,727	-	44,530	57,257	-	-	119,500	119,500
Bank Charges & Fees	10,503	-	-	10,503	17,045	-	-	17,045
Public Relations/Marketing	13,172	-	-	13,172	5,924	-	-	5,924
Corporate Expenses	268,348	30,668	44,530	343,546	334,014	-	119,500	453,514
Supervision & Management	1,761,069	166,937	44,530	1,972,536	1,725,041	111,700	119,500	1,956,241
Bad Debt provision movement	10,668			10,668	13,985			13,985
Response Repairs	1,108,990			1,108,990	1,845,414		-	1,845,414
Planned/Cyclical Maintenance	554,788			554,788	544,638			544,638
Investment Programme	2,154,065		630,704	2,784,769	1,208,616		422,429	1,631,045
Total investment in properties	3,817,843	-	630,704	4,448,547	3,598,668	-	422,429	4,021,097
Abortive Developments		-		-				-
Depreciation	196,332			196,332	154,515			154,515
Total Operating Costs	5,785,912	166,937	675,234	6,628,083	5,492,209	111,700	541,929	6,145,838
Operating surplus/deficit	654,404	248,022	513,555	1,415,981	937,436	192,972	-	1,130,408

This page does not form part of the audited financial statements

Board of Management

Name	Category	Changes during the year	
		Appointed	Resigned
George Lonie (Chairman)	Community	20 Sept 2007 (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)	
Paul Alldred	Tenant	17 Sept 2009 (re-appointed)	
Daniel Coyle	Tenant	17 Sept 2009 (re-appointed)	
Calum Mackay	Community	18 Sept 2008 (re-appointed)	
Jane Mackinnon	Community	17 Sept 2009 (re-appointed)	
George Banks	Community	20 Sept 2007	25 June 2009
Helen Smith	Community	18 Sept 2008	
Mairi Bremner	Community	17 Sept 2009	
Neil Campbell	Councillor	28 June 2007	
Archie Campbell	Councillor	28 June 2007	
Charles Nicolson	Councillor	28 June 2007	28 January 2010
Gerry Macleod	Councillor	28 June 2007	

Supplementary Information

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

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