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

**For the year ended 31 March 2009**

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

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## INFORMATION as at 31 March 2009

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### Registered Office

Crannog Lane, Oban, Argyll, PA34 4HB

### Registration Numbers

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

### Management Committee

Kenneth MacColl	Chairman
Antony Cave	Vice-chairman
Murray Sim	Secretary
Blair Allan	Co-opted 28 February 2009
Gordon Chalmers	Councillor
Robin Currie	Councillor
Cherilynn Duffield	Tenant. Co-opted 29 August 2008
Ian Gillies	Appointed 28 August 2008
Duncan MacKenzie	
Barbara Milne	Tenant
Stuart Moir	Deceased 21 December 2008
Mary Morrison	Tenant
Gwyneth Neal	Appointed 28 August 2008
Elaine Robertson	
Margaret Smith	Tenant. Appointed 28 August 2008

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

Lesley McInnes

### Auditors

R A Clement Associates  
Chartered Accountants  
Registered Auditors  
5 Argyll Square  
Oban  
PA34 4AZ

### Accountant

David Smith, Chartered Accountant  
Keppoch  
Croft Road  
Oban

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## INFORMATION as at 31 March 2009

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### Bankers

Alliance & Leicester Commercial Bank  
Customer Service Centre  
Bootle  
Merseyside

Bank of Scotland  
Station Road  
Oban

Clydesdale Bank  
6 Argyll Square  
Oban

Dunfermline Building Society  
Head Office  
Caledonia House  
Carnegie Avenue  
Dunfermline

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

Standard Life Bank  
Dundas House  
20 Brandon Street  
Edinburgh

Cooperative Bank  
206 St Vincent Street  
Glasgow

### Solicitors

E Thornton & Co  
8 High Street  
Oban

T C Young  
7 West George Street  
Glasgow

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

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The Committee of Management present their report and audited financial statements for the year ended 31 March 2009.

### **Organisation**

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

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

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

### **Principal activity**

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

### **Corporate Governance**

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

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

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

### **Review of the Year**

The main focus of our efforts in the year to 31 March 2009 was in relation to our repairs and maintenance service. We have drawn up ambitious plans for the upgrade of our existing stock and in the last year 40 properties have been improved. This work included the fitting of new kitchens and heating systems.

The association has been facing reductions in the amount of grant subsidy available for new development and there has also been a cutback in the availability of finance from banks and building societies. In the light of this considerable effort has gone into our business planning to ensure that the association's development commitments do not detract from the overall viability of the association.

### **Performance Management**

In 2007 we had identified our repairs service performance as a priority for improvement and through a steady focus by staff and with the commitment of our contractors the last year has seen a dramatic increase in our repairs performance. Further work is being undertaken to ensure that this improvement continues with repairs being carried out more quickly and to a higher standard of quality.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

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### **Development**

The association completed 26 new affordable properties for rent in Oban, Dalavich and Tiree. In addition, we completed the sale of 17 Homestake properties at Glenshellach in Oban, assisting people into home ownership. The current pipeline of developments is expected to produce a further 100 new properties by the end of 2010.

### **Housing Management**

We are rightly proud of our work in helping people to sustain tenancies and want to ensure any court action is one not taken lightly. This year we are pleased to report that we had very few formal recovery of tenancies. The Association recovered two for non-payment of rent and one for anti-social behavior. We held a number of meetings with tenants and residents over the year and received useful feedback on how we might start to tailor our work over the coming year.

### **Maintenance**

The association has commenced its programme of work designed to ensure that it meets the Housing Quality Standard with 40 properties upgraded during the year. Plans are well developed to continue this programme of refurbishment whilst due regard is given to ensuring that the association obtains good value for the high level of investment which is being undertaken.

### **Management Structure**

The association currently operates with a small team of 3 senior managers with the main aim of ensuring that the organisation is service focused on its customers.

### **Risk Management Strategy**

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

### **Budgetary process**

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

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

### **Financing and liquidity**

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

The association does not enter into transactions of a speculative nature. At 31 March 2009, the association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## REPORT OF COMMITTEE OF MANAGEMENT 31 March 2009

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

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

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

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

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

### **Information for Auditors**

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

### **Auditors**

R A Clements Associates have indicated their willingness to continue in office.

This report was approved by the committee on 21 August 2009 and signed on its behalf.

Murray Sim  
Secretary

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS 31 March 2009

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

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

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

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

The Committee of Management have reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2009 and until the below date. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

This statement was approved by the committee on 21 August 2009 and signed on its behalf.

Murray Sim  
Secretary

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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## AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS 31 March 2009

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### Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 6 concerning the association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

### Basis of Opinion

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

### Opinion

In our opinion the statement on internal financial control on page 6 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

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

R A Clement Associates  
Chartered Accountants  
Registered Auditors  
Oban

21 August 2009

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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We have audited the financial statements on pages 10 to 32, which have been prepared under the accounting policies set out on pages 14 to 17.

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

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

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

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

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

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

### **Basis of opinion**

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

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

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# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

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

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

We agree with the opinion of the Committee of Management of the association that it would be of no real value to the members of the association to consolidate or include the accounts of the association's subsidiary, in the group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2009 because of the insignificant amounts involved.

### **Opinion**

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

R A Clement Associates  
Chartered Accountants  
Registered Auditors  
Oban

21 August 2009

## WEST HIGHLAND HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT for the year ended 31 March 2009

	Notes	2009	Restated 2008
Turnover	2	3,582,885	1,735,512
Less Operating costs		<u>(3,059,289)</u>	<u>(869,419)</u>
Operating surplus		523,596	866,093
Charitable donation		-	(11,000)
Gain on sale of fixed assets		<u>-</u>	<u>50,606</u>
		523,596	905,699
Interest receivable		87,151	81,008
Interest payable and similar charges	8	<u>(511,477)</u>	<u>(491,899)</u>
		<u>(424,326)</u>	<u>(410,891)</u>
Surplus on ordinary activities before tax		99,270	494,808
Taxation		<u>-</u>	<u>-</u>
Surplus for year		<u><u>99,270</u></u>	<u><u>494,808</u></u>

All activities relate to continuing activities within the year.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS for the year ended 31 March 2009

	Notes	2009 £	Restated 2008 £
<b>Surplus for the year and total recognised surpluses and deficits for the year</b>			
Surplus for the year before restatement		<u>99,270</u>	<u>494,808</u>
Total recognised surpluses and deficits for the year		99,270	<u>(494,808)</u>
Prior year adjustment	24	<u>(63,574)</u>	
Total surpluses and deficits recognised since last financial statements		<u>35,696</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## BALANCE SHEET as at 31 March 2009

	Notes	£	2009 £	£	Restated 2008 £
<b>Tangible Fixed Assets</b>					
Housing property	10		67,753,211		59,897,208
less Social Housing Grant	10		<u>(56,168,300)</u>		<u>(49,464,449)</u>
			11,584,911		10,432,759
Other tangible fixed assets	11		<u>615,716</u>		<u>619,299</u>
			12,200,627		11,052,058
<b>Investments</b>			<u>100</u>		<u>100</u>
			12,200,727		11,052,158
<b>Current Assets</b>					
Work in progress	12	-		1,212,405	
Debtors	13	4,501,664		3,680,300	
Bank and cash		<u>1,434,801</u>		<u>1,566,724</u>	
		5,936,465		6,459,429	
<b>Current Liabilities</b>					
Creditors due within one year	14	<u>4,662,417</u>		<u>4,991,424</u>	
<b>Net Current Assets</b>			<u>1,274,048</u>		<u>1,468,005</u>
			13,474,775		12,520,163
Creditors due after one year	15		<u>(10,518,076)</u>		<u>(9,662,728)</u>
<b>Net Assets</b>			<u>£ 2,956,699</u>		<u>£ 2,857,435</u>
<b>Capital and Reserves</b>					
Share capital	16		195		201
Major repairs reserve	17		2,507,480		2,507,480
Revenue reserve	17		<u>449,024</u>		<u>349,754</u>
			<u>£ 2,956,699</u>		<u>£ 2,857,435</u>

These financial statements were approved by the Committee of Management on 21 August 2009 and authorised for issue on 21 August 2009 and signed on their behalf by:

Committee Member

Committee Member

Secretary

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## CASH FLOW STATEMENT for the year ended 31 March 2009

	Notes	2009	Restated 2008
<b>Net cash inflow from operating activities</b>	18.1	1,914,306	(1,653,195)
<b>Returns on investments and servicing of finance</b>			
Interest received	87,151	81,008	
Interest paid	<u>(511,477)</u>	<u>(491,899)</u>	
		(424,326)	(410,891)
<b>Investing activities</b>			
Cash paid for construction and purchases	(7,996,145)	(9,664,220)	
Social Housing Grant received	6,703,851	7,545,348	
Sales of housing properties	-	96,880	
Purchase of other fixed asset	(16,287)	(4,196)	
Social Housing Grant repaid	<u>-</u>	<u>(35,648)</u>	
<b>Net cash inflow/(outflow) from investing</b>		(1,308,581)	(2,061,836)
<b>Financing</b>			
Loans received	1,056,903	8,172,628	
Loan principal repaid	(1,370,219)	(4,412,344)	
Increase in share capital	<u>(6)</u>	<u>5</u>	
<b>Net cash inflow on financing</b>		(313,322)	3,760,289
<b>Charitable donation</b>		<u>-</u>	<u>(11,000)</u>
<b>Increase/(Decrease) in cash</b>		<u><u>(131,923)</u></u>	<u><u>(376,633)</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 1. Accounting Policies

#### 1.1 Introduction and accounting basis

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

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

#### 1.2 Change in accounting policies

Accounting policies 'Sale of Housing Properties' and 'Property Development Cost' and 'Turnover' represent a change in accounting policy, following implementation of the Statement of Recommended Practice, Accounting by Registered Social Landlords, 2008. The previous treatment was to credit the first tranche sale of shared ownership properties against the cost. This has resulted in a prior year adjustment, as set out in note 24.

#### 1.3 Mortgages

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

#### 1.4 Social Housing Grants

Social Housing Grants (SHG), previously referred to as Housing Association Grants (HAG) are utilised to reduce the amount of mortgage loan in respect of an approved scheme to the amount which it is estimated can be serviced by the net annual income of the scheme. The amount of SHG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the Scottish Government (Communities Scotland to 31 March 2008). SHG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

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

Acquisition and Development Allowances are determined by the Scottish Government (Communities Scotland to 31 March 2008) and are advanced as grants. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes. Development allowances become available in instalments according to the progress of work on the scheme. These allowances are credited to development costs when they are receivable.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 1.6 Fixed assets - Housing land and buildings

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

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

These costs are either termed "qualifying costs" by Scottish Ministers (Communities Scotland to 31 March 2008) for approved SHG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the association's reserves.

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

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

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

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

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

### 1.7 Depreciation

#### (i) Housing properties

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

No depreciation is charged on the cost of land.

#### (ii) Other fixed assets

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

Office Property	-	over 50 years
Furniture & equipment	-	20 % reducing balance

A full year's depreciation is charged on these assets in the year of purchase, but no charge is made in the year of disposal.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 1.8 Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

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

### 1.9 Improvements

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

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

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

### 1.10 Stock and work in progress

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

### 1.11 Reserves

Designated reserve - reserve for major repairs

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

### 1.12 Apportionment of management expenses

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

### 1.13 Sale of housing properties

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

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

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

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

### **1.15 Lease obligations**

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

### **1.16 Value added tax**

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

### **1.17 Pensions**

The association participates in the centralised SFHA Defined Benefit Pension Scheme and retirement benefits to employees of the Association are funded by contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating associations taken as a whole.

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

### **1.18 Turnover**

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

### **1.19 Consolidation**

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

**2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business**

	Turnover £	Operating Costs £	Operating Surplus £	Surplus/ (Deficit) Before Taxation £	Restated 2008 Total £
Income and expenditure from letting	2,043,960	(1,497,803)	546,157	546,157	866,093
Income and expenditure from other activities	<u>1,538,925</u>	<u>(1,561,486)</u>	<u>(22,561)</u>	<u>(22,561)</u>	<u>-</u>
Current year total	<u>3,582,885</u>	<u>(3,059,289)</u>	<u>523,596</u>	<u>523,596</u>	<u>866,093</u>
Previous year total restated	<u>1,735,512</u>	<u>(869,419)</u>	<u>866,093</u>	<u>866,093</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 3 Particulars of income and expenditure from lettings

	General Needs Housing	Shared Ownership	2009 Total	Restated 2008 Total
	£	£	£	£
<b>Income from lettings</b>				
Rent receivable net of Identifiable Service charges	2,000,341	63,253	2,063,594	1,697,835
Service charges receivable	-	-	-	-
Gross Rents Receivable	<u>2,000,341</u>	<u>63,253</u>	<u>2,063,594</u>	<u>1,697,835</u>
Rent losses from voids	<u>(19,634)</u>	<u>-</u>	<u>(19,634)</u>	<u>(7,268)</u>
<b>Total turnover from social lettings activities</b>	<u>1,980,707</u>	<u>63,253</u>	<u>2,043,960</u>	<u>(1,690,567)</u>
<b>Expenditure on social letting activities</b>				
Management and maintenance administration	412,957	8,275	421,232	372,679
Service costs	39,470	1,248	40,718	39,183
Planned and cyclical maintenance including major repair costs	701,098	-	701,098	152,847
Reactive maintenance	177,405	-	177,405	115,294
Bad debts	17,208	-	17,208	14,304
Depreciation on social housing	<u>138,382</u>	<u>1,760</u>	<u>140,142</u>	<u>130,167</u>
<b>Operating costs for social letting activities</b>	1,486,520	11,283	1,497,803	824,474
<b>Operating Surplus for social lettings</b>	<u>494,187</u>	<u>51,970</u>	<u>546,157</u>	<u>866,093</u>
<b>Operating surplus for social lettings for previous year restated</b>	<u>834,548</u>	<u>31,545</u>	<u>866,093</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 4 Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers £	Other income £	Total turnover £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit for previous year £
Administration charges	-	6,138	6,138	(6,138)	-	-
Development and improvement administration	132,607	-	132,607	(179,820)	(47,213)	13,071
Development and improvement administration capitalised	(132,607)	-	(132,607)	(179,820)	47,213	(13,071)
Wider role projects	182,220	-	182,220	(204,781)	(22,561)	-
Shared equity	-	1,318,750	1,318,750	(1,318,750)	-	-
Other income	-	31,817	31,817	(31,817)	-	-
	<u>182,220</u>	<u>1,356,705</u>	<u>1,538,925</u>	<u>(1,561,486)</u>	<u>(22,561)</u>	<u>-</u>
Total for previous year	<u>-</u>	<u>44,945</u>	<u>44,945</u>	<u>(44,945)</u>	<u>-</u>	

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 5 AUDITOR'S REMUNERATION

	2009 £	2008 £
Remuneration of auditors for audit services	9,670	8,000
Remuneration of auditors for services other than those as external auditors	-	-
	9,670	8,000

### 6 EMPLOYEE INFORMATION

	2009 £	2008 £
Staff Costs during year		
Wages and salaries	363,973	324,838
Social security costs	26,042	25,139
Other pension costs	41,537	38,391
	431,552	388,368

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

Administration and Maintenance	15	13
--------------------------------	----	----

### 7 DIRECTORS' REMUNERATION

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

	2009 £	2008 £
Emoluments paid to highest paid director(excluding pension contributions)	50,895	46,589
Director's pension contributions	7,838	6,144
Aggregate emoluments payable to directors (including pension contributions)	58,733	52,733
Expenses paid to Chief Executive and committee members	2,192	1,114

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 8 INTEREST PAYABLE

	2009	2008
	£	£
Loan interest payable	511,477	555,616
less: Development loan interest capitalised	-	(63,717)
	<u>511,477</u>	<u>491,899</u>

### 9 TAXATION

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 10 TANGIBLE FIXED ASSETS HOUSING PROPERTY

	Letting properties			Total £
	Complete £	Under construction £	Shared ownership £	
<b>Cost</b>				
As at 1 April 2008	47,537,273	11,641,018	1,339,726	60,518,017
Prior year adjustment	-	-	(76,785)	(76,785)
Restated as at 1 April 2008	<u>47,537,273</u>	<u>11,641,018</u>	<u>1,262,941</u>	<u>60,441,232</u>
Additions during the year	676,067	7,320,078	-	7,996,145
Transfer	3,615,090	(3,615,090)	-	-
Disposals during the year	-	-	-	-
As at 31 March 2009	<u>51,828,430</u>	<u>15,346,006</u>	<u>1,262,941</u>	<u>68,437,377</u>
<b>Depreciation</b>				
As at 1 April 2008	530,915	-	26,320	557,235
Prior year adjustment	-	-	(13,211)	(13,211)
Restated as at 1 April 2008	<u>530,915</u>	<u>-</u>	<u>13,109</u>	<u>544,024</u>
Provided for year	138,382	-	1,760	140,142
Eliminated on disposals	-	-	-	-
As at 31 March 2009	<u>669,297</u>	<u>-</u>	<u>14,869</u>	<u>684,166</u>
<b>Cost less depreciation</b>				
As at 31 March 2009	<u>51,159,133</u>	<u>15,346,006</u>	<u>1,248,072</u>	<u>67,753,211</u>
Restated as at 1 April 2008	<u>47,006,358</u>	<u>11,641,018</u>	<u>1,249,832</u>	<u>59,897,208</u>
<b>Social Housing Grant</b>				
As at 1 April 2008	36,735,645	11,615,986	1,112,818	49,464,449
Additions during year	86,362	6,617,489	-	6,703,851
Transfers	3,210,331	(3,210,331)	-	-
Repaid and abated in year	-	-	-	-
As at 31 March 2009	<u>40,032,338</u>	<u>15,023,144</u>	<u>1,112,818</u>	<u>56,168,300</u>
<b>Net Book Value</b>				
As at 31 March 2009	<u>11,126,795</u>	<u>322,862</u>	<u>135,254</u>	<u>11,584,911</u>
Restated as at 1 April 2008	<u>10,270,713</u>	<u>25,032</u>	<u>137,014</u>	<u>10,432,759</u>

The net book amount at 31 March 2009 includes land cost of £4,947,325 (2008 : £4,471,667) which has not been depreciated.

Government and similar grants of £147,895 (cumulative to 31 March 2009: £532,245) were received during the year and are included in Social Housing Grant.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 11 OTHER TANGIBLE FIXED ASSETS

	Office property £	Office equipment £	Total £
Cost or valuation			
As at 1 April 2008	640,723	152,360	793,083
Additions	11,500	4,787	16,287
Disposals	-	-	-
As at 31 March 2009	<u>652,223</u>	<u>157,147</u>	<u>809,370</u>
Depreciation			
As at 1 April 2008	60,374	113,411	173,785
Charge for year	11,122	8,747	19,869
Eliminated on disposals	-	-	-
As at 31 March 2009	<u>71,496</u>	<u>122,158</u>	<u>193,654</u>
<b>Net book value</b>			
As at 31 March 2009	<u>580,727</u>	<u>34,989</u>	<u>615,716</u>
As at 1 April 2008	<u>580,349</u>	<u>38,949</u>	<u>619,298</u>

### 12 WORK IN PROGRESS

During the previous year the association developed 17 Homestake properties which at 31 March 2008 were held for sale. Work in Progress as at the year end includes the development costs and related overhead for the Homestake properties, net of Social Housing Grant received.

	2009 £	2008 £
Development costs and associated overhead	-	2,143,862
less Social Housing Grant	-	(931,457)
	<u>-</u>	<u>1,212,405</u>

### 13 DEBTORS

	2009 £	2008 £
Gross rent arrears	63,803	51,920
Bad debt provision	(36,615)	(24,680)
Net rent arrears	27,188	27,240
Other debtors	4,283,154	3,545,885
Prepayments and accrued income	191,322	107,175
	<u>4,501,664</u>	<u>3,680,300</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 14 CREDITORS DUE WITHIN ONE YEAR

	2009	2008
	£	£
Loans	224,842	1,393,506
Trade creditors	2,307,101	2,255,341
Social security and other taxes	10,012	4,668
Other creditors	1,269,613	1,263,546
Accruals and deferred income	850,849	74,363
	<u>4,662,417</u>	<u>4,991,424</u>

### 15 CREDITORS DUE AFTER ONE YEAR

	2009	2008
	£	£
Bank loans	<u>10,518,076</u>	<u>9,662,728</u>
In respect of loans above:		
Amounts payable by instalments		
within one year	224,842	1,393,506
within one to two years	234,535	168,528
within two to five years	766,979	568,909
in five years or more	<u>9,516,562</u>	<u>8,925,291</u>
	10,742,918	11,056,234
Less amount due within one year	<u>(224,842)</u>	<u>(1,393,506)</u>
	<u>10,518,076</u>	<u>9,662,728</u>

The above loans are secured by specific charges on the association's properties. Loans are repayable at varying rates of interest from 0.75% to 13% (2008: 5.25% to 13%).

### 16 SHARE CAPITAL

	2009	2008
	£	£
Shares of £1 fully paid and issued		
As at 1 April 2008	201	196
Issued in year	5	8
Cancelled in year	<u>(11)</u>	<u>(3)</u>
As at 31 March 2009	<u>195</u>	<u>201</u>

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 17 RESERVES

#### 17.1 Major repairs reserve

	<b>2009</b>	<b>2008</b>
	<b>£</b>	<b>£</b>
As at 1 April 2008	2,507,480	2,057,480
Transfer from Revenue reserve	-	450,000
As at 31 March 2009	<u>2,507,480</u>	<u>2,507,480</u>

There are no restrictions on this reserve

#### 17.2 Revenue reserve

	<b>2009</b>	<b>Restated 2008</b>
	<b>£</b>	<b>£</b>
At 1 April 2008 as previously stated	413,328	
Prior year adjustment	(63,574)	
Restated as at 1 April 2008	<u>349,754</u>	304,946
Surplus for the year	99,270	494,808
Transfer to major repairs reserve	-	(450,000)
As at 31 March 2009	<u>449,024</u>	<u>349,754</u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 18 NOTES TO THE CASH FLOW STATEMENT

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

	2009	2008
	£	£
Surplus for the year	99,270	494,808
Net interest payable	<u>424,326</u>	<u>410,891</u>
Operating surplus excluding interest	523,596	905,699
Depreciation	160,011	150,797
Gain on sale of property	-	(50,606)
Charitable donation	-	11,000
Decrease/(increase) in work in progress	1,212,405	(1,212,405)
Decrease/(increase) in debtors	(821,364)	(2,580,092)
(Decrease)/increase in creditors	<u>839,658</u>	<u>1,122,412</u>
	<u><u>1,914,306</u></u>	<u><u>(1,653,195)</u></u>

#### 18.2 Reconciliation of movement in net debt

Increase/(decrease) in cash	(131,923)	(376,633)
Loans received	(1,056,903)	(8,172,628)
Loan repayments	<u>1,370,219</u>	<u>4,412,344</u>
Change in net debt	181,393	(4,136,917)
Net debt at 1 April 2008	<u>(9,489,510)</u>	<u>(5,352,593)</u>
Net debt at 31 March 2009	<u><u>(9,308,117)</u></u>	<u><u>(9,489,510)</u></u>

#### 18.3 Analysis of change in net debt

	As at 01/04/08	Cash Flow	Other changes	As at 31/03/09
	£	£	£	£
Cash at bank and in hand	1,566,724	(131,923)	-	1,434,801
Overdraft	-	-	-	-
Debt due within one year	(1,393,506)	1,168,664	-	(224,842)
Debt due after one year	<u>(9,662,728)</u>	<u>(855,348)</u>	-	<u>(10,518,076)</u>
	<u><u>(9,489,510)</u></u>	<u><u>181,393</u></u>	<u><u>-</u></u>	<u><u>(9,308,117)</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 19 PENSIONS

The association participates in the SFHA Pension Scheme. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme currently offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate

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

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

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

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

During the accounting period the association paid contributions at the rate of 13.3% to 15.4% of pensionable salaries. Member contributions varied between 6.6% and 7.7%

As at the balance sheet date there were 12 active members of the Scheme employed by the association. The association continues to offer membership of the Scheme to its employees.

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

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 19 PENSIONS (continued)

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2006.

The financial assumptions underlying the valuation as at 30 September 2006 were as follows:

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	2.6

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

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

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

Following consideration of the results of the valuation it was agreed that the shortfall of £54 million would be dealt with by the payment of additional employer contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly, the joint contribution rates from 1 April 2008 for each of the benefit structures were as follows:

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 19 PENSIONS (continued)

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2020.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

The association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2006. As at this date the estimated employer debt for the association was £606,848.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 20 CAPITAL COMMITMENTS

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

	2009 £	2008 £
Contracted but not provided for	<u>9,866,860</u>	<u>9,422,768</u>

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

### 21 HOUSING STOCK

The number of units in management at 31 March 2009 was as follows:-

	2009 No.	2008 No.
Property for rent	623	597
Shared ownership	29	29
Property for rent managed for others	-	-
	<u>652</u>	<u>626</u>

### 22 LITIGATION

In 2004 Carillion Construction Ltd raised an action against the association, in relation to the design competition for Glenshellach Phase 2. Legal debate in relation to the action is continuing.

Legal advice to the committee remains that the association has no liability to Carillion Construction Ltd and therefore they do not anticipate that this action will have any material impact on the association's finances.

### 23 RELATED PARTIES

#### Tenants

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

#### Councillors

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

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 March 2009

### 23 RELATED PARTIES (continued)

#### West Highland Rural Solutions Limited

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

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

At the year end West Highland Housing Association owed £16,830 to West Highland Rural Solutions Limited.

### 24 PRIOR YEAR ADJUSTMENT

A change in accounting policies, following the implementation of the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords, 2008, resulted in a prior year adjustment to the financial statements.

First tranche sales of shared ownership properties were previously credited to cost, the new treatment is to credit those to turnover on completion and take the related cost of construction to operating costs. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account. Property developments that are intended for resale have been reclassified as current assets in accordance with the new accounting policy.

The impact on prior years of this change in accounting policy has been to:

	<b>2008</b>
	<b>£</b>
Reduce the cost of shared ownership properties brought forward at 1 April 2007	(76,785)
Reduce the accumulated depreciation on shared ownership properties brought forward at 1 April 2007	11,395
Reduce the amount of the Revenue Reserve brought forward at 1 April 2007	<u>(65,390)</u>
Reduce the depreciation charge for the year on shared ownership properties	(1,816)
Increase the surplus for the year	<u>1,816</u>

There have been no disposals of first tranche shared ownership properties in the current year.

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2009

<b>Rental income</b>	<b>2009</b>		<b>2008</b>	
	£	£	£	£
Rent	1,948,153		1,588,950	
Shared ownership rents	63,253		61,237	
Other rents	<u>52,188</u>		<u>47,648</u>	
		2,063,594		1,697,835
Voids		<u>(19,634)</u>		<u>(7,268)</u>
		2,043,960		1,690,567
 <b>Other Income</b>				
Factoring administration fee	6,138		4,110	
Commercial property income	25,489		23,571	
Sale of LIFT properties	1,318,750		-	
Wider role grant income	182,220		-	
Other income	<u>6,328</u>		<u>17,264</u>	
		<u>1,538,925</u>		<u>44,945</u>
<b>Turnover</b>		<u><u>3,582,885</u></u>		<u><u>1,735,512</u></u>
 <b>Direct property costs</b>				
Reactive repairs	161,998		106,207	
Cyclical repairs	31,788		33,193	
Major repairs	669,310		100,002	
Void repairs	15,407		9,087	
Repair fund repayments	-		19,652	
Service costs	40,718		39,183	
Bad debts	17,208		14,304	
Legal fees	21,030		14,696	
Insurance	18,152		14,542	
Property depreciation	<u>140,142</u>		<u>130,167</u>	
		<u><u>1,115,753</u></u>		<u><u>481,033</u></u>
 <b>Other attributed costs</b>				
LIFT cost of sales		1,318,750		-
Wider role expenses		<u>204,781</u>		<u>-</u>
		<u><u>1,523,531</u></u>		<u><u>-</u></u>

# WEST HIGHLAND HOUSING ASSOCIATION LIMITED

## DETAILED ANALYSIS OF INCOME AND EXPENDITURE ACCOUNT (not part of the statutory financial statements) for the year ended 31 March 2009

Administration costs	2009		2008	
	£	£	£	£
Staff salaries	390,015		349,977	
Staff pension	41,537		38,391	
Recruitment and relocation	8,437		2,515	
Training and library	14,016		11,125	
Motor and travel expenses	11,372		13,257	
Committee and directors expenses	2,192		1,114	
Affiliation fees and subscriptions	10,048		10,339	
Postage and stationery	14,703		15,732	
Telephone	6,578		6,342	
Equipment rental	2,233		2,409	
Computer and IT costs	13,915		10,300	
Advertising and promotion	9,230		13,597	
Rent and rates	1,940		4,080	
Insurance	8,922		6,643	
Heat and light	15,063		9,064	
Repairs	9,112		6,047	
Cleaning	325		481	
Accountancy fees	9,025		7,580	
Payroll service	633		873	
Audit fee	9,670		8,000	
Internal audit fees	3,321		613	
Consultancy fees	9,802		10,809	
Legal fees	11,190		11,207	
Bank charges	8,117		17,659	
Sundry expenses	2,248		735	
Depreciation	19,869		20,630	
	<u>633,513</u>		<u>579,519</u>	
Development overhead	<u>(213,508)</u>		<u>(191,133)</u>	
		<u>420,005</u>		<u>388,386</u>
Total operating costs		<u>3,059,289</u>		<u>869,419</u>
Operating surplus for year		<u>523,596</u>		<u>866,093</u>