

Contents

	Page
Board, Executive Officers and Appointees	2-3
Operating and Financial Review and Board of Management Report	4-15
Report of the Auditors	16-19
Income and Expenditure Account	20
Balance Sheet	21
Cash Flow Statement	22
Notes to Cash Flow Statement	23
Notes to the Financial Statements	24-42

Board, Executive Officers and Appointees

Board Members

Name	EHA Parent	ETVHA Subsidiary (Dormant)	EEL Subsidiary
Mrs H J Cuckow, FRICS, FCI Arb	Chairman Independent Member	Chairman	Director
Professor D L Brydon, BSc PhD, CChem, FRSC	Vice Chairman Independent Member		
Mr W Wilkie, MBE, BSc, MRICS	Independent Member	Member	Director
Mr T W Burrows, BA(Hons), MBA, RIAS (Ret), RTPI (Ret)	Independent Member	Member	Chairman
Mr M Clark	Tenant Member		
Mr H S Coyle BA(Hons), PG Dip Housing, FCIH	Independent Member		
Mrs C E Lang, DCE, DPSE	Independent Member	Member	Director
Mr R Long, B Arch(Hons)	Independent Member	Member	Director
Mr K Purslow	Independent Member	Member	
Mr R A Stewart, MBE	Independent Member		
Mrs J Malcolm, BA(Hons), MA	Independent Member		
Mrs M S Turnbull, MBE	Independent Member	Member	
Mr J Walker, CA	Independent Member (R – Sep 10)		
Mrs D MacDonald	Tenant Member (A – Sep 10)		
Mr I Jarvie			Director
Dr J Pace			Director

(A) = Appointed in the year.

(R) = Resigned in the year.

Executive Officers

Name	EHA Parent	ETVHA Subsidiary (Dormant)	EEL Subsidiary
Mr N J Istephan BA (Hons), MPhil Secretary and Chief Executive (Appointed 09 Apr 10)	✓	✓	✓
Mr A A Brown, ACMA Assistant Secretary and Director of Finance & Corporate Services	✓		
Mr L K Cox BSc, MRICS, MCIQB Director of Technical Services	✓		
Ms E J Shand, BA LLB, MCIH Director of Housing and Care Services	✓		

Registered Particulars

Registered Office	Registered No's
Eildon Housing Association Ltd - EHA Eildon Tweed Valley HA - ETVHA Eildon Enterprise Ltd - EEL The Weaving Shed Dunsdale Road Selkirk TD7 5EB	EHA – Parent Industrial and Provident Society - 1757 R(S) 1965 Scottish Charity - SCO15026 The Scottish Housing Regulator - HEP107
	ETVHA – Subsidiary (Dormant) Industrial and Provident Society – 2307 R (S)
	EEL – Subsidiary Company Registration Number – 273461 (Scotland)

Appointed Banker, Solicitor and Auditors

	EHA Parent	ETVHA Subsidiary (Dormant)	EEL Subsidiary
Banker Bank of Scotland 3 Channel Street Galashiels, TD1 1BE	✓	✓	✓
Solicitor Pike & Chapman 36 Bank Street Galashiels, TD1 1ER	✓	✓	✓
Auditor (External) Baker Tilly UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	✓	✓	✓
Auditor (Internal) Findlay & Co. Chartered Accountants 11 Dudhope Terrace Dundee DD3 6TS	✓		

OPERATING AND FINANCIAL REVIEW AND BOARD OF MANAGEMENT REPORT

A - CONTEXT - STRUCTURE, ACTIVITIES, GOVERNANCE AND MANAGEMENT

1. STRUCTURE

Eildon Housing Association is registered under the Industrial and Provident Societies Act 1965 and is a Scottish Charity with a Board of Management (hereinafter referred to as the Board) as governing body. It is the parent to two subsidiaries, Eildon Tweed Valley Housing Association (dormant) and Eildon Enterprise Limited.

The legal relationship of these companies with Eildon Housing Association is that:

- The 7 Committee Members and Shareholders of Eildon Tweed Valley Housing Association are Board Members and Shareholders of Eildon Housing Association.
- The Board of Eildon Housing Association make up the majority of the Eildon Enterprise Board (five out of seven).

Eildon Enterprise Limited is incorporated as a company limited by guarantee. Eildon Tweed Valley Housing Association is incorporated under the Industrial and Provident Society. As per the articles, these are to be treated as subsidiaries of the Housing Association. Consolidation has been carried out using the full consolidation method.

The Eildon Trust also exists. The Trustees hold the positions of Chairman, Vice Chairman, Secretary and Assistant Secretary of Eildon Housing Association. The Eildon Trust has not been included in the consolidated financial statements as it is not material to the group financial statements.

2. PRINCIPAL ACTIVITIES

Parent – Eildon Housing Association

The principal activities of Eildon Housing Association are:

- Management and maintenance of its housing property.
- Development of housing projects, at affordable rents, for people in need and low cost home ownership initiatives.
- The provision of care and support services for vulnerable client groups.
- The provision of corporate, administrative, IT and financial services for all members of the Eildon Group.

Subsidiaries

As from the 1 April 2010 Eildon Tweed Valley became dormant. This decision, taken by the Eildon Tweed Valley Committee, was ratified by the parent Board.

Eildon Enterprise Limited's principal activities are:

- Operating the Care and Repair programme contract as Agents for Scottish Borders Council.
- Involvement in wider action activity and working with Key New Ways Partners.
- Provision of consultancy services to other organisations and private developers.
- Provision of houses at intermediate rents

3. STATEMENT OF THE BOARD'S RESPONSIBILITIES

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs and the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the Board are 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 them on a 'going concern' basis unless it is inappropriate to presume that the Association will continue in business.

3. STATEMENT OF THE BOARD'S RESPONSIBILITIES (cont)

The Board is also responsible for:

- Keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and the Group.
- Ensuring that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Section 24 (1) of the Housing Scotland Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.
- Maintaining a satisfactory system of control over accounting records and transactions, and for safeguarding all assets of the Association and, hence, take reasonable steps to prevent and detect fraud and other irregularities.

4. COMPLIANCE AND THE STATUS OF THIS REPORT

Accounting for the Association's financial affairs is governed by the Statement of Recommended Accounting Practice (SORP), Accounting by Registered Social Landlords (2008).

Under the SORP the Association is not required to publish a Board Report that includes a full Operating and Financial Review (OFR) as it has fewer than 5,000 houses in management. However, the exemption means that as a registered Scottish Charity the Association must publish an Annual Report as outlined in the SORP, entitled Accounting and Reporting for Charities. Given the differences in accounting methods dictated by the two SORP's, the Annual Report can only be followed where it is relevant and practicable.

5. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Board is aware, there is no relevant audit information of which the Association's auditors are unaware, and each member of the Board has taken all the steps that they ought to have taken, as a member of that body, in order to make themselves aware of any relevant audit information and to establish that auditors are aware of this information.

6. CORPORATE RULES AND THE REGULATOR

The governing document of the Association is the Rules, which are based on the 2009 SFHA standard set of Charitable Rules and adapted through time by properly constituted meetings of the members of the Association. The Rules are the equivalent of a company's Articles and Memorandum of Association. A copy of the Rules can be obtained on request to the Registered Office.

As part of its monitoring process the Association's regulating body, The Scottish Housing Regulator, audits the activities of the Association, to ensure that they are in line with the Rules. The Association has never been found to be in breach of its rules.

7. MEMBERSHIP OF THE ASSOCIATION

Paragraphs 6 to 13 in the Rules lay out, in detail, the criteria for being a member of the Association.

The Board may, at their discretion, admit to membership any individual persons (including the nominees of unincorporated bodies), Societies, Companies and Local Authorities (being bodies incorporated). There are two categories of Membership, Tenant and Independent Members. No one can be a Member in more than one category at any one time. Every member on the register holds one share in the Association.

Shares cost £1 but do not entitle the holder to any interest, dividend or bonus. In the event of the withdrawal, death or expulsion of the member, the £1 becomes the property of the Association.

There are currently no Body Corporate Members. There are 147 Tenant Members and 54 Independent Members.

8. MEMBERSHIP OF THE BOARD

Paragraphs 37 to 44 in the Rules lay out, in detail, the recruitment and appointment of the Board of the Association. The pertinent points are:

- There has to be a minimum of 7 Board Members and a maximum of 15.
- There are two constituencies of Board Members, Tenant (maximum of 3) and Independent (maximum of 12).
- Only Shareholders over the age of 18 of the Association can become Board Members.
- Board Members are voted on at General Meetings but only by those members who are part of the relevant constituency e.g. Tenant Members vote for Tenant Board Members.

Each year, one third of each constituency of Board Members must retire and stand for re-election if they wish to remain on the Board.

The present Board Members and the Executive Officers of the Association are set out in page 2.

There are currently 2 Tenant Members and 11 Independent Board Members. The Independent Board Members are drawn from a wide background bringing together professional, commercial and local experience. Board Members are unpaid.

The Executive Officers are the Chief Executive and the other members of the Executive Team and are all employed by the Association. The Executive Officers hold no interest in the Association's shares and act as executives within the authority delegated by the Board. Executive Officers are employed on the same terms as other staff, however their notice period is three months.

9. BOARD TRAINING

Prior to formally joining the Board, prospective members are invited to attend meetings to familiarise themselves with the way in which business is conducted. Following appointment to the Board, there is an opportunity to participate in an initial induction training programme for new members, carried out by Executive Officers, which includes the following:

- What is a Housing Association?
- The Role of a Board Member.
- Eildon's 5 Year Strategic Plan.
- Key Issues for Eildon.
- Site Visits.
- Board Members are encouraged to take the Governance Standards Initiative qualification for Board members.

The process is ongoing whereby internal and external training sessions are delivered by senior staff and invited guest speakers as part of an annual schedule of meetings and events.

10. DELEGATION, MEETINGS AND PERFORMANCE MONITORING

Through their election by the Shareholders at a General Meeting, the Board are delegated via Standing Orders (updated June 2009) to:

- Appoint a Chairman.
- Appoint Sub-Committees and Working Groups.
- Formulate and implement policies and strategies.
- Delegate to the Executive Officers.
- Make decisions based on the information received from the Executive Officers.

The Board gives delegated authority to the Audit and Risk Sub-Committee who meet to monitor all audit, risk and compliance issues of the Association and the impact that these issues have on each other. Internal Audit Reports and Care Commission Reports, which provide an independent view on the organisation's efficiency, effectiveness and performance, are received by this Sub-Committee.

Delegated Authority has also been given to the Remunerations Sub-committee on the remuneration of staff, the pension provision, the appraisal of the CEO and the Boards appraisal.

The Board has the authority to set up single task Working Parties to address specific issues that are usually time limited and make specific recommendations back to the Board for consideration. These Working Parties have the ability to second specialists to assist them or, with Board approval, recruit consultants to assist them in a particular piece of work.

The Standing Orders also detail the level of delegated powers that can be given to the Executive Officers.

The Board meets 8 times annually, the Audit & Risk Sub-Committee 4 times and the Remunerations Sub-committee at least once. At these meetings the Executive Officers present papers from which decisions are made by the Board. The Executive Officers also present performance papers, such as Management Accounts, Key Performance Indicators and other relevant papers relating to performance issues.

The Board account for their actions and decisions in the year by presenting to the members the Annual Financial Statements and the Annual Report at the AGM.

11. STRATEGIC MANAGEMENT

The Board are responsible for agreeing the Strategic Objectives of the organisation, the policies required to achieve those objectives and the monitoring mechanisms required to ensure targets and programmes are being met.

Each year the Board Members and Executive Officers have a two day event to look at the Strategic Objectives of the organisation and to consider what events and objectives are likely to affect our overall business performance and activities. This year the Board conducted a detailed position audit that involved reviewing the:

- Current Strategy and Objectives.
- Change Agenda that has been pursued over the previous three years.
- Cost base and the main cost drivers.
- Environmental threats to the income streams.
- New proposals for capital grant funding of development.
- Opportunities arising from the current culture of shared services.

From this exercise the new five year strategy evolved which was then quantified and stress tested and presented to the regulator.

12. ACCOUNTING POLICIES

The group's principal accounting policies are set out in pages 24 to 26 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of costs; deduction of capital grant from the cost of assets; housing property depreciation and the treatment of shared ownership properties.

There are no changes to the policies used in last year's Annual Financial Statements.

13. GOING CONCERN

The Annual Financial Statements are prepared under the basis of a going concern. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. See section C, Statement of Going Concern.

14. CREDIT PAYMENT POLICY

The Group's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

15. EMPLOYEE INVOLVEMENT AND HEALTH AND SAFETY

The Association takes seriously its responsibilities to employees and, as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult, where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

During 2010-11 a sub-committee of the HSWG worked with a consultant to develop a Health & Environmental Management System (HEMS). HEMS brings a more structured approach to the management of health & safety which clearly establishes roles & responsibilities and defines the areas of significant risk that are controlled by safe systems of work and procedures.

An Intranet site has been developed to manage HEMS documentation and information.

16. DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

17. BOARD AND EXECUTIVE OFFICERS' INSURANCE

The Group has purchased and maintains insurance to cover its Board and Executive Officers against liabilities in relation to their duties on behalf of the Association and its subsidiaries, as authorised by the Association's rules.

18. AGM

The annual general meeting will be held on Wednesday 7 September 2011, at the Weaving Shed, Dunsdale Road, Selkirk.

B – YEAR'S BUSINESS AND PERFORMANCE REVIEW

1. CORPORATE VALUES

- **Caring** - We care about what we do, the people we work with and the customers we serve.
- **Committed** - We all work together to provide affordable, high quality homes, care and support services.
- **Connected** - We are part of the communities we serve and believe we can make a real difference.
- **Creative** - We are ready to meet the challenges of the future with enthusiasm and new ideas.

2. OBJECTIVES & STRATEGY

The Group's five year strategy is reviewed and approved by the Board each year, the Strategic Objectives in the plan for 2010/11 to 2014/15 are the following, the Eildon Group will:-

- Ensure the highest standards of governance and partnership working are adhered to, including compliance with our regulatory frameworks.
- Ensure it operates within a sound financial framework, protecting our long term viability whilst prudently utilising the inherent financial strength of the organisation in order to meet existing commitments and potential new opportunities.
- Ensure the delivery of high quality, responsive and affordable housing and support services.
- Ensure the delivery of high quality, responsive and affordable care services.
- Manage its current and future property portfolio in line with the principles set out in a Property Asset Management Strategy, working collaboratively to deliver existing and future services.
- Further develop its organisational capacity by reviewing existing practices and investing in the human and technical infrastructure of the organisation.

3. RISKS AND UNCERTAINTIES (this section is still to be updated)

Like all businesses, the Association faces a wide variety of business related risks. During the year the Association built on the development the previous year of a Risk Management Strategy by having all operational departments use the new scoring system to produce a Risk Register showing the inherent and residual risks. Those inherent risks that were scored as being severe and those residual risks scored as major (there were no residual risks scored as severe) can be summarised thus :

Business Area	Summarised Risks	Summarised Action to Mitigate Risks
Corporate Services	Inter systems dependency, Confidential issues, Resources Planning, Quality of Training and Health and Safety issues.	Use of external expertise Audit tracking system and project planning Staff training and policies & procedures External scrutiny and auditing
Finance	Unsustainable Losses, Unexpected interest rises and External & Internal Fraud	Financial planning system Financial reporting system Internal control system Treasury Management and Hedging External scrutiny and auditing
Housing and Care & Support	Arrears, Evictions and anti social complaints increase, Lack of revenue to meet support needs and inability to compete on care tenders	Preventative monitoring & profiling Needs identification, use of the financial inclusion teams and a multi agency approach. Training and clear procedures. Tenancy Support intervention and pre tenancy work Flexible service delivery
Housing Development	Cost of Development becomes unaffordable.	Financial planning system Treasury Management Engagement with the regulator

4. FINANCE

The Association made a surplus of £557k during the year, transferred £106k to the retained reserves and the Net Assets base rose to £12.7m.

The Group made a surplus of £567k during the year, transferred £117k to the retained reserves and the Net Assets base rose to £12.8m.

The financial performance over the past five years is analysed in Table 1, on page 13.

Rent loss from voids

The target for the year was to keep voids below 1.03% of rental income receivable, and the actual is 0.91%.

Rent loss from bad debts

The target for the year was to keep bad debts below 0.94% of rental income receivable, and the actual is 0.39%.

Overall rent collection

Net arrears (arrears less prepayments) have increased as at 31 March 2011, however, when combined with the positive variances from the above, produces a rent collected in the year of 99.15% which is slightly higher than the target of 97.44%. Outstanding net arrears at the year end represents 1.6% of the total rent roll (2010 – 1.36%).

5. HOUSING PROPERTIES

At 31 March 2011, the Association owned 2,122 housing units. The properties are carried at the historic cost of £132m (2010 - £124m) which nets off to £29m (2010 - £25m) after depreciation and capital grants. Housing units are funded by Social Housing Grant, loans and working capital.

During the year, a valuation for 44 units was carried out for the purpose of securing loan finance. When this professional valuation is extrapolated across the whole stock, a value in use of £58m is indicated (market value £275m). A similar valuation over 52 units in 2009, gave an extrapolated value in use of £56m (market value £239m).

6. CAPITAL STRUCTURE AND TREASURY POLICY

The Association borrowed a further £3m during the year to develop social housing using the remainder of a £5m facility organised in 2009 from the Santander and £1m of an additional £3m facility from Santander. By the year end, the borrowings amounted to £22.7m.

The Association borrows from banks and building societies in accordance with the Treasury Policy approved by the Board. MURJA Structured Finance & Risk Management is used to ensure that all the products in the market are considered and to assist in the torturous administration process of securing loans. In this way Eildon 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, as a matter of policy, does not enter into transactions of a speculative nature and fixes rates of interest through embedded rates within loans and swaps using an ISDA MTM instrument. At 31 March 2011, the mix of variable and fixed ratio was 40%:60% which is out of kilter with the Treasury Management policy due to taking the opportunity of low fixed rates in 2008/09. Once the £2m available loan facility is drawn, this will readjust the ratio to 45%:55%.

7. CASH FLOWS

Cash inflows and outflows during the year are shown in the Consolidated Cash Flow Statement (page 22).

The cash inflow from operating activities increased this year to £1,875k (2010 - £1,932k), a net £3,283k (2010 - £3,476k) was spent acquiring assets which was funded by net loans draw down of £2,417k (2010 - £1,471k). The cost of financing was £924k (2010 - £789k) and the Net debt moved from £19,115 in 2010, to £21,475k.

At the reporting date, 4 Shared Equity properties were completed property and unsold, and the Scottish Government owed £241k worth of Social Housing Grant that the Association had "Front Funded". The Scottish Government paid the monies due by early April 2011.

8. GENERAL RESERVES POLICY

The Board has reviewed the reserves of the Association. This review encompassed the nature of the income and expenditure streams, the need to match variable income with fixed commitments, and the nature of the reserves.

The reserves, of nearly £13m, are made up of three different types:

- Designated Reserves, which represent a commitment to expenditure in the future.
- Ordinary Risk Reserves, which represents the extent to which the Association can carry the effect of an adverse event and not impact on the Revenue Reserve Surplus.
- The Revenue Reserves, which represent the amount of the Net Asset Base which is not encumbered by either future commitments or the likelihood of an adverse event.

The Board are satisfied that the levels of all the various reserves are commensurate with the purposes for which they exist.

Details of the actual reserves and the associated amounts are in Notes 1, 20, 21.

9. DONATIONS

The Group donated £1k (2010 - £1k) to the Lintel Trust and made no political donations.

10. DEVELOPMENT AND SALE OF PROPERTIES

During the reporting year the Association spent £8.0m (2010 - £11.5m), of which £3.0m (2010 - £8.2m) is funded by grants received from the Housing Investment Division East of the Scottish Government and £0.5m from other grants creating 152 new social housing units. At the reporting date, 4 completed Shared Equity units remained unsold.

The Association sold 2 Shared Ownership properties in the year, thereby allowing tenants to achieve their aspiration of becoming home owners.

In the year ending 31 March 2012, it is expected that the Association will spend £4.2m on the development of new properties funded by £4.2m HAG. This represents 61 units on site and tendering for an additional 22 units to go on site making an aggregate of units into management in 2012/13 of 83 units.

11. ASSET MANAGEMENT (PROPERTY MAINTENANCE)

The Association seeks to maintain its properties to the highest standard. To this end it carries out repairs in three distinct time frames:

- Routine Maintenance, which is carried out within days of notification, expenditure in the year was £606k (2010 - £538k).
- A programme of Cyclical Repairs carried out in the medium term to deal with the gradual and predictable deterioration of building components. Expenditure in the year was £253k (2010 - £220k).
- A long-term programme of Major Repairs for the replacement or repair to components which have come to the end of their economic lives or are required by legislative changes. Expenditure in the year was £715k (2010 - £576k).

The cost of all repairs is charged to the Income and Expenditure Account unless, in the case of major repairs, it is agreed they could be capitalised within the terms outlined in the SORP. There was no capitalisation in the year.

Times for reactive maintenance met were 97.6% (2010 – 97.5%) and customer satisfaction returns gave a 96.7% expression of satisfaction (2010 – 99.0%).

The Board is confident that the necessary funds will be available in the future to cover the Association's commitments under the Scottish Housing Quality Standards.

12. CUSTOMER SERVICES

Housing

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation which ensures that the rent structure is easy to administer and covers the wide variations within the properties. This policy follows the generally accepted practice/principles of the Housing Movement.

Work continues on reducing the period of time taken to re-let or let new properties to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The average time taken to let new properties from handover this year was 4 days. The average time taken to re-let properties this year has decreased to 24 days (2010 – 32 days).

Tenant involvement plays an important part in formulating and agreeing the Association's aims and objectives. Eildon Tenants' Organisation (ETO), the representative body for all our tenants recognised by our Board and The Scottish Housing Regulator. Through our Tenant Participation Officer, local groups of tenants are encouraged to become Registered Tenant Organisations.

Tenant's views are obtained through regular internal surveys carried out to gain feedback on the services they receive and the houses they live in. Overall, the results from our surveys show very high levels of tenant satisfaction and where there are criticisms we identify them and draw up an action plan to improve our service for all of our customers.

Every 3 years, an independent Tenant Satisfaction Survey is carried out, the most recent being in the reporting year.

All tenants receive a regular newsletter, called Eildon News. This gives them details of the activities carried out by the Association that are of most relevance to them.

Over the coming year tenants will be consulted on:

- Proposals under consideration with regard to Tenant Reward Schemes.
- Arrangement and charges on snow clearing and the provision of grit bins.
- Effectiveness of the Web based tenant services that will be introduced.

Care and Support

During the year the Care Commission undertook inspections of our care services. The reports were very favourable and where recommendations have been made, these have been adopted.

Established in 2010 with Wider Role funding our STEPS [Sustaining Tenancies Empowering and Preventative Service] service aims to work with people who are homeless and looking towards taking on a tenancy. Providing pre-tenancy support, the service aims to prevent repeat homelessness and increase the chances of a successful tenancy. Individuals are helped to get to grips with planning a move and managing a tenancy. Support includes:

- applying for benefits,
- budgeting skills,
- rights and responsibilities,
- setting up home.

13. WIDER & AGENCY SERVICES

During the year the Group has provided:

- IT and Finance services to Rural Stirling HA.
- Development services to Margaret Blackwood HA.
- Modernisation services to Scottish Borders HA.
- Procurement Services to the Borders Housing Network and Berwickshire HA.

As agents for the Scottish Borders Council, the Group has run:

- A comprehensive Care and Repair service.
- The Borders Migrant Workers Support Service.
- Peer Mentoring Project.

The Group has also employed and managed staff to run the Building Construction Industry Forum.

14. STAFF PERFORMANCE MANAGEMENT

High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive Officer. Service delivery is underpinned by staff performance and continues to be a high priority.

In the past year the following education achievements have been made:

- One member of staff won the Care sector category in the "Borders Adult Learner of the Year Awards.
- One member of staff completed both parts of a SCQF level 7 in Supervision in Health and Social Care.
- One member of staff became accredited for the Domestic Energy Assessment Level 3
- Two members of staff completed the first year in an MSC in Housing and Regeneration.
- A number of Care staff achieved Scottish Vocational Qualifications.

This year specific training sessions were run on:

- Customer Service for all staff in relation to the new competency framework and the organisational values.
- Risk Assessment for the Risk Assessment Team which consist of representatives from all departments.
- The ACAS consultation process for Board Members, senior managers and Staff Association representatives.
- Fire Safety Training for key staff and fire wardens which included use of fire extinguishers.

The regular rolling programme of staff training was also carried out, in line with Health and Safety requirements for all locations, in topics such as, Disability Equality, Infection control, Adult Support and Protection and, Moving and Handling People.

The usual monthly Lunch and Learn sessions took place and this year the session have included input from Occupational Therapy, the Financial Ombudsman, other RSL and various departments within the Group.

In the main, staff are consulted through the medium of the Staff Association, although, for specific issues like the introduction of an Intranet, questionnaires are used.

After two intensive days of interviewing the Association was successful in gaining reaccreditation against the Investors in People standard

During the year staff were consulted with regard to the various options being made available by the Pension Trust, the Group's pension provider. The consultation involved the issuing of guidance notes, presentation and question and answering session and culminated in staff filling in a questionnaire.

Through the Staff Association, staff were consulted on the pay award for 2011/12.

The staff attendance target is 97% and actual attendance for the year is 94.7% (2009 95.2%). If extreme long term sickness periods are discounted the attendance figure rises to 98.1%.

Table 1 – Group Highlights – Five Year Historical Summary

For the Year Ended 31 March	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Income & Expenditure Account					
Total Turnover	10,998	9,690	9,633	8,411	7,218
Social Lettings Income	6,583	6,180	5,735	5,293	5,150
Operating Surplus	1,402	1,073	1,254	771	809
Surplus for the year after tax	567	390	812	256	603
Balance Sheet					
Net Housing Properties	29,383	25,299	23,292	21,939	21,009
Other Fixed Assets	5,103	5,386	4,725	1,724	1,397
Fixed Assets	34,486	30,685	28,017	23,663	22,406
Net Current Assets	428	1,211	2,011	1,068	1,350
Total Assets	34,914	31,896	30,028	24,731	23,756
Long Term Liabilities	22,118	19,668	18,190	13,705	12,986
Net Assets	12,796	12,228	11,838	11,026	10,770
Reserves					
Designated Reserves	10,205	9,404	8,764	8,099	7,593
Risk Reserves	350	700	1,050	1,050	1,408
Accumulated Surplus	2,241	2,124	2,024	1,877	1,769
	12,796	12,228	11,838	11,026	10,770
Housing Stock (units)	2,122	1,987	1,955	1,914	1,875
Statistics					
Surplus for year as % of turnover	5.1%	4.0%	8.4%	3.0%	8.4%
Surplus for year as % of Social Lettings income	8.6%	6.3%	14.2%	4.8%	11.7%
Rent loss from Voids and Bad Debts in the year	0.9%	0.9%	1.0%	1.7%	1.6%
Rent Collected in terms of rent collectable in the year	99.1%	99.0%	98.4%	98.5%	99.1%
Liquidity (current assets/current liabilities)	1.2/1	1.4/1	2.2/1	1.7/1	1.8/1
Gearing (total loans as % of capital grants plus reserves)	19.9%	18.9%	19.2%	15.3%	15.8%

C - STATEMENT OF GOING CONCERN

Through the Executive Officers the Board has reviewed and discussed the various aspects of the Association as a Going Concern and its liquidity. The review covered the following items:

- The Annual Budget including Cashflow to 31 March 2012
- The 5 Year Viability Plan including Cashflow to 31 March 2015 that is scrutinised by the Regulator
- The 60 Year Plan including Cashflow to 2070

Based on these documents and the following facts;

- There is no sign of impairment of the housing stock through increased voids,
- 60% of the turnover is rent related,
- 12% of the turnover is Care or Support Income from the Local Authority,
- 21% of the turnover is Grants from the Scottish Ministers,
- There is a development programme backed by the Scottish Government,
- The Association does not trade abroad,
- The loan portfolio is more than 69% fixed mostly at very favourable rates,
- The Association has, at the 31 March 2011, 677 unencumbered properties,
- The Association has at the 31 March 2011 loan facility that has £2m undrawn,
- The Reserves of the Association are over £12m.

The Board has no reason to believe that Association will not still be a Going Concern well beyond 12 months from the signing date of these Annual Financial Statements.

D - STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

- Reliability of financial information used within the Group or for publication.
- Maintenance of proper accounting records.
- Safeguarding of assets against unauthorised use or disposition.

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

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and Management 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 and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees.
- The Board reviews reports from Management, from the internal auditors and from the 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 Board has reviewed the effectiveness of the system of internal financial controls that exist in the Association for the year ended 31 March 2011 and until the date of signing of the financial statements. 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.

E - AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution proposing their re-appointment for 2011/12 will be submitted at the Annual General Meeting.

By order of the Board

.....
Mr N J Istephan
Secretary

.....
Date

REPORT OF THE AUDITORS TO THE MEMBERS OF EILDON HOUSING ASSOCIATION LIMITED

THIS PAGE IS INTENTIONALLY BLANK

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

..... 2011

REPORT OF THE AUDITORS TO THE MEMBERS OF EILDON HOUSING ASSOCIATION LIMITED

THIS PAGE IS INTENTIONALLY BLANK.

REPORT OF THE AUDITORS TO THE MEMBERS OF EILDON HOUSING ASSOCIATION LIMITED

THIS PAGE IS INTENTIONALLY BLANK

BAKER TILLY UK AUDIT LLP

Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:..... 2011

THIS PAGE IS INTENTIONALLY BLANK

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	GROUP		ASSOCIATION	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover	2	10,998	9,690	10,932	9,590
Less: Operating Costs	2	<u>9,596</u>	<u>8,617</u>	<u>9,542</u>	<u>8,523</u>
Operating Surplus		1,402	1,073	1,390	1,067
Gain on Sale of Fixed Assets	6/15	64	104	64	104
Interest Receivable and Other Income	7	2	23	2	3
Interest Payable and Similar Charges	8	<u>(899)</u>	<u>(781)</u>	<u>(899)</u>	<u>(781)</u>
Surplus for Year before tax		569	399	557	393
Corporation tax	9	<u>(3)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>
Surplus for Year		<u>567</u>	<u>390</u>	<u>557</u>	<u>393</u>

The Association and its subsidiaries have no recognised gains and losses other than those included in the surplus above and therefore no separate statement of total recognised gains and losses have been presented.

There is no difference between the surplus on ordinary activities for the year and the retained surplus for the year stated in Note 20 and their historical cost equivalents.

The surplus above relates wholly to continuing activities.

The Notes on pages 24 to 42 form part of these financial statements.

BALANCE SHEET AS AT 31 MARCH 2011

		GROUP		ASSOCIATION	
	Notes	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Tangible Fixed Assets					
Housing Properties – Depreciated Cost		127,387	119,889	127,387	119,889
Less Social Housing Grants		<u>98,004</u>	<u>94,590</u>	<u>98,004</u>	<u>94,590</u>
	12	<u>29,383</u>	<u>25,299</u>	<u>29,383</u>	<u>25,299</u>
Other Fixed Assets					
	13	<u>5,103</u>	<u>5,386</u>	<u>5,103</u>	<u>5,386</u>
Fixed Asset Investment					
Shared Equity Loan	14	1,994	1,169	1,994	1,169
Shared Equity Grant	14	<u>(1,994)</u>	<u>(1,169)</u>	<u>(1,994)</u>	<u>(1,169)</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>34,486</u>	<u>30,685</u>	<u>34,486</u>	<u>30,685</u>
Current Assets					
WIP Shared Equity	16	311	964	311	964
Debtors	17	998	2,219	1,039	2,194
Cash at bank and in hand		<u>1,188</u>	<u>1,105</u>	<u>995</u>	<u>827</u>
		<u>2,497</u>	<u>4,288</u>	<u>2,344</u>	<u>3,985</u>
Creditors: amounts falling due within one year	18	<u>(2,069)</u>	<u>(3,077)</u>	<u>(1,975)</u>	<u>(2,821)</u>
Net Current Assets		<u>428</u>	<u>1,211</u>	<u>369</u>	<u>1,164</u>
Total Assets less Current Liabilities		34,914	31,896	34,855	31,849
Creditors: amounts falling due more than one year	19	<u>(22,118)</u>	<u>(19,668)</u>	<u>(22,118)</u>	<u>(19,668)</u>
Net Assets		<u>12,796</u>	<u>12,228</u>	<u>12,737</u>	<u>12,181</u>
Capital and Reserves					
Share Capital	25	0	0	0	0
Designated Reserves	21	10,205	9,404	10,205	9,404
Risk Reserves	21	350	700	350	700
Revenue Reserves	20	<u>2,241</u>	<u>2,124</u>	<u>2,183</u>	<u>2,077</u>
		<u>12,796</u>	<u>12,228</u>	<u>12,737</u>	<u>12,181</u>

The financial statements on pages 20 to 42 were approved by the Board of Management and authorised for issue and were signed on its behalf by:

Mrs H Cuckow

(Chairman)

Professor D L Brydon

(Vice Chairman)

Mr N J Istephan

(Secretary)

.....

(Date)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011

	Notes	GROUP		ASSOCIATION	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Net Cash In Flow from Operating Activities	A	1,875	1,932	1,958	1,923
Returns on Investment and Servicing of Finance					
Interest Received		2	3	2	2
Interest Paid		<u>(926)</u>	<u>(792)</u>	<u>(926)</u>	<u>(792)</u>
Net Cash Outflow from Returns of Investment and Servicing of Finance		(924)	(789)	(924)	(790)
Taxation		(3)	(9)	-	-
Capital Expenditure					
Acquisition and construction of properties		(8,190)	(11,270)	(8,190)	(11,270)
Purchase of other fixed assets		(160)	(958)	(160)	(958)
Capital grants received		4,990	7,753	4,990	7,753
Sale of properties		128	985	128	985
Sale of other fixed assets		-	5	-	5
Capital grants repaid		<u>(50)</u>	<u>9</u>	<u>(50)</u>	<u>9</u>
Net Cash Outflow from Capital Expenditure		<u>(3,283)</u>	<u>(3,476)</u>	<u>(3,283)</u>	<u>(3,476)</u>
Net Cash Outflow before use of liquid resources and financing		(2,335)	(2,342)	(2,249)	(2,343)
Financing					
Loans Finance Received		3,000	2,000	3,000	2,000
Loans repaid		(583)	(528)	(583)	(528)
Shares Issued/(Redeemed)		<u>0</u>	<u>0</u>	<u>0</u>	<u>(0)</u>
Net Cash Inflow from financing		<u>2,417</u>	<u>1,472</u>	<u>2,417</u>	<u>1,472</u>
(Decrease)/Increase in Cash in the Period	B	<u><u>82</u></u>	<u><u>(870)</u></u>	<u><u>168</u></u>	<u><u>(871)</u></u>

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011
A Reconciliation of Operating surplus to Net Cash Inflow from Operating Activities

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Operating Surplus for the Year	1,402	1,073	1,390	1,067
Depreciation	739	720	739	720
(Increase)/Decrease in Debtors	(8)	(77)	(85)	(19)
(Decrease)/Increase in Creditors	(259)	216	(86)	155
Assets written off in year	-	-	-	-
Net Cash Inflow from Operating Activities	<u>1,875</u>	<u>1,932</u>	<u>1,958</u>	<u>1,923</u>

B Reconciliation of Net Cashflow to Movement in Net Debt

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Increase/(Decrease) in cash in year	82	(870)	168	(871)
Cash Inflow from financing	(3,000)	(2,000)	(3,000)	(2,000)
Cash Outflow to financing	558	502	588	502
Change in net debt	(2,360)	(2,368)	(2,274)	(2,369)
Net debt at 1 April	(19,115)	(16,747)	(19,395)	(17,026)
Net debt at 31 March	<u>(21,475)</u>	<u>(19,115)</u>	<u>(21,669)</u>	<u>(19,395)</u>

C Analysis of Changes in Net Debt

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cash in hand and at bank	1,188	1,106	995	826
Debts due within 1 year	(570)	(553)	(570)	(553)
Debts due after 1 year	(22,093)	(19,668)	(22,094)	(19,668)
Total	<u>(21,475)</u>	<u>(19,115)</u>	<u>(21,669)</u>	<u>(19,395)</u>

EHA - NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**1. Principal Accounting Policies 2010**

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2008), the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and with applicable Accounting Standards. A summary of the more important Accounting Policies which have been applied consistently is set out below.

Basis of Accounting

The financial statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable from local authorities and The Scottish Housing Regulator and Shared Equity Sales. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

Income from the sales of Shared Equity properties is recognised at the point of legal completion of the sale.

Liquid Resources

Liquid resources include cash at bank and short term deposits.

Private Finance

Private Finance loans are advanced by Private Lenders and Local Authorities under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments which have been given approval for Social Housing Grant (SHG) by The Scottish Housing Regulator.

Tangible Fixed Assets - Housing Properties (Note 12)

Housing properties for let are stated at cost. The cost of Shared Ownership properties is shown net of the income from the sales of first tranches. The development costs of housing properties funded with traditional SHG or under earlier funding arrangements include the following:

- Cost of Acquiring Land and Buildings.
- Development Expenditure.
- Interest and Other Costs Charged on the Mortgage Loans Raised to Finance the Scheme.

Development expenditure includes development administration costs incurred directly in relation to construction or acquisition of the property up to the value of the revenue grant received. Costs in excess of this grant are included in the operational costs of the Association.

Development expenditure on completed properties also includes accruals for retentions, fees and other appropriate costs.

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

Works to existing properties (Major Repairs) are capitalised where the economic benefits of the additional works are in excess of the standard of performance attained by the asset when it was first acquired, constructed or last replaced.

Donated Land (Note 12)

Land donated by local authorities is added to the cost at the market value of the land at the time of donation. An amount equivalent to the market value is added to other grants.

EHA - NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Social Housing Grant (SHG) (Note 12)

For schemes developed under the terms of the 1988 Housing Act, SHG is paid directly to the Association as required, to meet its liabilities during the development process. SHG is repayable under certain circumstances primarily following the sale of property, but will normally be restricted to net proceeds of sale. SHG received is deducted from the cost of Housing Properties in the balance sheet. Where SHG has been received in respect of revenue expenditure, it is credited to the Income & Expenditure Account in the same period as the expenditure to which it relates.

Other Grants (Note 12)

Grants received from other bodies are included in the total of grants deducted from the cost of Housing Properties on the Balance Sheet.

Depreciation (Notes 12 and 13)

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing and other grants) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their expected useful economic lives at an annual rate of 2%.

The Association charges depreciation on its commercial property so as to write down the costs other than freehold land to their estimated residual value on a straight line basis over their expected economic lives at a rate of 2% per annum.

For the Association's registered office the basic building is written down at 2%. However for certain components the economic lives are reckoned to be less than 50 years and for these the following Straight Line rates are used:

Carpets 6.67% (15 years)	Boilers and Chillers 5.0% (20 years)
Electrical Fittings 5.0% (20 years)	Lift 3.33% (30 years)

Other fixed assets are depreciated over their estimated useful lives, using the following Straight Line rates:

Furniture and Fittings	10%	Motor Vehicles	25%
Other Equipment	20%	Information Technology	25%

Shared Equity Home Ownership (Notes 14 and 16)

Shared Equity transactions are grants received from HID (Scottish Government Housing and Investment Division) and passed on to an eligible beneficiary. The Scottish Government (HID) has the benefit of a fixed charge on the property entitling The Scottish Government (HID) to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the Shared Equity asset.

Completed Shared Equity properties that are not sold or are work in progress are valued at the lower of cost and net realisable value. Cost comprises of cost of land and construction. Net realisable value is based on estimated sale price after allowing for all further costs of completion and disposal.

Sale of Housing Properties (Notes 12 and 15)

Properties are disposed of under the appropriate legislation and guidance. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

Pensions (Note 23)

The Association participates in the Scottish Housing Associations' Pensions Scheme run by the Pensions Trust. The regular pension cost is charged to the Income and Expenditure account and is based on the expected pension costs over the service lives of the employees. The assets of the schemes are held separately from the Association in independently administered funds.

Leasing

Rentals paid and received under operating leases are charged and credited respectively to income and expenditure on a Straight Line basis over the term of the lease.

Designated Reserves (Note 21)

Designated reserves will be transferred back in future periods to match expenditure charged to the Income and Expenditure Account.

• Proactive Maintenance and Replacement

This fund represents the Association's commitment to future liabilities in relation to, expected future cyclical repairs, component replacement and the replacement of large equipment items. This commitment is based on a life cycle model. In years where the expenditure is greater than the income, transfer will be made from this fund.

• Housing Services

This fund represents the Association's commitment to provide service items including furniture and white goods funded through yearly income streams in periods in the future. In years where the expenditure is greater than the income, transfer will be made from this fund.

EHA - NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Ordinary Risk Reserves (Note 21)

The purpose of a risk reserve is to demonstrate that the Association can carry out certain activities that involve an element of risk and can experience adverse outcomes up to the amounts in the reserve and therefore avoid these events impacting on the Revenue Reserve. It is recognised that in most cases the negative impact of any event would have to be included in the Income and Expenditure Account.

The reserves and the events they represent are:

- **Acquisition Reserve**
The purchase of land, without The Scottish Housing Regulator's prior approval, that does not get subsequent approval.
- **Development Risk Reserve**
Significant development costs in excess of those specifically covered by sources of income.
- **Interest Fluctuation Reserve**
Variable loans interest rates rise significantly higher than expected.

VAT

The Association is VAT registered. However a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT. There is a group VAT registration scheme.

Subsidiary

Eildon Enterprise Limited is incorporated as a company limited by guarantee. Eildon Tweed Valley is incorporated under the Industrial and Provident society. As per the articles these are to be treated as subsidiaries of the Housing Association. Consolidation has been carried out using the full consolidation method.

Tax (Note 9)

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

The group incurs liability to pay Corporation Tax through its subsidiaries Eildon Enterprise Ltd and Eildon Tweed Valley Housing Association Ltd.

Shared Ownership Properties

The first tranche of the Shared Ownership properties have not been disclosed separately in current assets as the amounts are not considered material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit
GROUP

		2011			2010
	Notes	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Operating Surplus/ (Deficit) £'000
Social Lettings	3	6,583	4,596	1,987	1,758
Other Activities	4	<u>4,415</u>	<u>5,000</u>	<u>(585)</u>	<u>(685)</u>
Total 2011		<u>10,998</u>	<u>9,596</u>	<u>1,402</u>	<u>1,073</u>
Total 2010		<u>9,690</u>	<u>8,617</u>	<u>1,073</u>	

ASSOCIATION

		2011			2010
	Notes	Turnover £'000	Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Operating Surplus/ (Deficit) £'000
Social Lettings	3	6,583	4,596	1,987	1,758
Other Activities	4	<u>4,349</u>	<u>4,946</u>	<u>(597)</u>	<u>(691)</u>
Total 2011		<u>10,932</u>	<u>9,542</u>	<u>1,390</u>	<u>1,067</u>
Total 2010		<u>9,590</u>	<u>8,523</u>	<u>1,067</u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Social Letting Activities

GROUP AND ASSOCIATION

	General Needs Housing £'000	Supported Housing Accom £'000	Shared Ownership Housing £'000	2011 Total £'000	2010 Total £'000
Rent receivable net of service charges	5,563	367	199	6,129	5,790
Service charges	<u>315</u>	<u>158</u>	<u>4</u>	<u>478</u>	<u>424</u>
Gross income from rents and service charges	5,878	525	203	6,607	6,214
Less voids	<u>51</u>	<u>8</u>	<u>1</u>	<u>60</u>	<u>59</u>
Net income from rents and service charges	5,827	517	202	6,547	6,155
Grants from the Scottish Ministers	18	-	-	18	5
Other	<u>14</u>	<u>1</u>	<u>3</u>	<u>18</u>	<u>20</u>
Subtotal – Non-rental income	<u>32</u>	<u>1</u>	<u>3</u>	<u>36</u>	<u>25</u>
Total turnover from social letting activities	<u>5,860</u>	<u>518</u>	<u>205</u>	<u>6,583</u>	<u>6,180</u>
Management and maintenance admin costs	1,745	189	47	1,981	2,084
Service costs	328	153	7	488	527
Planned & cyclical maintenance including major repairs	786	182	1	969	796
Reactive maintenance costs	559	47	-	606	538
Bad debts – rents and service charges	14	0	6	21	(3)
Depreciation of social housing	<u>484</u>	<u>24</u>	<u>23</u>	<u>531</u>	<u>480</u>
Total operating costs for social letting activities	<u>3,916</u>	<u>596</u>	<u>84</u>	<u>4,596</u>	<u>4,422</u>
Operating Surplus for social lettings	<u>1,944</u>	<u>(78)</u>	<u>121</u>	<u>1,987</u>	<u>1,758</u>
Comparative Figures for 2010	<u>1,621</u>	<u>14</u>	<u>123</u>	<u>1,758</u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

4. Particulars Of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

GROUP

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	2011 Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	Operating Surplus/ (Deficit) £'000	2010 Total £'000
Wider role activities undertaken to support the community	104	56	-	43	203	234	(31)	(28)
Care and Repair	279	-	-	0	279	278	1	(14)
Factoring	-	-	-	2	2	2	0	-
Development and construction of property activities	171	3	-	0	174	434	(261)	(282)
Support activities	-	-	352	604	956	1,168	(212)	(190)
Care activities	-	-	37	688	725	834	(109)	(128)
Agency/management services for RSLs	-	-	-	68	68	67	1	5
Developments and improvements for sale to non RSLs	1,791	-	-	0	1,791	1,799	(7)	(3)
Other activities	-	133	-	84	217	184	33	(45)
Total from other activities	2,346	192	389	1,489	4,415	5,000	(585)	(685)
Total from other activities from 2010	1,499	187	389	1,435	3,510	4,195	(685)	

ASSOCIATION

	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	2011 Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	Operating Surplus/ (Deficit) £'000	2010 Total £'000
Wider role activities undertaken to support the community	104	32	-	43	179	219	(40)	(28)
Care and Repair	276	-	-	0	276	276	0	(16)
Factoring	-	-	-	2	2	2	0	-
Development and construction of property activities	171	3	-	0	174	434	(261)	(282)
Support activities	-	-	352	604	956	1,168	(212)	(190)
Care activities	-	-	37	688	725	834	(109)	(128)
Agency/management services for RSLs	-	-	-	68	68	67	1	5
Developments and improvements for sale to non RSLs	1,791	-	-	0	1,791	1,799	(7)	(3)
Other activities	-	133	-	44	177	146	31	(49)
Total from other activities	2,343	168	389	1,448	4,349	4,945	(597)	(691)
Total from other activities from 2010	1,493	109	389	1,419	3,410	4,101	(691)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

5. Housing Stock**GROUP & ASSOCIATION**

	2011 (Units)	2010 (Units)
The number of units of accommodation in management at the year end was:		
General Needs	1,889	1,752
Shared Ownership	91	93
Supported Housing	<u>142</u>	<u>142</u>
	<u>2,122</u>	<u>1,987</u>

6. Surplus for Year

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Surplus for year is stated:				
After charging:				
Depreciation	739	720	739	720
External auditors remuneration	16	16	13	11
Internal auditors remuneration	10	10	10	10
Non audit remuneration (tax fee)	-	2	-	-
Non audit remuneration (Baker Tilly)	4	4	4	4
Operating Leases Expenditure L&B	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
And crediting				
Income from Operating Leases	75	34	75	34
BIG Lottery Grant for the Peer Mentoring Service*	56	12	-	-
Gain on Disposal of Fixed Assets	<u>64</u>	<u>104</u>	<u>64</u>	<u>104</u>

* £42,514 total Grant received from the BIG Lottery, £13,278 being deferred from last year.

7. Interest Receivable and Similar Income**GROUP & ASSOCIATION**

	2011 £'000	2010 £'000
Bank Deposit Interest	<u>2</u>	<u>3</u>

8. Interest Payable and Similar Charges**GROUP & ASSOCIATION**

	2011 £'000	2010 £'000
Interest payable	924	806
Release of premium	<u>(25)</u>	<u>(25)</u>
	<u>899</u>	<u>781</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

9. Taxation

ASSOCIATION

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

GROUP

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2011 £'000	2010 £'000
Current tax	<u>3</u>	<u>9</u>
Tax on profit on ordinary activities	<u><u>3</u></u>	<u><u>9</u></u>

In common with many other businesses of our size and nature we use our advisors to prepare and submit returns to the tax authorities.

10. Directors' Emoluments

GROUP & ASSOCIATION

	2011 £'000	2010 £'000
Aggregate amount of Officers emoluments in excess of £60k	<u>256</u>	<u>268</u>
Aggregate amount of Officers pensions, where emoluments exceed £60k	<u>39</u>	<u>27</u>
Emoluments (excluding pension contributions) of Chief Executive Officer	<u>87</u>	<u>79</u>
Total expenses reimbursed to Directors as not chargeable to UK income tax	<u>7</u>	<u>5</u>

The number of Directors whose emoluments (excluding pension contribution) paid were:

	No.	No.
£60k- £70k	3	3
£70k- £80k	1	1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
11. Employees
GROUP & ASSOCIATION

	2011	2010
	£'000	£'000
Salaries	3,421	3,417
Social Security Costs	247	244
Pension Costs	352	352
	<u>4,020</u>	<u>4,013</u>
	No.	No.
Average monthly number of employees (Full Time Equivalent)		
Office based	82	81
Project based	65	65
Total	<u>147</u>	<u>146</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

12. Tangible Fixed Assets – Housing Properties

GROUP & ASSOCIATION

	Completed Properties		Under Construction	Total
	Held for Let	Shared Ownership	Held for Let	
	£'000	£'000	£'000	£'000
COST				
At 1 April 2010	103,314	3,766	16,665	123,745
Additions	(32)	73	8,048	8,089
Transfers	18,288	-	(18,288)	-
Disposal	-	(61)	-	(61)
At 31 March 2011	<u>121,570</u>	<u>3,778</u>	<u>6,425</u>	<u>131,773</u>
TOTAL DEPRECIATION				
At 1 April 2010	3,700	156	-	3,856
Charge	508	24	-	532
Disposals	-	(1)	-	(1)
At 31 March 2011	<u>4,207</u>	<u>178</u>	<u>-</u>	<u>4,385</u>
Depreciated Cost 31 March 2011	<u>117,363</u>	<u>3,599</u>	<u>6,425</u>	<u>127,387</u>
SHG				
At 1 April 2010	75,413	2,705	11,403	89,521
Received in year	142	-	2,869	3,011
Transfers	11,815	-	(11,815)	-
Repaid in year	(5)	(42)	-	(46)
At 31 March 2011	<u>87,365</u>	<u>2,663</u>	<u>2,458</u>	<u>92,486</u>
OTHER GRANTS				
At 1 April 2010	3,872	19	1,178	5,069
Received in year	-	-	451	451
Transfers	599	-	(599)	-
Repaid in year	-	(1)	-	(1)
At 31 March 2011	<u>4,472</u>	<u>18</u>	<u>1,028</u>	<u>5,518</u>
Total Grants 31 March 2011	<u>91,836</u>	<u>2,681</u>	<u>3,486</u>	<u>98,004</u>
Net Book Value at 31 March 2011	<u>25,526</u>	<u>918</u>	<u>2,939</u>	<u>29,383</u>
Net Book Value at 31 March 2010	<u>20,329</u>	<u>886</u>	<u>2,939</u>	<u>25,299</u>

Development administration costs capitalised amounted to £172k (2010 - £204k) for which Housing Association and Other Development Grants amounting to £172k (2010 - £204k) were received in the year.

During the year the amount of works to existing properties that were capitalised was £nil (2010 - £ nil) out of a total spend of £715k (2010 - £576k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

13. Tangible Fixed Assets – Other Fixed Assets

GROUP & ASSOCIATION

	Furniture & Fittings £'000	Other Equipment £'000	Information Technology £'000	Motor Vehicles £'000	Heritable Property £'000	Let Property Furnishing £'000	Total £'000
Cost							
At 1 April 2010	227	10	690	94	5,433	64	6,518
Additions	-	1	13	-	(89)	-	(75)
At 31 March 2011	<u>227</u>	<u>11</u>	<u>703</u>	<u>94</u>	<u>5,344</u>	<u>64</u>	<u>6,443</u>
Grants							
At 1 April 2010	-	-	4	61	170	48	283
At 31 March 2011	-	-	4	61	170	48	283
Depreciation							
At 1 April 2010	44	2	485	31	272	15	849
Charge for year	23	2	75	-	107	1	208
At 31 March 2011	<u>67</u>	<u>4</u>	<u>560</u>	<u>31</u>	<u>379</u>	<u>16</u>	<u>1,057</u>
Net Book Value at 31 March 2011	<u>160</u>	<u>7</u>	<u>139</u>	<u>2</u>	<u>4,795</u>	<u>-</u>	<u>5,103</u>
Net Book Value at 31 March 2010	<u>183</u>	<u>8</u>	<u>201</u>	<u>2</u>	<u>4,991</u>	<u>1</u>	<u>5,386</u>

The assets held for finance leases amounts to £858k (2010- £878k) and the corresponding depreciation charge is £20k (2010- £20k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

14. Fixed Asset Investment

GROUP & ASSOCIATION

	2011 £'000	2010 £'000
Shared Equity Loans made to the Shared Home Owner	1,994	1,169
Shared Equity Grants	<u>(1,994)</u>	<u>(1,169)</u>
	<u> </u>	<u> </u>

15. Gain on Disposal of Fixed Assets

GROUP & ASSOCIATION

	Shared Ownership £'000	Other Property £'000	Total £'000
Housing Properties			
Net Proceeds	81	53	134
Less: Asset Cost	61	10	71
Accumulated Depreciation	<u>1</u>	<u>-</u>	<u>1</u>
Net Gain on Sales of Housing Property	21	43	64
Gain on Disposal of Other Assets	<u>-</u>	<u>-</u>	<u>-</u>
Gross Gain on Sale			<u>64</u>

16. Work In Progress - Shared Equity

GROUP & ASSOCIATION

	2011 £'000	2010 £'000
Cost of Developing Properties	554	1,709
Grant Received to Develop Properties	<u>(243)</u>	<u>(745)</u>
	<u>311</u>	<u>964</u>

17. Debtors

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Amounts falling due within one year:				
Rental Debtors	335	299	335	299
Provision for Bad Debts	<u>(126)</u>	<u>(131)</u>	<u>(126)</u>	<u>(131)</u>
	209	168	209	168
SHG Receivable	401	1,605	401	1,605
Other Debtors	360	432	353	400
Owed by Group Undertakings	-	-	48	7
Prepayments and Accrued Income	<u>28</u>	<u>14</u>	<u>28</u>	<u>14</u>
	<u>998</u>	<u>2,219</u>	<u>1,039</u>	<u>2,194</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

18. Creditors – Amounts Falling Due Within One Year

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Housing Loans (Note 19)	570	553	570	553
Accruals and Deferred Income	386	700	384	685
Rent in Advance	104	84	104	84
Trade Creditors	326	369	327	369
Other Creditors	517	989	518	989
Other Taxes and Social Security	95	157	71	130
Owed to Group Undertakings	-	-	1	11
Care & Repair Client Bank AC	71	225	-	-
	<u>2,069</u>	<u>3,077</u>	<u>1,975</u>	<u>2,821</u>

19. Creditors – Amounts Falling Due After More Than One Year**GROUP & ASSOCIATION**

	2011 £'000	2010 £'000
Bank and Building Society loans	17,997	15,573
Local Authority and other loans	<u>4,097</u>	<u>4,095</u>
	<u>22,094</u>	<u>19,668</u>
Other Creditors	24	-
	<u>22,118</u>	<u>19,668</u>

Other Creditors

Development Retentions due for properties currently under construction.

Loans

In 1997 the Association entered into two debenture linked loans with THFC due for repayment in December 2016 to the value of £3.9m with an effective rate of approximately 7.4%.

Other loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest (average 5.8%), in instalments due as follows:

GROUP & ASSOCIATION

	2011 £'000	2010 £'000
Due within 1 to 2 years:		
Bank and Building Society loans	578	559
Local Authority and other loans	-	-
	<u>578</u>	<u>559</u>
Due within 2 to 5 years:		
Bank and Building Society loans	2,358	2,111
Local Authority and other loans	-	-
	<u>2,358</u>	<u>2,111</u>
Due after 5 years:		
Bank and Building Society loans	15,061	12,903
Local Authority and other loans	<u>4,097</u>	<u>4,095</u>
	<u>19,158</u>	<u>16,998</u>
	<u>22,094</u>	<u>19,668</u>

Financial Instruments

Due to the nature of the Association's business, the only financial risk the Board consider relevant to the Association is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011
19. Creditors – Amounts Falling Due After More Than One Year (cont)
Interest Rate Risk

The financial risk management objectives of the Association are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Association uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity Risk

The Association's liquidity risk is principally managed through financing the Association by means of long term borrowings.

Derivatives not included at fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Association's financial instruments that are carried in the financial statements at other than fair values:

	2011		2010	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
Financial liabilities				
Long term borrowing	6,000	5,295	6,000	5,345
Interest rate swap	-	705	-	655
	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

20. Revenue Reserves

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Revenue Reserve				
At 1 April	2,124	2,024	2,077	1,974
Surplus for the year	567	390	557	393
Transfer to Designated Reserves (Note 21)	(800)	(640)	(800)	(640)
Transfer from Ordinary Risk Reserve (Note 21)	350	350	350	350
At 31 March	<u>2,241</u>	<u>2,124</u>	<u>2,184</u>	<u>2,077</u>

21. Designated and Ordinary Reserves**GROUP & ASSOCIATION**

	At 1 April 2010 £'000	Transfer to £'000	At 31 March 2011 £'000
Designated Reserves			
Proactive Maintenance and Replacement Housing Services	8,877 <u>527</u>	750 <u>50</u>	9,627 <u>577</u>
	<u>9,404</u>	<u>800</u>	<u>10,204</u>
Ordinary Risk Reserves			
Acquisition Reserve	500	(250)	250
Development Risk Reserve	135	(60)	75
Interest Fluctuation Reserve	<u>65</u>	<u>(40)</u>	<u>25</u>
	<u>700</u>	<u>(350)</u>	<u>350</u>
Total	<u>10,104</u>	<u>450</u>	<u>10,554</u>

Transfers to the Proactive Maintenance and Replacement Reserves reflect the Association's estimate of required future levels of expenditure to finance future major repairs works on its properties. No restrictions are placed upon these reserves, but the Board has designated their use for specific purposes. It is anticipated that major repairs costs of £3.0m will be incurred by Eildon Housing Association over the next 3 years.

During the year the Board reviewed the use of the risk reserves and the requirement for designation and decided to reduce the balances to nil over the next three years.

22. Commitments**GROUP & ASSOCIATION**

	2011 £'000	2010 £'000
Capital Commitments		
Capital expenditure authorised but not contracted for	<u>8,777</u>	<u>12,554</u>
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>7,607</u>	<u>8,802</u>

The amount contracted for at 31 March 2011 will be funded from loans approved by The Scottish Housing Regulator, financed from private loans or met from the Association's Reserves.

Operating Leases

At 31 March 2011, the Association had annual commitments under non-cancellable operating leases for Buildings which expire within 2-5 years of £4k (2010 - £11k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**23. Pensions****Scottish Housing Associations' Pension Scheme**

Eildon Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the Scheme').

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

The Scheme offers five benefit structures to employers, namely:

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

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

The Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2011 and the final salary with a 1/60th accrual rate, benefit structure for new entrants from 1 April 2011.

The Trustee commissions an actuarial valuation of the Scheme every 3 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, Eildon Housing Association Ltd paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date, there were 96 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £2,305k. 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. Scottish Housing Associations' Pension Scheme 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 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335m and indicated an increase in the shortfall of assets compared to liabilities to approximately £162m, equivalent to a past service funding level of 67.4%.

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 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

23. Pensions (cont)

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

	%pa
Investment return pre retirement	7.4
Investment return post retirement (non-pensioners)	4.6
Investment return post retirement (pensioners)	4.8
Rate of salary increases	4.5
Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

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:

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement.

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	19.2
Career average 1/60ths	17.1
Career average 1/70ths	14.9
Career average 1/80ths	13.2
Career average 1/120ths	9.4
Additional rate for deficit contributions	10.4*

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

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.

The total Scottish Housing Associations' Pension Scheme pension cost for the Association was £354,317 (2010 - £350,300). Retirement benefits are accruing under this scheme in respect of one Director. Best estimate of contributions to be paid to the scheme in the next accounting period, £485,702.

Contingent Liability if Eildon ceases to participate in the Scheme

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 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 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.

Eildon Housing Association Ltd has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Eildon Housing Association Ltd was £10,010k.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

24. Legislative Provisions

Eildon Housing Association and Eildon Tweed Valley Housing Association are incorporated under the Industrial and Provident Societies Act 1965. Eildon Enterprise Ltd is a company limited by guarantee incorporated under the Companies Act 1985.

25. Called Up Share Capital

	GROUP		ASSOCIATION	
	2011 £	2010 £	2011 £	2010 £
Allotted, Issued and Fully Paid: Ordinary Shares of £1 each				
At 1 April	206	251	199	244
Issued in year at par	13	3	13	3
Cancelled in year	<u>(11)</u>	<u>(48)</u>	<u>(11)</u>	<u>(48)</u>
At 31 March	<u>208</u>	<u>206</u>	<u>201</u>	<u>199</u>

The shares were allotted to individuals wishing to become members.

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distribution in the event of 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 the members' meetings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

26. Related Party Transactions

Tenant Committee Members

During the year ended 31 March 2011 Mr M Clark and Mrs D MacDonald were members of the Board of Management and tenants of Eildon Housing Association Limited. Each were issued with standard tenancy agreements and were awarded tenancies in line with the Association's Allocation Policy. Under the Board of Management Code of Conduct, no tenant members can use their position on the Board of Management to their own advantage.

Eildon Tweed Valley Housing Association (dormant as of 1 April 2010)

Eildon Tweed Valley Housing Association Limited (ETVHA) is a subsidiary of Eildon Housing Association Limited (EHA). The Committee of Management and all the shareholders of ETVHA are Board Members and shareholders of EHA.

Mr Nile Istephan, the Secretary and Chief Executive of EHA, is also Secretary of ETVHA.

During the year the following transactions took place between the Association and Eildon Tweed Valley Housing Association Limited:

	2011 £'000	2010 £'000
Consultancy services provided to ETVHA	-	16
Donation from ETVHA to Eildon Trust	<u>-</u>	<u>28</u>
Amount due from ETVHA Limited at the year end	<u>-</u>	<u>-</u>

The ETVHA Balance Sheet and Income and Expenditure Account, with Eildon Housing Association and Eildon Enterprise Limited make up the Group accounts financial statements (pages 20 - 23).

Eildon Enterprise Limited

Eildon Enterprise Limited (EEL) is a subsidiary of Eildon Housing Association (EHA). All shares of EEL are held by EHA and the Board Members of EHA make up the majority on the EEL Board.

Mr Nile Istephan, the Secretary and Chief Executive of EHA is also Secretary of EEL.

During the year the following transactions took place between EHA and EEL:

	2011 £'000	2010 £'000
Consultancy services provided to EEL	<u>411</u>	<u>384</u>
Amount due from EEL at the year end	<u>48</u>	<u>7</u>

The EEL Balance Sheet and Income and Expenditure Account, with Eildon Housing Association and Eildon Tweed Valley Housing Association Limited make up the Group accounts financial statements (pages 19 - 22).