

Hjaltland Housing Association Limited

REPORT AND FINANCIAL STATEMENTS

31 March 2011

Registered Housing Association No Hal 127

Financial Services Authority No 1832R(S)

Scottish Charity No SC031954

Hjaltland Housing Association Limited

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Year ended 31 March 2011

COMMITTEE OF MANAGEMENT

J Goddard	Chair
R Hunter	Vice Chair
L Rosie	Vice Chair
S Duncan	Treasurer
J Anderson (Appointed 19 August 2010)	Committee member
J Dally	Committee member
F Dunbar (Resigned 28 June 2010)	Committee member
J Handley	Committee member
W Henderson	Committee member
J Henry	Committee member
G Jacobson	Committee member
G Mitchell	Committee member
T Stove	Committee member
A Tallack	Committee member
R Tulloch	Committee member
L Wheeler (Resigned 20 January 2011)	Committee member

EXECUTIVE OFFICERS

Mr R Sandison	Chief Executive/Secretary
Mrs S Gray	Finance Manager
Mr B Leask	Property Services Manager
Ms F A Robertson	Housing Services Manager

REGISTERED OFFICE

2 Harbour Street
Lerwick
Shetland
ZE1 0LR

AUDITORS

Baker Tilly UK Audit LLP
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

BANKERS

Bank of Scotland
117 Commercial Street
Lerwick
Shetland
ZE1 0DN

Royal Bank of Scotland
81 Commercial Street
Lerwick
Shetland
ZE1 0AD

SOLICITORS

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

Registration Particulars:

Financial Services Authority

Industrial and Provident Societies Act 1965
Registered Number 1832 R (S)

Scottish Housing Regulator

Housing Scotland Act 2001
Registered Number 127

Scottish Charities

Charity and Trustee Investment Act (Scotland) 2005
Scottish Charity Number SC031954

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

The Committee of Management presents its report and the audited financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Association are the provision of rented accommodation at affordable rents and the development of low cost home ownership schemes.

Hjaltland is registered with the Financial Services Authority as an Industrial and Provident Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord

The table below shows the property we own

	2011	2010
Managed Property Numbers		
Tenanted Property	504	455
Managed on behalf of others	2	18
Shared Ownership Properties	58	59
Total	564	532

FINANCIAL REVIEW

Hjaltland made a surplus of £333,142 (2010 - £292,054) during the year. The surplus was made after investment in timber cladding and insulation, cyclical painting and kitchen refurbishments for various properties.

The total expenditure on planned and cyclical maintenance including major repairs amounted to £309,672. This compares with £304,903 for similar expenditure in the previous year. This expenditure is written off in the year it is incurred and not capitalised.

There was no Gift Aid from Hjaltland Trading Ltd this year which compares with Gift Aid of nil in the previous year.

Taking these movements into account Hjaltland is in a strong financial position with £2.2m in Capital & Reserves of which £1.8m is in Designated Reserves. Hjaltland continues to have a substantial major repair investment programme with further replacement kitchens, heating improvements and re-harling due over the next few years. We have designated funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years. This includes the acceleration of the replacement of space and water heating to a significant number of properties as part of a major energy efficiency programme in partnership with Shetland Island Council and Scottish & Southern Energy.

SURPLUS FOR THE YEAR

The financial results of Hjaltland are as follows: -

	2011	2010
	£000s	£000s
Surplus for the year	333	292
Transfer to designated reserves – major repairs	137	38
Transfer (from)/to designated reserves – One Stop Shop	-	-
Transfer to designated reserves – capital contribution	25	216
Revenue Reserves	477	306

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

BUSINESS REVIEW

Our Aims

Hjaltland aims to deliver to Shetland a housing service that, as well as improving the quality of life for an individual through the provision of quality housing, offers them value for money. Hjaltland is committed through its housing service and wider action to playing its part in sustaining communities.

1. Hjaltland aims to deliver a high quality housing service to communities throughout Shetland and is committed to ensuring remote communities remain viable through a culture of sustainability and continuous improvement.
 - 1.1. Hjaltland aims to assist people in need, including those with special requirements, through a range of tenures and services.
 - 1.2. We will provide good quality homes that offer value for money, and are affordable to households in communities throughout Shetland.
 - 1.3. Hjaltland is committed to working in partnership with others for the good of the Shetland community.

The Association also has a wholly owned subsidiary, Hjaltland Trading Ltd, whose main objective is to carry on business as a general commercial company, within the Shetland Isles.

OPERATIONAL REVIEW

1. *Corporate Governance*

Hjaltland has a Committee of Management who are elected by the members of the Association (see below for details). It is the responsibility of the Committee to undertake the strategy, setting of policy and overall direction for the Association. They also monitor the operational activities of the Association. The members of the Committee of Management are unpaid.

The Executive Team of Hjaltland is responsible for achieving the strategy set, and undertaking the operational activities in line with the policies set.

The governing body is the Committee of Management, which is responsible to the wider membership. Committee of Management Members serve in a voluntary capacity, and they recognise that this puts even more onus on them to ensure that they set and achieve high standards of professionalism in the Association's work. They take governance very seriously, and regularly review governance arrangements to ensure that the Committee and Association are fit for purpose. The internal auditors also review Committee structure and governance as part of their remit.

2. *Corporate Issues*

The Hjaltland group continued to promote the provision of a One Stop Shop agency on behalf of Shetland Island Council. This service provides local residents with advice, support and limited access to grant funding for property repairs and improvements including energy efficiency measures. At 31st March 2011 there were 4 staff employed to ensure the successful running of this service. This includes a handyman employed to provide small and urgent repairs and adaptations.

During the year the Association continued to assist other organisations in community regeneration projects and it is intended to expand this activity where possible. During the year work continued on a multi-agency scheme, Focused Futures, to promote the development of skills of those living in homeless accommodation. Financial assistance via the Scottish Government wider role funding supported the Moving On Employment Project mental health support worker. A multi-agency working group is progressing a big lottery funding bid for the development of supported accommodation for those leaving care.

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

During the year the Association carefully considered changes proposed to the pension scheme provided to staff. Options were identified and staff were consulted prior to decisions being made by the Committee. It was agreed that from 1 April 2011 all staff have available two options being Final Salary 60ths and CARE 70ths. This will be kept under review in line with the timing of the triennial valuations.

Hjaltland is committed to continuing its program of Tenant Satisfaction Surveys conducted by carrying out a postal survey of 100% of tenants bi-annually.

Hjaltland is committed to involving staff in decision making and policy making. It is intended to continue an informal Office Bearers and Senior staff group which meets monthly.

Hjaltland Trading Ltd continued to carry out various commercial activities in the year to 31st March 2011. We continue to review various activities which will make Hjaltland Trading Ltd have a long term sustainable future to complement the charitable activities of the Association.

Performance Management

Service delivery is underpinned by staff performance. This continues to be a high priority for us and we help and encourage our staff to achieve appropriate Vocational Qualifications.

Best use of resources

We regularly conduct risk assessments, and take any action necessary to reduce or limit risk. We have a programme of major investment in our housing stock, which is by far our most costly asset, which includes carrying out major repairs. We have updated our stock condition information to ensure that our long-term financial planning reflects our future investment requirements.

Services

We aim to deliver high quality services, and we set ourselves the goal of achieving continuous improvement in what we do. In our housing stock, we moved ahead with some major repairs that had become necessary, and brought new schemes into management.

We continued to deliver adaptations to existing properties to meet specific needs of our tenants.

3. *Development Issues*

The year just completed has continued to be busy as Hjaltland progressed a number of projects that had received development funding from the Scottish Government. Significant staff resources have been applied to progressing current and future development opportunities this year. We have spent £5,155k (2010 - £6,593k) during the year. Of this spending £2,533k (2010 - £4,515k) is funded by Housing Association Grant received from the Scottish Government. Subject to grant funding becoming available through the new Innovation & Investment Fund to be awarded by the Scottish Government and matching grant funding from the Shetland Islands Council it is hoped to increase stock numbers through completion of new housing which would consolidate the Association's asset base at around 620 by 2012 and 697 by 2013.

Partnership working with the Shetland Islands Council has continued currently with management of the construction of a new children's home.

The Scottish Government's drive for greater delivery efficiencies has engendered an increased requirement for the private finance element of project funding. This in turn has implications for the annual number of units that can be produced while maintaining sufficient reserves in the medium term. Also in consequence the Association has increased the capital contribution reserve to underline the investment being made directly by the Association.

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

4. *Housing Issues*

Hjaltland continues to work on reducing the period of time taken to re-let or let new properties to ensure that we maximize our effectiveness in housing people in need and reduce our costs. The rent loss due to empty properties was held down to £974 (2010 - £1,017) - by using a Choice Based Lettings system the average time taken to re-let a property is under 3 days. Net tenant arrears continued at around the same level as last year at 3.4%, (previous year 3.6%), however efforts continue to be made to bring the level down.

5. *Property Maintenance*

According to our latest bi-annual Tenant Satisfaction Survey levels of satisfaction with regard to property maintenance remain high. 98% of repairs were completed on time compared to 96% last year.

6. *Support Services Issues*

There was a Care Commission Inspection of Housing Support Services (Sheltered Housing) during the year which assessed the area they call "Quality of Care and Support" for which they awarded a result of excellent. Any future recommendations will continue to be implemented. The Shetland Islands Council continued to provide funding during the year for this service however we have been advised that grant funding for this service will cease from 1 April 2012.

7. *Finance and IT Issues*

During the year additional private finance arrangements were negotiated with the Royal Bank of Scotland and the Bank of Scotland. In addition a bridging facility continued with the Shetland Islands Council to provide temporary funding in advance of approved Housing Association Grant.

Training and implementation continued on a new financial forecasting system. Revised software was also introduced in connection with the energy performance of housing stock.

8. *Other Areas*

Risk Events and Management Policy

The Association re-visits its Business Continuity Plan annually and makes amendments capitalising on any lessons learned during the course of the year. The Committee has continued to operate a formal risk management process to assess business risks and implement risk management strategies. This involves identifying 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. As part of this process the Committee have reviewed the adequacy of the Association's current internal controls and this continues to be kept under review.

Following changes to the grant regime within which the Association operates additional procedures were implemented with a view to ensuring that financial covenants are kept under close review.

Credit Payment Policy

Hjaltland'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.

Rental Income

The Association's Rent Policy is a points formula system based on the size, type and facilities of the accommodation. The policy ensures that the rent structure is easy to administer and covers the wide variations within the Association's properties. The point's value is reviewed annually to ensure that the rents cover the required costs. This policy follows the generally accepted practice/principles of the Housing Movement.

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

Maintenance Policy

Hjaltland seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Income and Expenditure Account.

In addition, Hjaltland has a long term programme of major repairs to cover work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The costs of these repairs will be charged to the Income and Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords (SORP). This policy will be substantially revised during the next year to ensure compliance with the updated SORP.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling five-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Treasury Management

Hjaltland has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way Hjaltland 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. At 31 March 2011 Hjaltland had £2.4m in loan facilities agreed but not yet drawn down.

Hjaltland as a matter of policy does not enter into transactions of a speculative nature. At 31 March 2011, Hjaltland has a mix of fixed and variable rate finance, which it considers appropriate at this time. During the year the proportion of fixed rates to variable continued to be reviewed to take advantage of the low interest rates prevailing.

Quality and Integrity of Personnel

The integrity and competence of personnel are ensured through high recruitment standards and subsequent training courses. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive.

General Reserves Policy

The Committee members have reviewed the reserves of Hjaltland. 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 Association has designated funds; the purpose of these funds is detailed in note 1 to the financial statements.

Sale of Housing Properties

First Tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating 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 Statement of Recommended Practice.

Employee Involvement and Health and Safety

Hjaltland 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.

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

Equality and Diversity

There is an Equality & Diversity policy in place which is kept under review and has been amended to ensure compliance with recent legislative changes. All reasonable adjustments will be made to assist those with a disability through the application process and throughout the course of their employment.

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

COMMITTEE AND OFFICERS INSURANCE

Hjaltland has purchased and maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of Hjaltland, as authorised by the Association's Rules.

FUTURE DEVELOPMENTS

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

COMMITTEE OF MANAGEMENT

The Committee of Management of Hjaltland during the year to 31 March 2011 was as follows:

J Goddard	Chair Person		1
R Hunter	Vice-Chair Person		1
L Rosie	Vice-Chair Person		
S Duncan	Treasurer		1
J Anderson		Appointed 19 August 2010	
J Dally			
J Handley			
F Dunbar		Resigned 28 June 2010	
W Henderson			1
J Henry			1
A Tallack			
G Jacobson			1
G Mitchell			1
R Tulloch			1
T Stove			1
L Wheeler		Resigned 20 January 2011	
Sub committee membership	1	Finance Committee	

Each member of the Committee of Management holds one fully paid share of £1 in Hjaltland. The executive officers of Hjaltland hold no interest in the share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

Hjaltland Housing Association Limited

REPORT OF COMMITTEE OF MANAGEMENT

Year ended 31 March 2011

AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Baker Tilly have agreed to offer themselves for re-appointment as auditors of Hjaltland Housing Association Limited.

On behalf of the Committee of Management



Mr R Sandison
Secretary

25 August 2011

2 Harbour Street
Lerwick
Shetland

Hjaltland Housing Association Limited

STATEMENT OF COMMITTEE OF MANAGEMENT'S RESPONSIBILITIES

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Management Committee are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

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

Hjalmland Housing Association Limited

COMMITTEE OF MANAGEMENT'S STATEMENT OF INTERNAL FINANCIAL CONTROL

The Committee of Management acknowledge their 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:

the reliability of financial information used within the Association or for publication

the maintenance of proper accounting records; and

the safeguarding of assets (against unauthorised use or disposition)

It is the Committee of Management'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 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 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 comprising Committee of Management members and others.

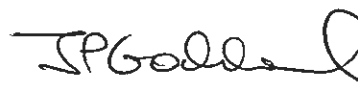
the Committee of Management reviews reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

formal procedures have been established for instituting appropriate action to correct any weaknesses identified from the above reports.

These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance and the SFHA's publication "Raising Standards in Housing".

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 2011 and until the below date. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which would require disclosure in the financial statements or in the auditors' report on the financial statements.

On behalf of the Committee of Management



Dr J Goddard
Chair

25 August 2011

Hjaltland Housing Association Limited

REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE MATTERS

CORPORATE GOVERNANCE

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 10 concerning the Association's compliance with the information required by the section on Internal Financial Control within the SFHA's publication "Raising Standards in Housing".

BASIS OF OPINION

We carried out our review having regard to the Bulletin 2006/05 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 10 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.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
St Olaf's Hall
Lerwick
Shetland
ZE1 0FD

Date: 29-8-2011

Hjaltland Housing Association Limited

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF HJALTLAND HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Hjaltland Housing Association Limited for the year ended 31 March 2011 on pages 13 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Committee of Management and auditor

As explained more fully in the Committee of Management's Responsibilities Statement set out on page 9, the Committee of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
St Olaf's Hall
Church Road
Lerwick
Shetland
ZE1 0FD

Date *26-8-11*.

Hjaltland Housing Association Limited

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 March 2011

	<i>Notes</i>	2011 £	2010 £
TURNOVER	2	2,081,785	1,949,005
Less: Operating costs	2	(1,497,097)	(1,492,959)
		<hr/>	<hr/>
OPERATING SURPLUS		584,688	456,046
Gain on sale of fixed assets		8,433	66,652
Interest receivable and other income		8,712	753
Interest payable and other charges	6	(268,691)	(231,397)
		<hr/>	<hr/>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		333,142	292,054
Taxation on surplus on ordinary activities	7	-	-
		<hr/>	<hr/>
SURPLUS FOR THE YEAR	15	333,142	292,054
		=====	=====

There are no recognised gains and losses other than the surplus for the year shown above.

The surplus for the year arises from the Association's continuing operations.

Hjaltrand Housing Association Limited

BALANCE SHEET

at 31 March 2011

	Note	2011		2010	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Housing properties					
- gross cost less depreciation	8		52,155,607		47,116,555
Less: HAG	8		(37,925,007)		(35,421,604)
Other grants	8		(1,974,464)		(1,605,410)
			<hr/>		<hr/>
			12,256,136		10,089,541
Other fixed assets	8		346,705		330,888
			<hr/>		<hr/>
			12,602,841		10,420,429
CURRENT ASSETS					
Stock	9		-		60,980
Debtors	10		380,140		481,100
Cash at bank and in hand			1,143,747		1,191,660
			<hr/>		<hr/>
			1,523,887		1,733,740
CREDITORS: amounts falling due within one year	11		(867,193)		(1,215,182)
			<hr/>		<hr/>
NET CURRENT ASSETS			656,694		518,558
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			13,259,535		10,938,987
CREDITORS: amounts falling due after more than one year	12		(11,011,896)		(9,024,486)
			<hr/>		<hr/>
NET ASSETS			2,247,639		1,914,501
			=====		=====
CAPITAL AND RESERVES					
Share capital	13		80		84
Designated reserves	14		1,770,749		1,608,763
Revenue reserves	15		476,810		305,654
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	16		2,247,639		1,914,501
			=====		=====

The financial statements were approved and authorised for issue by the Committee of Management on 25 August 2011.

Sheila Duncan : Treasurer
Mrs S Duncan

Dr J Goddard : Chair
Dr J Goddard

Mr R Sandison : Secretary
Mr R Sandison

Hjaltland Housing Association Limited

CASH FLOW STATEMENT
for the year ended 31 March 2011

	Note	2011 £	2010 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17a	873,872	417,944
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		8,712	753
Interest paid		(297,521)	(261,887)
Net cash (outflow) from returns on investments and servicing of finance		(288,809)	(261,134)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments for acquisition and construction of housing properties		(5,059,680)	(6,321,752)
Payments to acquire other fixed assets		(50,595)	(43,335)
Capital grants received		2,610,621	4,673,297
Other grants received		66,269	144,010
Capital grants repaid		(27,789)	(188,715)
Receipts from sale of housing properties		47,500	299,657
Receipts from sale of other fixed assets		-	4,740
Net cash (outflow) from capital expenditure		(2,413,674)	(1,432,098)
Net (outflow) before use of liquid resources and financing		(1,828,611)	(1,275,288)
FINANCING			
Loan advances received		2,243,334	2,200,000
Loan principal repayments		(203,108)	(187,662)
Bridging loan repayment		-	(390,664)
Shares issued		1	-
Net cash inflow from financing		2,040,227	1,621,674
INCREASE IN CASH AND CASH EQUIVALENTS		211,616	346,386
Further details are given in note 17			

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

31 March 2011

1 ACCOUNTING POLICIES

(a) INTRODUCTION AND ACCOUNTING BASIS

The principal accounting policies of the Association are set out in the paragraphs (b) to (s) below. These financial statements are prepared under the historical cost convention and are based on the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Statement of Recommended Practice "Accounting by Registered Social Landlords" 2008 and applicable accounting standards.

Hjaltland Housing Association and its subsidiary (Hjaltland Trading Limited) comprise a group. The Association has obtained exemption from the Financial Services Authority from producing Consolidated Financial Statements as provided by Section 14(2A) of the Friendly and Industrial and Provident Societies Act 1968. The financial statements reflect only the transactions of Hjaltland Housing Association Limited and not of the group.

(b) TURNOVER

Turnover represents rental, service and management charges from properties, agency fees, revenue based grants receivable from Scottish Ministers and first tranche sales of shared ownership properties.

(c) FINANCE

The financial statements have been prepared on the basis that the capital expenditure referred to in note 8 will be grant aided, funded by loans, met out of reserves, or from proceeds of sales.

(d) 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 Housing Association Grant.

(e) GRANTS

(i) Development Grants

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 HAG is calculated on the qualifying cost (note 1(g)) of the scheme in accordance with instructions issued from time to time by the grant awarding body.

Other grants in respect of approved schemes are treated similarly to HAG. HAG and other grants are repayable under certain circumstances. These include the disposal of the properties to which the grants relate.

(ii) Revenue Grants

Grants of a revenue nature are credited to income in the year to which they relate

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

1 ACCOUNTING POLICIES (continued)

(f) HOUSING ASSOCIATION GRANTS – ACQUISITION AND DEVELOPMENT ALLOWANCES RECEIVABLE

Acquisition and Development Allowances 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.

(g) FIXED ASSETS – HOUSING LAND AND BUILDINGS (note 8)

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” for approved HAG 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 value 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 attributable to specific schemes, where such costs are not felt to be excessive. If expenditure does not qualify for HAG, it is nevertheless capitalised.

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:

- an increase in rental income; or
- a material reduction in future maintenance costs; or
- 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.

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 HAG payment.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

1 ACCOUNTING POLICIES (continued)

(h) DEPRECIATION

(i) HOUSING PROPERTIES

The cost of the Association's housing properties for all types of housing properties are written off evenly over their remaining useful economic life. The depreciable amount is historic cost less grant less residual value. The residual valuation of housing properties is estimated by reference to the SFHA valuation matrix relating to Inverness. The useful economic life for the dwellings is assumed to be 100 years. No depreciation is charged on the cost of land.

Reviews for impairment of housing properties are carried out on an annual basis and any impairment is recognised by a charge to the Income and Expenditure account. Impairment is recognised where the carrying value of properties exceeds the higher of its net residual value or its value in use.

(ii) Other fixed assets

Association's assets

The Association's assets are written off evenly over their expected useful lives as follows:

Office premises	- 60 years
Furniture & equipment	- between 3 and 25 years
Omniledger	- 6 years

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.

(i) DESIGNATED RESERVES – FOR FUTURE CYCLICAL REPAIRS AND MAINTENANCE (note 14)

Cyclical maintenance, being the Association's commitment to maintain its properties in accordance with planned programme of works, is set aside in a designated reserve, to the extent that it will not be met from revenue in the year in which it is incurred.

(j) DESIGNATED RESERVE – FOR MAJOR REPAIRS (note 14)

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

(k) DESIGNATED RESERVE – ONE STOP SHOP (note 14)

Surpluses generated from the activities of the One Stop Shop are set aside in a designated reserve to be used for the future funding of this activity, should external funding cease.

(l) DESIGNATED RESERVE – CAPITAL CONTRIBUTIONS

Development expenditure, being the Association's commitment to develop new properties is set aside in the designated reserve to the extent that it is not met from HAG.

(m) 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.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

1 ACCOUNTING POLICIES (continued)

(n) LEASE OBLIGATIONS

Rentals paid under operating leases are charged to the Income and Expenditure account on the accruals basis.

(o) VALUE ADDED TAX

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.

(p) PENSIONS

The Association participates in the centralised Scottish Housing Associations' 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 in the scheme taken as a whole.

(q) STOCK

Stock is valued on the basis of direct costs plus attributable overheads based on normal level of activity.

(r) SALE OF HOUSING PROPERTIES

First tranche Shared Ownership disposals are credited to turnover on completion, the cost of construction of these sales is taken to operating 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 Statement of Recommended Practice.

(s) PROPERTY DEVELOPMENT COST

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

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

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

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

	Note	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	2010 £
Social lettings	3a	1,838,407	1,223,234	615,173	548,376
Other activities	3b	243,378	273,863	(30,485)	(92,330)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total		2,081,785	1,497,097	584,688	456,046
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total for previous period of account		1,949,005	1,492,959	456,046	
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Hjalmland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

3a PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Housing £	2011 Total £	2010 Total £
Income from Lettings					
Rent receivable net of service charges	1,553,901	114,362	121,741	1,790,004	1,618,185
Service charges receivable	38,416	5,919	5,042	49,377	48,919
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Gross income from rents and service charges	1,592,317	120,281	126,783	1,839,381	1,667,104
Less: Rent losses from voids	(925)	(49)	-	(974)	(1,017)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income from rents and service charges	1,591,392	120,232	126,783	1,838,407	1,666,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Grants from the Scottish ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total turnover from social letting activities	1,591,392	120,232	126,783	1,838,407	1,666,087
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditure on letting activities					
Management and maintenance admin costs	548,584	25,359	41,231	615,174	568,457
Service costs	35,505	5,570	9,637	50,712	39,877
Planned and cyclical maintenance including major repairs costs	309,384	288	-	309,672	304,903
Reactive maintenance costs	140,606	14,490	-	155,096	117,561
Bad debts – rents and service charges	13,964	-	-	13,964	9,892
Depreciation of social housing	66,450	4,334	7,832	78,616	77,021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating costs for social letting activities	1,114,493	50,041	58,700	1,223,234	1,117,711
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating surplus on social letting activities	476,899	70,191	68,083	615,173	548,376
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
Operating surplus on social letting for previous period of account	401,470	67,909	78,997	548,376	
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>	

The amount of service charges receivable on housing accommodation not eligible for housing benefit was nil (2010: £3,766).

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

3b PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Grants Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs- bad debts	Other operating costs	Operating surplus/ (deficit)	Operating surplus/ (deficit) for previous period of account
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to Support the community, other than the provision, construction, improvement and management of housing	23,001	1,270	-	-	24,271	-	(37,764)	(13,493)	(11,551)
Care and repair of property (OSS)	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	3,575	3,575	-	(4,422)	(847)	975
Development and construction of property activities	-	-	-	-	-	-	(17,367)	(17,367)	(82,345)
Support activities	-	-	19,249	-	19,249	-	(21,704)	(2,455)	(3,244)
Other agency/management services (RHOGS)	3,600	-	-	-	3,600	-	(2,813)	787	183
Development and improvements for sale to non registered social landlords (shared equity and shared ownership sales)	-	-	-	-	-	-	(888)	(888)	(186)
Other activities:									
Insurance claims	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	5,453	5,453	-	(567)	4,886	3,838
Recharges	-	-	-	187,230	187,230	-	(188,338)	(1,108)	-
Total from other activities	26,601	1,270	19,249	196,258	243,378	-	(273,863)	(30,485)	(92,330)
Total from other activities for the previous period of account	23,800	15,411	19,249	224,458	282,918	-	(375,248)	(92,330)	-

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

4	OPERATING SURPLUS	2011	2010
		£	£
	Operating surplus is stated after charging:		
	Auditors remuneration		
	Remuneration of the auditors, including expenses and excluding VAT for the year	7,639	7,950
	Remuneration of the auditors in respect of services other than those of auditors	511	1,622
		<u> </u>	<u> </u>
		8,150	9,572
		=====	=====
	Depreciation of fixed assets		
	- Owned assets (see note 8)	113,689	108,494
		=====	=====
5	DIRECTORS AND EMPLOYEES	2011	2010
		£	£
	STAFF COSTS INCLUDING DIRECTORS EMOLUMENTS		
	Wages and salaries	610,702	566,280
	Social security costs	45,437	38,298
	Other pension costs	89,761	83,743
		<u> </u>	<u> </u>
		745,900	688,321
		=====	=====
		Number	Number
	The average full time equivalent number of persons employed by the Association during the year were as follows		
	Administration & maintenance	19	18
		==	==
	The average number of persons employed by the Association during the year were as follows	23	21
		==	==

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Management Committee, the Directors and any other person reporting directly to the Directors or the Management Committee whose total emoluments exceed £60,000 per year. No member of the Committee of Management received any emoluments in respect of their services to the Association.

	2011	2010
	£	£
Aggregate Emoluments payable to officers and former officers whose total emoluments are £60,000 or more, excluding pension contributions	-	-
	=====	=====
Emoluments payable to the Chief Executive (excluding pension contributions)	54,699	52,379
	=====	=====

The Association's pension contributions for the Chief Executive amounted to £8,244 (2010: £7,891).

Pension contributions payable to officers whose total Emoluments (excluding pension contributions) are £60,000 or more

-	-
=====	=====

PENSION COSTS

Hjaltland Housing Association participates in the Scottish Housing Associations' Pension Scheme ("the Scheme"). The Scheme is funded and is contracted-out of the State Pension Scheme.

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

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 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 £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, 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 £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

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 of the Scheme as a whole is calculated by comparing the liabilities of the Scheme (calculated on a buy-out basis, i.e. the cost of securing annuity 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.

Hjaltland Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for Hjaltland Housing Association Limited was £1,785,936.

GROWTH PLAN

Hjaltland Housing Association Limited participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted out of the state scheme. The Growth Plan is a multi-employer pension Plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

Hjaltland Housing Association Limited pay no obligatory contributions to the growth plan but employees pay additional voluntary contributions.

As at the balance sheet date there were 3 (2010 -1) active members of the Plan employed by Hjaltland Housing Association. Hjaltland Housing Association continues to offer membership of the Plan 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. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 were completed in 2009 and have been finalised. The valuation of the Scheme was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
-Investment return pre retirement	7.6
-Investment return post retirement	
Actives/Deferreds	5.1
Pensioners	5.6
-Bonuses on accrued benefits	0.0
-Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position as at 30 September 2010. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compare with the value of liabilities of £45 million, equivalent to a funding level of 95%.

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.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from the participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement and 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

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). A copy of the recovery plan in respect of September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

The next full actuarial valuation will be carried out as at 30 September 2011.

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 Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. 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 Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 Plan liabilities, Plan 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.

Hjaltland Housing Association Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2010. As of this date the estimated employer debt for Hjaltland Housing Association was £7,237.

6 INTEREST PAYABLE	2011	2010
	£	£
Bank loans and overdrafts	306,457	265,461
Less: Interest capitalised (note 8)	(37,766)	(34,064)
	<u>268,691</u>	<u>231,397</u>
7 TAXATION		

The Association achieved charitable status on 10 July 2001 and so is no longer liable for Corporation Tax after that date on its exempt activities.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

8 TANGIBLE FIXED ASSETS

a) Housing properties

	Housing properties held for letting £	Housing properties under construction £	Shared ownership properties completed £	Shared ownership properties under construction £	Total £
COST					
At 1 April 2010	36,793,512	6,857,658	3,757,447	96,892	47,505,509
Additions during year	308,606	4,838,553	8,179	-	5,155,338
Disposals in year	-	-	(37,843)	-	(37,843)
At 31 March 2011	37,102,118	11,696,211	3,727,783	96,892	52,623,004
DEPRECIATION					
At 1 April 2010	347,147	-	41,807	-	388,954
Charge for year	71,078	-	7,833	-	78,911
Disposals in year	-	-	(468)	-	(468)
At 31 March 2011	418,225	-	49,172	-	467,397
HOUSING ASSOCIATION GRANT					
At 1 April 2010	26,680,347	6,057,710	2,613,816	69,731	35,421,604
Additions during year	51,512	2,481,314	-	-	2,532,826
Disposals in year	-	-	(29,423)	-	(29,423)
At 31 March 2011	26,731,859	8,539,024	2,584,393	69,731	37,925,007
OTHER GRANTS					
At 1 April 2010	1,419,796	107,500	78,114	-	1,605,410
Additions during year	39,528	326,930	4,230	-	370,688
Disposals in year	-	-	(1,634)	-	(1,634)
At 31 March 2011	1,459,324	434,430	80,710	-	1,974,464
NET BOOK VALUE					
At 31 March 2011	8,492,710	2,722,757	1,013,508	27,161	12,256,136
At 31 March 2010	8,346,222	692,448	1,023,710	27,161	10,089,541

Land included under housing properties is all freehold.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

8 TANGIBLE FIXED ASSETS (continued)

The interest capitalised on development period loans in the year amounted to £37,766 (2010 - £34,064). Total development administration costs capitalised amounted to £100,684 (2010 - £97,244) for which Housing Association Grants amounting to £113,070 (2010 - £147,132) were received in the year.

Total expenditure on major works to existing properties was £329,296 (2010 - £352,894). £309,672 (2010 - £304,903) was charged to Income and Expenditure Account and £19,624 (2010 - £47,991) was capitalised.

b) Other tangible fixed assets

	Office Property £	Workshop £	Office Equipment £	Maintenance Equipment £	Services Equipment £	Total £
COST						
At 1 April 2010	290,529	13,058	242,771	27,793	8,951	583,102
Additions during year	8,804	1,654	14,357	25,780	-	50,595
Disposals during year	-	-	(100,033)	-	(8,951)	(108,984)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2011	299,333	14,712	157,095	53,573	-	524,713
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION						
At 1 April 2010	23,213	2,612	207,463	9,975	8,951	252,214
Charge during year	4,999	2,942	16,608	10,229	-	34,778
Disposals in year	-	-	(100,033)	-	(8,951)	(108,984)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2011	28,212	5,554	124,038	20,204	-	178,008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUES						
As at 31 March 2011	271,121	9,158	33,057	33,369	-	346,705
	=====	=====	=====	=====	=====	=====
As at 31 March 2010	267,316	10,446	35,308	17,818	-	330,888
	=====	=====	=====	=====	=====	=====

9 STOCK

	2011 £	2010 £
Site development for resale	-	60,980
	<u> </u>	<u> </u>
	-	60,980
	=====	=====

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

10 DEBTORS

	2011	2010
Amounts falling due within one year:	£	£
Rental debtors	89,424	79,293
Bad debt provision	(27,115)	(19,545)
	-----	-----
	62,309	59,748
Other debtors	29,565	21,385
Development funding receivable	210,614	288,406
Prepayments and accrued income	49,846	54,849
Amounts due from subsidiary	27,806	56,712
	-----	-----
	380,140	481,100
	=====	=====

11 CREDITORS: amounts falling due within one year

Loans	240,785	187,969
Bank overdraft	-	259,528
Trade creditors	387,000	289,440
Accruals and deferred income	150,951	142,436
Other creditors	24,823	322,925
Rent paid in advance	45,668	12,461
Amounts due to subsidiary	10,180	423
VAT	7,786	-
	-----	-----
	867,193	1,215,182
	=====	=====

Securities held in respect of loans and development overdrafts are detailed in note 12.

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

12 CREDITORS: amounts falling due after more than one year	2011	2010
	£	£
Loans	11,011,896	9,024,486
	=====	=====

Loans are secured by specific charges on the Association's properties and are repayable at rates of interest between 1.0% and 6.4 % (2010 – 1.0% and 6.4%) in instalments as follows:

In one year (note 11)	240,785	187,969
Between one and two years	240,785	187,969
Between two and five years	961,053	715,879
After five years	9,810,058	8,120,638
	-----	-----
	11,252,681	9,212,455
	=====	=====

The Dunfermline Building Society holds a number of standard securities over various properties owned by the Association.

The Royal Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a number of standard securities over various properties owned by the Association.

The Bank of Scotland holds a letter of pledge by the Association for all sums and a negative pledge over 5 properties.

The Secretary of State for Defence Limited hold a standard security and a claw back security over 10 properties owned by the Association.

13 SHARE CAPITAL	2011	2010
	£	£
Shares of £1 each fully paid and issued		
31 March 2010	84	87
Shares issued	1	2
Shares cancelled	(5)	(5)
	—	—
31 March 2011	80	84
	==	==

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

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

14 DESIGNATED RESERVES	2010 £	Transfer from/(to) revenue reserves £	2011 £
Cyclical maintenance	72,479	-	72,479
Major repairs reserve	1,263,823	137,119	1,400,942
One stop shop	56,585	-	56,585
Capital contribution reserve	215,876	24,867	240,743
	<u>1,608,763</u>	<u>161,986</u>	<u>1,770,749</u>
	=====	=====	=====

No restrictions are placed upon these reserves, but the Committee of Management have designated their use for specific purposes.

15 REVENUE RESERVE	2011 £	2010 £
31 March 2010	305,654	267,565
Surplus for the financial year	333,142	292,054
Transfer to designated reserves	(161,986)	(253,965)
	<u>476,810</u>	<u>305,654</u>
	=====	=====
31 March 2011	476,810	305,654
	=====	=====
16 RECONCILIATION OF SHAREHOLDERS' FUNDS	2011 £	2010 £
Surplus for the financial year	333,142	292,054
New share capital subscribed	1	2
Share capital cancelled	(5)	(5)
	<u>333,138</u>	<u>292,051</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	333,138	292,051
Opening shareholders' funds	1,914,501	1,622,450
	<u>2,247,639</u>	<u>1,914,501</u>
	=====	=====
CLOSING SHAREHOLDERS' FUNDS	2,247,639	1,914,501
	=====	=====

Hjaltsland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

17 CASH FLOW STATEMENT	2011	2010	
	£	£	
a) Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus	584,688	456,046	
Depreciation charges	130,045	108,494	
Increase in work in progress	(18,840)	(60,981)	
Decrease in debtors	23,168	13,060	
Decrease/(increase) in creditors	154,816	(98,672)	
Shares cancelled	(5)	(3)	
	<u>873,872</u>	<u>417,944</u>	
	=====	=====	
b) Reconciliation of net cash flow to movement in net debt			
Increase in cash in period	211,615	346,386	
Cash inflow from increase in debt	(2,040,226)	(2,012,338)	
	<u> </u>	<u> </u>	
Change in net debt resulting from cash flows	(1,828,611)	(1,665,952)	
Net debt at 1 April 2010	(8,280,323)	(6,614,371)	
	<u> </u>	<u> </u>	
Net debt at 31 March 2011	(10,108,934)	(8,280,323)	
	=====	=====	
c) Analysis of changes in net debt			
	1 April	Cash	31 March
	2010	flows	2011
	£	£	£
Cash in hand and at bank	1,191,660	(47,913)	1,143,747
Bank overdrafts	(259,528)	259,528	-
Debt due within one year	(187,969)	(52,816)	(240,785)
Debt due after one year	(9,024,486)	(1,987,410)	(11,011,896)
	<u> </u>	<u> </u>	<u> </u>
Total	(8,280,323)	(1,828,611)	(10,108,934)
	=====	=====	=====

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

18 SUBSIDIARY UNDERTAKING

The Association has a subsidiary undertaking, Hjaltland Trading Limited. The subsidiary is limited by guarantee and is registered in Scotland. The Association has an exemption from preparing group accounts from the Financial Services Authority.

Hjaltland Trading Limited's closing reserves for the year were £21,738 (2010 - £24,269). Loss for the year was £2,531 (2010 profit - £3,220).

During the year the Association purchased goods and services at normal market rates from Hjaltland Trading Limited amounting to £187,230 (2010 - £159,795) and sold goods and services to Hjaltland Trading Limited amounting to £187,230 (2010 - £159,795). The balance owed from Hjaltland Trading Limited at the balance sheet date was £27,806 (2010 - £56,713). The balance owed to Hjaltland Trading Limited at the balance sheet date was £10,180 (2010 - £424).

19 CAPITAL COMMITMENTS

	2011	2010
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,567,122	5,671,032
	=====	=====

The Group expects to finance the above commitment by:

	2011	2010
	£	£
Capital grant receivable	678,148	2,492,624
Signed loan commitments available for drawdown	907,000	3,118,393
Loans under negotiation	933,782	-
Other grants	48,192	60,015
	-----	-----
	2,567,122	5,671,032
	=====	=====

20 OPERATING LEASES

Payments on leases expiring within 1 year	4,320	-
Payments on leases expiring within 2 to 5 years inclusive	4,234	8,554
Payments on leases expiring in more than 5 years	1,287	-
	-----	-----
	9,841	8,554
	=====	=====

Hjaltland Housing Association Limited

NOTES TO THE FINANCIAL STATEMENTS

(continued)

31 March 2011

21 HOUSING STOCK

The number of units of accommodation in management at the year end was:

	No	No
General Needs - New Build	471	439
- Rehabilitation	4	4
Supported Housing	31	30
Shared Ownership	58	59
	—	—
	564	532
	===	===

22 RELATED PARTIES

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

One member of the Management Committee is a councillor with the Shetland Islands Council as well as a Committee member of the Association. Any transactions with the Shetland Islands Council are made at arms length, on normal commercial terms and committee members cannot use their position to their advantage.

23 CONTINGENT LIABILITY

The association currently leases 24 properties from the Defence Estates. This lease is due to end in March 2012, at which point there may be increased repair costs to cover the wear and tear costs incurred during the lease period. At this time it is not possible to ascertain the costs that may be incurred.