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Shire Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2010

Registered Housing Association No. HAL296

FSA Reference No. 2515R(S)

Scottish Charity No. SC038664

SHIRE HOUSING ASSOCIATION LIMITED

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SHIRE HOUSING ASSOCIATION LIMITED

**BOARD , EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2010**

BOARD

TERENCE JOHNSTONE

Chairperson

ISABELLA CRAWFORD

Vice Chair

DAVID GARDINER

KATHY McSKIMMING

GRACE NICHOL

JOHN KANE

JAN GILLIES

JOHN GRAHAM

LINDA McGREGOR

STUART REID

Resigned 5 August 2009

ROBERT LAURIE

STEPHEN CLOETE

EDITH YOUNG

IAN MCWHIRTER

Co-opted 27 January 2010

EAST AYRSHIRE COUNCIL OBSERVER

COUNCILLOR KATHERINE MORRICE

EXECUTIVE OFFICERS

MADELEINE SULLIVAN

Director and Secretary

REGISTERED OFFICE

NETHERTHIRD HOUSE

NETHERTHIRD

CUMNOCK

AYRSHIRE

KA18 3DB

AUDITORS

ALEXANDER SLOAN

CHARTERED ACCOUNTANTS

38 CADOGAN STREET

GLASGOW

G2 7HF

BANKERS

BANK OF SCOTLAND

43/45 TOWNHEAD STREET

CUMNOCK

KA18 1LF

SOLICITORS

HENDERSON BOYD JACKSON, W.S

EXCHANGE TOWER

19 CANNING STREET

EDINBURGH

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2010

The Board presents its report and the Financial Statements for the year ended 31st March 2010.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.2515R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC038664.

Principal Activities

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

Review of Business and Future Developments

The Board of Shire Housing is pleased to present its annual accounts for 2009/2010. As expected, the overall financial operating climate remained difficult over the course of the year. Within that context, we were pleased that, having delivered a planned programme of works and worked hard to contain costs, we were able to generate a comparatively healthy surplus.

This commentary will highlight some of our activities over the course of the year which help to support our continued financial viability.

We were delighted to successfully tender for the new contract for delivery of the Care & Repair service for East Ayrshire Council across East Ayrshire. This is a vital service for elderly owner occupiers and we are proud to have been involved with it since inception.

We completed the new build development at Cumnock and took handover of our development at Cessnock Gardens, Hurlford adding 57 new homes, some specifically designed for and designated for older people, to our stock base.

We did a lot of consultative work with our tenants. We carried out a specific programme of activities around, the services we offer, our rental structure and the scope for rationalisation. We also carried out a full tenant satisfaction survey and presented the results of that to our triennial tenants conference held in September. Overall we were very pleased with the survey results and conference feedback. We used that opportunity to raise specific issues around rent rationalisation and were able to secure support for modest adjustments which were implemented in February. Building on that work, we have made an onward commitment to further tenant consultation around value.

We continue to take a prudent approach to expenditure. We continue to invest in our stock to ensure we meet tenant aspirations and that we will meet the Scottish Housing Quality Standard.

Customer service is a top priority. We achieved the Customer Service Excellence award and continue to work hard to ensure that that status is deserved.

Our Board spent time reviewing our progress to date and drafting our new 3 year Internal Management Plan which has an absolute focus on business sustainability. We are confident that we have a sound business basis to deliver our commitments to tenants and other stakeholders and to explore new opportunities.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2010

Board and Executive Officers

The members of the Board and the Executive Officers are listed on Page 1.

Each member of the Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board.

The members of the Board are also Trustees of the Charity. Members of the Board are appointed by the members at the Association's Annual General Meeting.

Statement of Board's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Board 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 Board is required to:-

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

The Board is 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 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. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Board must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Association's Auditors are aware of that information.

SHIRE HOUSING ASSOCIATION LIMITED

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2010**

Statement on Internal Financial Control

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

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

It is the 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 of the Association's systems include ensuring that:

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

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Board



MADELEINE SULLIVAN
Secretary
30 June 2010

SHIRE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE BOARD OF
SHIRE HOUSING ASSOCIATION LIMITED
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 4 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 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 4 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
30 June 2010

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
SHIRE HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Shire Housing Association Limited for the year ended 31st March 2010 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Board and Auditors

As described in the Statement of Board's Responsibilities the Association's Board are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Basis of Opinion

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

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

Opinion

In our opinion the Financial Statements:

give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2010 and of its income and expenditure and cash flow for the year then ended; and

have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion, the information given in the Board's Report is consistent with the financial statements.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
30 June 2010

SHIRE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Notes	2010 £	2009 £
TURNOVER	2.	3,670,285	3,444,115
Operating Costs	2.	<u>(2,418,345)</u>	<u>(2,643,765)</u>
OPERATING SURPLUS	9.	1,251,940	800,350
Profit on Sale of Housing Stock	7.	45,837	165,940
Interest Receivable and Other Income		7,732	37,354
Interest Payable and Similar Charges	8.	<u>(953,562)</u>	<u>(921,668)</u>
		<u>(899,993)</u>	<u>(718,374)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		351,947	81,976
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>351,947</u></u>	<u><u>81,976</u></u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

SHIRE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2010

	Notes	2010 £	2009 £
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	27,820,895	26,074,328
Less: Social Housing Grant	11.(a)	(14,877,866)	(14,117,033)
: Other Public Grants	11.(a)	(519,949)	(541,446)
		<u>12,423,080</u>	<u>11,415,849</u>
Other fixed assets	11.(b)	162,096	201,196
		<u>12,585,176</u>	<u>11,617,045</u>
FIXED ASSET INVESTMENTS			
Investment in subsidiaries	22.	-	2
Shared Equity Cost	22.	438,880	438,880
Shared Equity Grant	22.	(438,880)	(438,880)
		<u>-</u>	<u>-</u>
CURRENT ASSETS			
Debtors	14.	237,432	254,272
Cash at bank and in hand		1,134,529	1,323,979
		<u>1,371,961</u>	<u>1,578,251</u>
CREDITORS: Amounts falling due within one year	15.	(505,368)	(570,618)
NET CURRENT ASSETS		<u>866,593</u>	<u>1,007,633</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,451,769</u>	<u>12,624,680</u>
CREDITORS: Amounts falling due after more than one year	16.	(15,316,606)	(14,841,448)
NET ASSETS		<u>(1,864,837)</u>	<u>(2,216,768)</u>
CAPITAL AND RESERVES			
Share Capital	18.	369	385
Revenue Reserves	19.(a)	(1,865,206)	(2,217,153)
		<u>(1,864,837)</u>	<u>(2,216,768)</u>

The Financial Statements were approved by the Board and signed on their behalf on

30 June 2010

Chairperson  Vice-Chairperson 

Secretary 

SHIRE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2010

	Notes	2010 £	2009 £
Net Cash Inflow from Operating Activities	17.	1,277,417	939,715
Returns on Investment and Servicing of Finance			
Interest Received		7,732	37,354
Interest Paid		(953,869)	(947,849)
Net Cash (Outflow) from Investment and Servicing of Finance		(946,137)	(910,495)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(1,890,315)	(4,841,052)
Purchase of Other Fixed Assets		(7,623)	(30,955)
Social Housing Grant Received		817,512	3,320,407
Social Housing Grant Repaid		-	-
Other Grants Received		-	299,152
Proceeds on Disposal of Properties		79,527	231,922
Proceeds on Disposal of Other Fixed Assets		-	-
Net Cash (Outflow) from Capital Expenditure and Financial Investment		(1,000,899)	(1,020,526)
Net Cash (Outflow) before use of Liquid Resources and Financing		(669,619)	(991,306)
Financing			
Loan Advances Received		500,000	1,900,000
Loan Redemption Payments		-	-
Loan Principal Repayments		(19,839)	(15,160)
Share Capital Issued		8	9
Net Cash Inflow from Financing		480,169	1,884,849
(Decrease)/Increase in Cash	17.	(189,450)	893,543

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the S.F.H.A. Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the 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.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%. Land is not depreciated. Housing Properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	2%
Office Equipment	25%

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Sales 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 cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of 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 the Statement of Recommended Practice.

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

Going Concern

The Financial Statements show net liabilities of £1,864,837. The Association will continue to show net liabilities for a number of years due to the high level of major repairs expenditure. However, this expenditure is planned and is in accordance with the Association's thirty year financial projections.

The Association has a loan facility of £16m with Britannia Building Society. £9.85m was used to fund the purchase of the properties with the balance being available for draw down in order to fund major repairs expenditure and developments in subsequent years. The amount of draw down available to the Association at any time is limited to a maximum loan of 80% of the market value of the properties. Based on a valuation of £26.63m at April 2010, the Association currently has a maximum loan draw down of approximately £21.31m.

At 31st March 2010, the balance on the loan account was £15.34m. The members of the Board are therefore satisfied, after reviewing the thirty year financial projections, that the Association is a going concern and will be able to operate into the foreseeable future.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2010			2009		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,428,764	2,116,312	1,312,452	3,048,034	2,255,111	792,923
Other Activities	4.	241,521	302,033	(60,512)	396,081	388,654	7,427
Total		3,670,285	2,418,345	1,251,940	3,444,115	2,643,765	800,350

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2010 Total £	2009 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	3,371,022	-	-	3,371,022	3,016,245
Service Charges Receivable	-	-	-	-	-
Gross Rents Receivable	3,371,022	-	-	3,371,022	3,016,245
Less: Rent losses from voids	18,894	-	-	18,894	15,402
Net Rents Receivable	3,352,128	-	-	3,352,128	3,000,843
Revenue Grants from Scottish Ministers	76,636	-	-	76,636	47,191
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	3,428,764	-	-	3,428,764	3,048,034
Expenditure on Social Letting Activities					
Management and maintenance administration costs	600,347	-	-	600,347	613,296
Reactive Maintenance	630,630	-	-	630,630	571,678
Bad Debts - Rents and Service Charges	23,769	-	-	23,769	21,308
Planned and Cyclical Maintenance, including Major Repairs	700,020	-	-	700,020	887,188
Depreciation of Social Housing	161,546	-	-	161,546	161,641
Operating Costs of Social Letting	2,116,312	-	-	2,116,312	2,255,111
Operating Surplus on Social Letting Activities	1,312,452	-	-	1,312,452	792,923
2009				792,923	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2010	Operating Surplus / (Deficit) 2009
	£	£	£	£	£	£	£	£	£
Care and Repair of Property Development and construction of property activities	-	204,342	-	-	204,342	-	204,342	-	-
Development of Property for sale to RSLs	-	-	-	-	-	-	72,205	(72,205)	-
Other Income Rent Back Office Services - Other Owners	-	-	-	14,563	14,563	-	-	14,563	11,476
	-	-	-	22,616	22,616	2,870	22,616	(2,870)	(2,235)
Total From Other Activities	-	<u>204,342</u>	-	<u>37,179</u>	<u>241,521</u>	<u>2,870</u>	<u>299,163</u>	<u>(60,512)</u>	<u>7,427</u>
2009	-	<u>247,500</u>	-	<u>148,581</u>	<u>396,081</u>	<u>2,235</u>	<u>386,419</u>	<u>7,427</u>	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Board, managers or servants of the Association.

2010	2009
£	£

No Officer of the Association received emoluments greater than £60,000.

Emoluments payable to Chief Executive (excluding pension contributions)	<u>55,167</u>	<u>60,939</u>
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The figure for 2009 relates to the two people who held the post in that year.

6. EMPLOYEE INFORMATION

	2010	2009
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>17</u>	<u>17</u>

Staff Costs were:

	£	£
Wages and Salaries	538,691	529,218
Social Security Costs	41,026	40,057
Other Pension Costs	81,181	78,058
Temporary, Agency and Seconded Staff	1,255	-
	<u>662,153</u>	<u>647,333</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2010	2009
	£	£
Sales Proceeds	79,527	231,922
Cost of Sales	<u>33,690</u>	<u>65,982</u>
Gain On Sale Of Housing Stock	<u>45,837</u>	<u>165,940</u>

8. INTEREST PAYABLE

	2010	2009
	£	£
On Bank Loans & Overdrafts	953,562	947,849
On Other Loans	-	-
	<u>953,562</u>	<u>947,849</u>
Less: Interest Capitalised	-	26,181
	<u>953,562</u>	<u>921,668</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2009 £Nil).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010	2009
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	208,269	192,705
Auditors' Remuneration - Audit Services	5,000	4,760
- Other Services - Accountancy support	900	860
- Other services - Payroll	1,549	1,475
Operating Lease Rentals - Land & Buildings	-	-
Operating Lease Rentals - Other	<u>9,952</u>	<u>8,108</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Total £
COST			
As at 1st April 2009	17,962,046	9,473,484	27,435,530
Additions	11,037	1,989,708	2,000,745
Disposals	(98,651)	-	(98,651)
Schemes Completed	9,694,535	(9,694,535)	-
As at 31st March 2010	<u>27,568,967</u>	<u>1,768,657</u>	<u>29,337,624</u>
DEPRECIATION			
As at 1st April 2009	1,361,202	-	1,361,202
Charge for Year	161,546	-	161,546
Disposals	(6,019)	-	(6,019)
As at 31st March 2010	<u>1,516,729</u>	<u>-</u>	<u>1,516,729</u>
SOCIAL HOUSING GRANT			
As at 1st April 2009	6,730,736	7,386,297	14,117,033
Additions	-	798,277	798,277
Disposals	(37,444)	-	(37,444)
Schemes Completed	6,533,677	(6,533,677)	-
As at 31st March 2010	<u>13,226,969</u>	<u>1,650,897</u>	<u>14,877,866</u>
OTHER CAPITAL GRANTS			
As at 1st April 2009	253,114	288,332	541,446
Additions	-	-	-
Disposals	(21,497)	-	(21,497)
Schemes Completed	288,332	(288,332)	-
As at 31st March 2010	<u>519,949</u>	<u>-</u>	<u>519,949</u>
NET BOOK VALUE			
As at 31st March 2010	<u>12,305,320</u>	<u>117,760</u>	<u>12,423,080</u>
As at 31st March 2009	<u>9,616,994</u>	<u>1,798,855</u>	<u>11,415,849</u>

Additions to housing properties includes capitalised development administration costs of £49,867 (2009 - £89,859) and capitalised major repair costs to existing properties of £Nil (2009 £Nil)

All land and housing properties are freehold.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Office Premises £	Furniture & Equipment £	Total £
COST			
As at 1st April 2009	170,905	370,139	541,044
Additions	-	7,623	7,623
Eliminated on Disposals	-	-	-
As at 31st March 2010	<u>170,905</u>	<u>377,762</u>	<u>548,667</u>
GRANTS RECEIVED			
As at 1st April 2009	-	20,857	20,857
Received in year	-	-	-
Repaid on Disposal	-	-	-
As at 31st March 2010	<u>-</u>	<u>20,857</u>	<u>20,857</u>
AGGREGATE DEPRECIATION			
As at 1st April 2009	47,831	271,160	318,991
Charge for year	4,368	42,355	46,723
Eliminated on disposal	-	-	-
As at 31st March 2010	<u>52,199</u>	<u>313,515</u>	<u>365,714</u>
NET BOOK VALUE			
As at 31st March 2010	<u>118,706</u>	<u>43,390</u>	<u>162,096</u>
As at 31st March 2009	<u>123,074</u>	<u>78,122</u>	<u>201,196</u>

12. CAPITAL COMMITMENTS

	2010 £	2009 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>188,810</u>	<u>2,023,810</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were:-	2010 £	2009 £
Other		
Expiring within one year	64	2,825
Expiring between two and five years	2,221	2,221
Expiring in over five years	<u>4,369</u>	<u>-</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2010	2009
	£	£
Arrears of Rent & Service Charges	175,052	153,427
Less: Provision for Doubtful Debts	<u>(13,549)</u>	<u>(8,520)</u>
	161,503	144,907
Social Housing Grant Receivable	44,439	63,674
Other Debtors	<u>31,490</u>	<u>45,691</u>
	<u><u>237,432</u></u>	<u><u>254,272</u></u>

15. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Housing Loans	20,598	15,597
Trade Creditors	93,832	364,843
Rent in Advance	69,575	69,373
Other Taxation and Social Security	14,040	14,241
Other Creditors	70,945	26,424
Accruals and Deferred Income	<u>236,378</u>	<u>80,140</u>
	<u><u>505,368</u></u>	<u><u>570,618</u></u>

At the balance sheet date there were pension contributions outstanding of £NIL (2009 £NIL)

16. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Housing Loans	<u>15,316,606</u>	<u>14,841,448</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-		
Within one year	20,598	15,597
Between one and two years	121,229	16,485
Between two and five years	867,776	75,888
In five years or more	<u>14,327,601</u>	<u>14,749,075</u>
	15,337,204	14,857,045
Less: Amount shown in Current Liabilities	<u>20,598</u>	<u>15,597</u>
	<u><u>15,316,606</u></u>	<u><u>14,841,448</u></u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2010 £	2009 £
Operating Surplus	1,251,940	800,350
Depreciation	208,269	192,705
Change in properties developed for resale	-	173,427
Change in Debtors	(2,395)	32,222
Change in Creditors	(180,373)	(258,972)
Gain on sale of fixed assets	-	(17)
Share Capital Written Off	(24)	-
Net Cash Inflow from Operating Activities	<u>1,277,417</u>	<u>939,715</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2010 £	£	2009 £	£
(Decrease)/Increase in Cash	(189,450)		893,543	
Cash flow from management of liquid resources	-		-	
Cash flow from change in debt	<u>(480,159)</u>		<u>(1,883,036)</u>	
Movement in net debt during year		(669,609)		(989,493)
Net debt at 1st April 2009		<u>(13,533,066)</u>		<u>(12,543,573)</u>
Net debt at 31st March 2010		<u><u>(14,202,675)</u></u>		<u><u>(13,533,066)</u></u>

<i>Analysis of changes in net debt</i>	At 01.04.09 £	Cash Flows £	Other Changes £	At 31.03.10 £
Cash at bank and in hand	1,323,979	(189,450)		1,134,529
Bank Overdrafts	-	-		-
	<u>1,323,979</u>	<u>(189,450)</u>		<u>1,134,529</u>
Liquid Resources	-	-		-
Debt: Due within one year	(15,597)	(5,001)		(20,598)
Due after more than one year	(14,841,448)	(475,158)		(15,316,606)
Net Debt	<u>(13,533,066)</u>	<u>(669,609)</u>	-	<u>(14,202,675)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2009	385
Issued in year	8
Cancelled in year	<u>(24)</u>
At 31st March 2010	<u>369</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on 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.

19. RESERVES

(a) Revenue Reserves	Total £
At 1st April 2009	(2,217,153)
Surplus for the Year	<u>351,947</u>
At 31st March 2010	<u>(1,865,206)</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2010	2009
General Needs - New Build	No. 195	No. 138
- Rehabilitation	<u>811</u>	<u>815</u>
	<u>1,006</u>	<u>953</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. RELATED PARTY TRANSACTIONS

Members of the Board are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Board is summarised as follows:

7 members are tenants of the Association
East Ayrshire Council is represented by a local councillor

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

22. FIXED ASSET INVESTMENT

	2009	2008
	£	£
Shared Equity Properties		
Development Cost of Shared Equity Property	438,880	438,880
Less: Grants Receivable	438,880	438,880
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Investments in Subsidiaries	<u>-</u>	<u>2</u>

The subsidiary company, Shire Asset Management Limited was wound up during the year

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS

General

Shire Housing Association Limited participates in the SFHA Pension Scheme.

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

The Scheme offers three benefit structures to employers, namely:

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

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

Shire Housing Association Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008. It also elected to offer this rate for new entrants from 1 April 2008.

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 Shire Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 17 active members of the Scheme employed by Shire Housing Association Limited. The annual pensionable payroll in respect of these members was £527,153. Shire Housing Association Limited continues to offer membership of the Scheme to its employees.

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

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

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

Financial Assumptions

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

	% p.a.
- Investment return pre-retirement	7.2
- Investment return post-retirement	4.9
- Rate of Salary increases	4.6
- Rate of pension increases:	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.25
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	2.6

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

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

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

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

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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

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

<i>Benefit Structure</i>	<i>Joint contribution rate (% of pensionable salaries)</i>
Final salary 60ths	23.1% comprising employer contributions of 15.4% and member contributions of 7.7%
Career average 60ths	19.9% comprising employer contributions of 13.3% and member contributions of 6.6%
Career average 70ths	17.9% comprising employer contributions of 11.9% and member contributions of 6.0%

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2010

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

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

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

The current triennial valuation, as at 30 September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6 million to £160 million. The funding level of liabilities, based on these figures, would be 64.8% (2006 - 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit options structures from April 2011.

As a result of Pension Scheme legislation 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.



Shire Housing

LOGGED ✓

Shire Housing Association Limited

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Ayrshire, KA18 3DB

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Fax: 01290 428025

Email: info@shirehousing.com

www.shirehousing.co.uk

2.8.10

Alexander Sloan Chartered Accountants
38 Cadogan Street
GLASGOW
G2 7HF

Dear Andy

Management Letter – Boards Response

The Management Letter was presented to the Board at their meeting held on 28th July 2010.

The Board were happy with the content of the Management letter and noted there were no particular points to bring to their attention from the Audit.

The Board subsequently gave their approval to reply on their behalf noting the content.

I would like to thank you for all of your assistance with the above.

Yours truly,

Barbara Spittal
Head of Finance



INVESTORS
IN PEOPLE

Shire Housing Association Limited is a registered charity (No. 281824) and a company limited by guarantee (No. 281824) incorporated in Scotland. The registered office is at Metherford House, Metherford, Cumnock, Ayrshire, KA18 3DB. The company is registered for VAT (No. 281824000). The company is also registered for the purposes of the Charitable Gaming Act 1968. The company is also registered for the purposes of the Charitable Gaming Act 1968. The company is also registered for the purposes of the Charitable Gaming Act 1968.



PAPER : Management Letter

Shire Housing Association Board Meeting 28th July 2010 – Item 3.3

Background

The Auditors, Alexander Sloan Chartered Accountants, carried out the audit for the financial year ending 31st March 2010. Mr McBean who is a partner of Alexander Sloan presented the accounts to the Board at the Meeting held on Wednesday 30th June 2010. As part of the Audit process a Management Letter is produced for the Boards information. The main purpose being, to raise for the Boards attention, any key issues arising from the Audit.

Mr McBean advised the Management Letter had been produced and that the Audit had gone very well.

The Management Letter is enclosed for the Boards information. I would like to draw the Boards attention to the following sections:-

Section 2 – Audit Objectives

This section highlights the legal requirements of the Audit and some of the main points the Auditors are looking at in carrying out the audit work.

Section 5 – Review of Financial Performance

This section shows the Income and Expenditure in a graph format. The Association had an operating surplus of £351,947 in the year.

Section 6 – Internal Controls

The Auditors are required to produce in the Management Letter any matters of concern which arose during the Audit to the Boards attention.

The Auditors do not have any particular points to bring to the Boards attention.

Recommendation

The Board acknowledge receipt of the Management letter and approve response to Alexander Sloan noting the content.

Originator: Barbara Spittal
Head of Finance

SHIRE HOUSING ASSOCIATION LIMITED

**AUDIT MANAGEMENT LETTER
FOR THE YEAR ENDED 31 MARCH 2010**

Report Date:

30 June 2010

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SHIRE HOUSING ASSOCIATION LIMITED

MANAGEMENT LETTER FOR THE YEAR ENDED 31 MARCH 2010

1. INTRODUCTION

- 1.1 The purpose of this report is to summarise for the Board the key issues arising from our audit of the Financial Statements for the year ended 31 March 2010.
- 1.2 This report is only for the use of the Association and must not be disclosed to any third party without our written consent. We do not assume responsibility to any other person in respect of this report.

2. AUDIT OBJECTIVES

- 2.1 The main objective of the audit is to form an opinion as to whether the Financial Statements of Shire Housing Association Limited Ltd. give a true and fair view and confirm that they are prepared under UK GAAP and comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.
- 2.2 As part of our audit we carry out the following work:
- Examine, on a test basis, evidence relevant to the amounts and disclosures in the Financial Statements.
 - Assess any significant estimates and judgements made by the Board in the preparation of the Financial Statements.
 - Assess whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.
 - Evaluate the overall adequacy of the presentation of information in the Financial Statements.
 - Report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with relevant legislation.
 - Report to you our opinion as to whether the information contained within the Board Report is consistent with the Financial Statements.
- 2.3 Our audit methodology for the collection of audit evidence is based on our own Audit Manuals, which are continuously updated to reflect current auditing standards. The methodology adopts a risk-based approach in accordance with International Auditing Standards (UK & Ireland).
- 2.4 Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Board who should not rely wholly on the external audit function to discharge these responsibilities.



SHIRE HOUSING ASSOCIATION LIMITED

**MANAGEMENT LETTER
FOR THE YEAR ENDED 31 MARCH 2010**

3. CHANGES TO ACCOUNTS

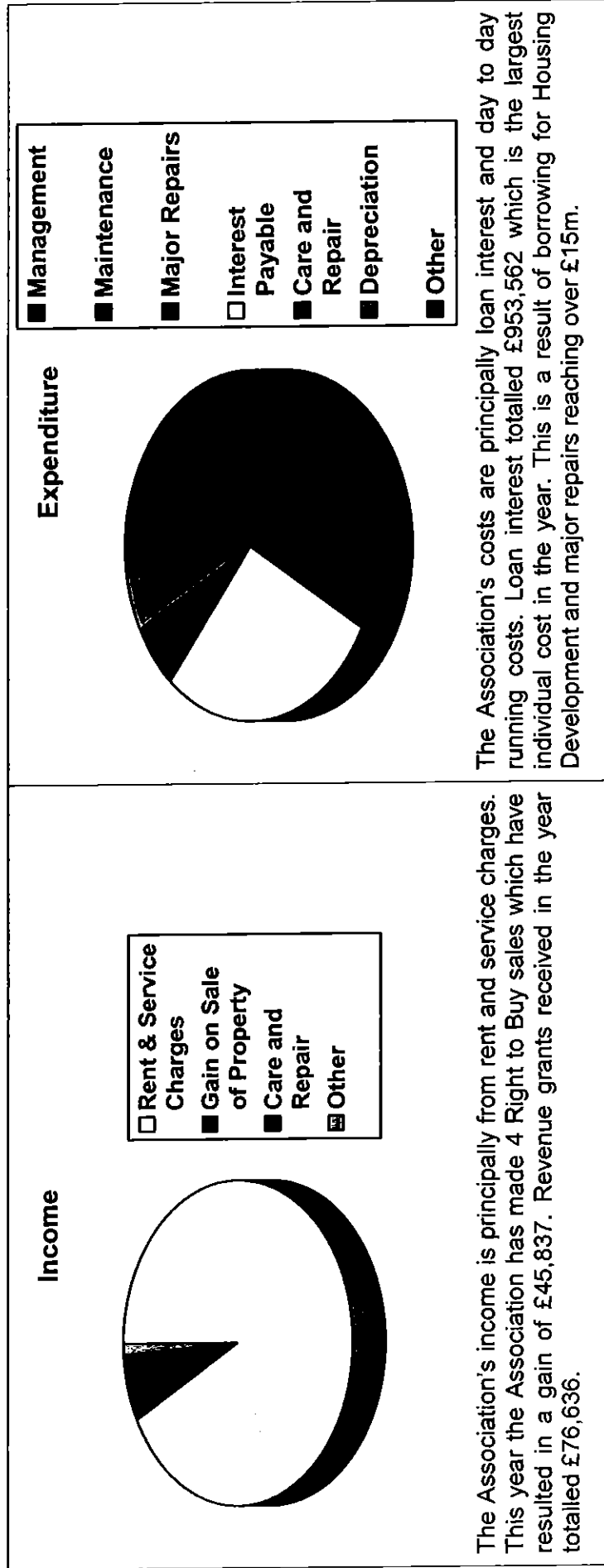
3.1 The financial statements of the Association follow the same format as in the previous year.

4. AUDIT OPINION

4.1 Based on our detailed audit work which is carried out in accordance with International Standards on Auditing we have been able to satisfy ourselves that the Financial Statements provide a True and Fair view of the Association's affairs and have therefore issued an unqualified audit opinion on the Financial Statements.

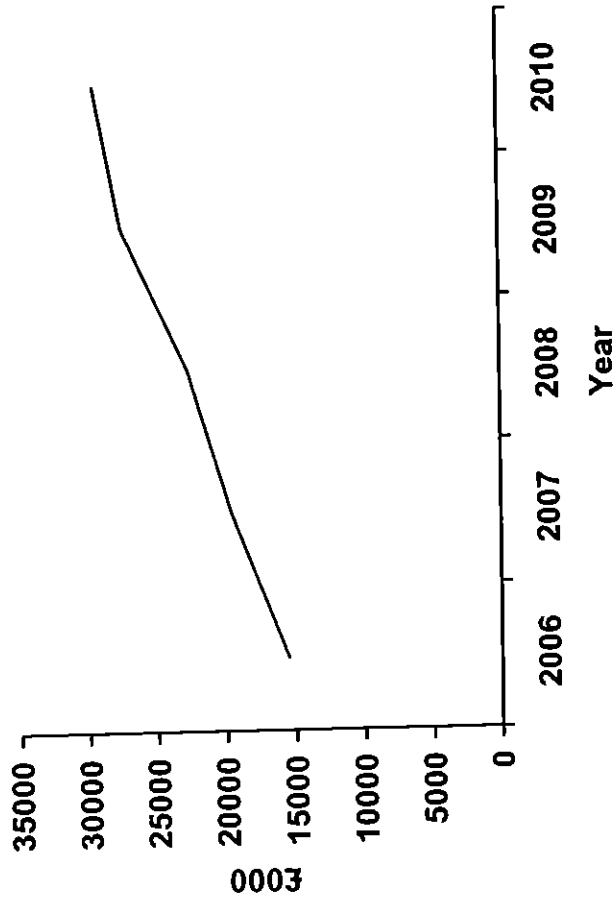
5. REVIEW OF FINANCIAL PERFORMANCE

5.1 Shire Housing Association has made a surplus in the year of £351,947 as detailed on page 5 of this report. The following graphs highlight the main sources of income and expenditure for the Association as well as charting the Association's change in surplus, reserves and investment in housing over the last few years.



5. REVIEW OF FINANCIAL PERFORMANCE (Continued)

Total Investment in Housing Properties



The Association's total investment has increased steadily over the last few years as a result of the new build programme.

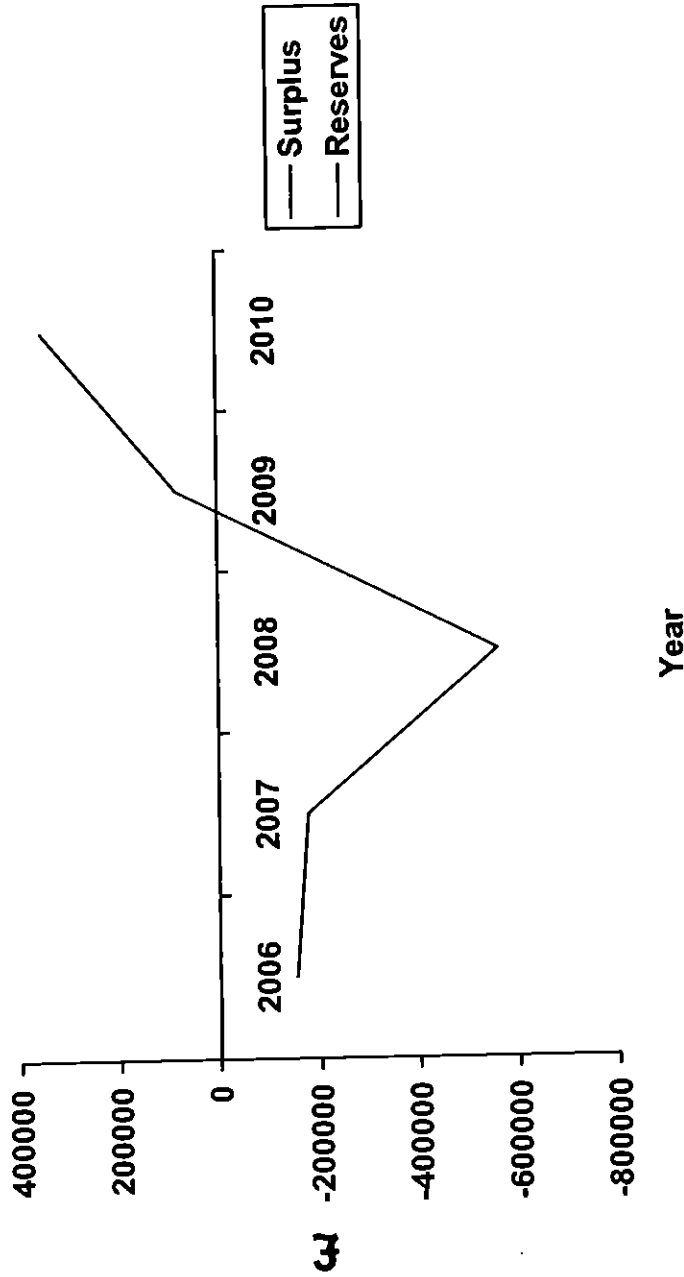
This year there was an increase in the cost of Housing Properties of £2m. This was mainly due to the finalisation of the developments of Kingsway and Cessnock.

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SHIRE HOUSING ASSOCIATION LIMITED
MANAGEMENT LETTER
FOR THE YEAR ENDED 31 MARCH 2010

5. REVIEW OF FINANCIAL PERFORMANCE (Continued)

Financial Results



In the past the Association has made deficits due to the major repairs programme that has been undertaken. A large major repairs programme was required due to the condition of the housing properties when transferred.

The Association made a modest surplus in the prior year of £81,976 and a surplus of £351,947 in the current year. This was a result of a fall in Major Repairs work required in the year, together with increased rental income being generated from the completed developments.

The Association had no reserves at the year end due to the deficits that have been made in previous years.



SHIRE HOUSING ASSOCIATION LIMITED

MANAGEMENT LETTER
FOR THE YEAR ENDED 31 MARCH 2010

6. INTERNAL CONTROLS

6.1 In accordance with International Standards on Auditing (UK & Ireland) we are required to provide you with a summary of matters which arose during the course of our audit and which we consider should be brought to the attention of the Board.

6.2 We can confirm that there are no particular points that we wish to draw to your attention this year.



SHIRE HOUSING ASSOCIATION LIMITED LTD

MANAGEMENT LETTER
FOR THE YEAR ENDED 31 MARCH 2010

7. FUTURE ISSUES

7.1 The next major development in Housing Association accounts is expected to be the new Housing Association Statement of Recommended Practice (SORP). We will update you on the progress of this through our Housing Association newsletter.

8. FURTHER INFORMATION

8.1 If you require any further information regarding any of the issues outlined in this Management Letter please contact the Partner or Manager who will be pleased to assist you:

Position	Name	Telephone	E-Mail
Partner	Andy McBean	(0141) 204 8983	andy.mcbean@alexandersloan.co.uk
Manager	Jim Gourlay	(0141) 204 8989	jim.gourlay@alexandersloan.co.uk
Senior	Colin Sinclair	(0141) 204 8989	colin.sinclair@alexandersloan.co.uk

Alexander Sloan
Chartered Accountants
& Statutory Auditors

30 June 2010