

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2011

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 2011**

BOARD

TERENCE JOHNSTONE	Chairperson
ISABELLA CRAWFORD	Vice Chair
DAVID GARDINER	Until January 2011
KATHY McSKIMMING	
GRACE NICHOL	
JOHN KANE	
JAN GILLIES	
JOHN GRAHAM	
LINDA McGREGOR	
ROBERT LAURIE	
STEPHEN CLOETE	
EDITH YOUNG	
IAN MCWHIRTER	Appointed 4 August 2010
MARY DUNSMORE	Appointed 4 August 2010

**EAST AYRSHIRE COUNCIL OBSERVER
COUNCILLOR KATHERINE MORRICE**

EXECUTIVE OFFICERS

MADELEINE SULLIVAN	Director and Secretary
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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

HBJ GATELEY WAREING (SCOTLAND) LLP
EXCHANGE TOWER
19 CANNING STREET
EDINBURGH

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2011

The Board presents its report and the Financial Statements for the year ended 31st March 2011.

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.

Review of Business and Future Developments

We started the year with an absolute focus on business sustainability - meeting our commitments to tenants and lenders and ensuring that we offer quality of service and a quality product. We delivered our planned maintenance programme within budget and have started a programme of in house property surveys, to ensure our housing will meet the Scottish Housing Quality Standard and to ensure our data systems support onward investment planning. Here we have enjoyed great co-operation from tenants.

We also carried out a programme of work with tenants, exploring perceptions of "value" - what do we do to try and demonstrate value in our activities and how is this experienced by tenants? Meetings, drop in sessions, etc, perhaps culminated in our use of the comments campervan (kindly sponsored by Mitie Property Services) which was very well received by both tenants and members.

Having withdrawn from new housing development under the current grant appraisal assumptions, we were keener than ever to maximise our local impact through our everyday work activities. We have hosted a series of work experience placements, we've worked with a number of local schools and we have joined forces with a number of local social economy organisations to help raise the profile of social enterprise. We are also very proud to deliver East Ayrshire Care & Repair Service on behalf of East Ayrshire Council. Here, we have been able to implement a number of service enhancements and attract additional funding including sponsorship from the approved local contractors. They also worked with us to try and assess the "triple bottom line" - that is the economic social and ecological benefits the service generates.

The overall financial operating climate remained challenging throughout the year. We made specific efforts to contain management costs and instituted an annual resource review. We can record a degree of success as evidenced by these financial statements. But, financial prudence will remain as one of our key strategic objectives as we move forward.

We believe we have made progress over the course of the year and are confident we have a sound business basis to deliver our commitments to tenants and to others and to explore new opportunities.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2011

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 categories 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 Housing Association's auditors are aware of that information.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2011

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

29 June 2011

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
29 June 2011

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 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. 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 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 the Board and Auditors

As explained more fully in the Statement of Board's Responsibilities the Association's Board are responsible for the preparation of the Financial Statements that 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 on the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

Matters on which we are required to report by exception

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

Matters on which we are required to report by exception (continued):

- the financial statements are not in agreement with the books of account.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
29 June 2011

SHIRE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	Notes	£	2011 £	£	2010 £
TURNOVER	2.		3,740,219		3,670,285
Operating Costs	2.		<u>(2,503,018)</u>		<u>(2,418,345)</u>
OPERATING SURPLUS	9.		1,237,201		1,251,940
Gain On Sale Of Housing Stock	7.	17,693		45,837	
Interest Receivable and Other Income		11,750		7,732	
Interest Payable and Similar Charges	8.	<u>(954,156)</u>		<u>(953,562)</u>	
			<u>(924,713)</u>		<u>(899,993)</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			312,488		351,947
Tax on surplus on ordinary activities	10.		-		-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION			<u>312,488</u>		<u>351,947</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 2011

	Notes	£	2011 £	£	2010 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		26,692,043		27,820,895
Less: Social Housing Grant	11.(a)		(14,025,020)		(14,877,866)
: Other Public Grants	11.(a)		(514,346)		(519,949)
			<u>12,152,677</u>		<u>12,423,080</u>
Other fixed assets	11.(b)		158,596		162,096
			<u>12,311,273</u>		<u>12,585,176</u>
FIXED ASSET INVESTMENTS					
Investment in subsidiaries	22.		-		-
Shared Equity Cost	22.	438,880		438,880	
Shared Equity Grant	22.	(438,880)		(438,880)	
			<u>-</u>	<u>-</u>	<u>-</u>
CURRENT ASSETS					
Debtors	14.	208,329		237,432	
Cash at bank and in hand		1,708,024		1,134,529	
			<u>1,916,353</u>	<u>1,371,961</u>	
CREDITORS: Amounts falling due within one year	15.	(684,242)		(505,368)	
NET CURRENT ASSETS			<u>1,232,111</u>	<u>866,593</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>13,543,384</u>	<u>13,451,769</u>	
CREDITORS: Amounts falling due after more than one year	16.	(15,095,745)		(15,316,606)	
NET ASSETS			<u>(1,552,361)</u>	<u>(1,864,837)</u>	
CAPITAL AND RESERVES					
Share Capital	18.		357		369
Revenue Reserves	19.(a)		(1,552,718)		(1,865,206)
			<u>(1,552,361)</u>	<u>(1,864,837)</u>	

The Financial Statements were approved by the Board and signed on their behalf on 29 June 2011.


Chairperson


Vice-Chairperson

Secretary 

SHIRE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2011

	Notes	2011 £	2010 £
Net Cash Inflow from Operating Activities	17.	1,417,581	1,277,417
Returns on Investment and Servicing of Finance			
Interest Received		11,750	7,732
Interest Paid		(954,156)	(953,869)
Net Cash Outflow from Investment and Servicing of Finance		(942,406)	(946,137)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(14,941)	(1,890,315)
Purchase of Other Fixed Assets		(14,550)	(7,623)
Social Housing Grant Received		93,531	817,512
Other Grants Received		10,988	-
Proceeds on Disposal of Properties		43,777	79,527
Net Cash Inflow / (Outflow) from Capital Expenditure and Financial Investment		118,805	(1,000,899)
Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing		593,980	(669,619)
Financing			
Loan Advances Received		-	500,000
Loan Principal Repayments		(20,492)	(19,839)
Share Capital Issued		7	8
Net Cash (Outflow) / Inflow from Financing		(20,485)	480,169
Increase / (decrease) in Cash	17.	<u>573,495</u>	<u>(189,450)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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 Scottish Housing Associations' 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

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 periodically 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 2011

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.

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 2011

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 £1,544,067. 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 2011, the balance on the loan account was £14.61m. 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 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2011			2010		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,509,777	2,243,700	1,266,077	3,428,764	2,116,312	1,312,452
Other Activities	4.	230,442	259,318	(28,876)	241,521	302,033	(60,512)
Total		3,740,219	2,503,018	1,237,201	3,670,285	2,418,345	1,251,940

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2011 Total £	2010 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	3,485,629	-	-	3,485,629	3,371,022
Gross Rents Receivable	3,485,629	-	-	3,485,629	3,371,022
Less: Rent losses from voids	23,408	-	-	23,408	18,894
Net Rents Receivable	3,462,221	-	-	3,462,221	3,352,128
Revenue Grants from Scottish Ministers	47,556	-	-	47,556	76,636
Total Income From Social Letting	3,509,777	-	-	3,509,777	3,428,764
Expenditure on Social Letting Activities					
Service Costs	51	-	-	51	-
Management and maintenance administration costs	585,034	-	-	585,034	600,347
Reactive Maintenance	641,754	-	-	641,754	630,630
Bad Debts - Rents and Service Charges	27,912	-	-	27,912	23,769
Planned and Cyclical Maintenance, including Major Repairs	799,457	-	-	799,457	700,020
Depreciation of Social Housing	189,492	-	-	189,492	161,546
Operating Costs of Social Letting	2,243,700	-	-	2,243,700	2,116,312
Operating Surplus on Social Letting Activities	1,266,077	-	-	1,266,077	1,312,452
2010					1,312,452

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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		Operating Surplus / (Deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Care and Repair of Property Development and construction of property activities	-	203,660	-	-	-	-	-	-	203,660	-	203,660	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	27,046	(27,046)	(72,205)	
Services - Other Owners	-	-	-	-	-	-	-	-	-	-	-	-	14,563	
	-	-	-	-	-	-	26,782	26,782	26,782	1,830	26,782	(1,830)	(2,870)	
Total From Other Activities	-	203,660	-	-	-	-	26,782	230,442	230,442	1,830	257,488	(28,876)	(60,512)	
2010	-	204,342	-	-	-	-	37,179	241,521	241,521	2,870	299,163	(60,512)	(60,512)	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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 Management Committee, managers or servants of the Association.

2011	2010
£	£

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

Emoluments payable to Chief Executive (excluding pension contributions)	<u>57,533</u>	<u>55,167</u>
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6. EMPLOYEE INFORMATION

	2011	2010
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>17</u>

The average total number of Employees employed during the year was	<u>18</u>	<u>18</u>
--	-----------	-----------

Staff Costs were:	£	£
Wages and Salaries	546,979	538,691
Social Security Costs	38,329	41,026
Other Pension Costs	82,519	81,181
Temporary, Agency and Seconded Staff	740	1,255
	<u>668,566</u>	<u>662,153</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2011	2010
	£	£
Sales Proceeds	43,777	79,527
Cost of Sales	26,084	33,690
Gain On Sale Of Housing Stock	<u>17,693</u>	<u>45,837</u>

8. INTEREST PAYABLE

	2011	2010
	£	£
On Bank Loans & Overdrafts	954,156	953,562
	<u>954,156</u>	<u>953,562</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £NIL (2010 £NIL).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011	2010
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	228,399	208,269
Auditors' Remuneration - Audit Services	5,200	5,000
- Other Services	2,082	900
Operating Lease Rentals - Other	<u>6,738</u>	<u>9,952</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 2011

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 2010	27,568,967	1,768,657	29,337,624
Additions	3,638	12,550	16,188
Disposals	(21,942)	(936,915)	(958,857)
As at 31st March 2011	<u>27,550,663</u>	<u>844,292</u>	<u>28,394,955</u>
DEPRECIATION			
As at 1st April 2010	1,516,729	-	1,516,729
Charge for Year	189,492	-	189,492
Disposals	(3,309)	-	(3,309)
As at 31st March 2011	<u>1,702,912</u>	<u>-</u>	<u>1,702,912</u>
SOCIAL HOUSING GRANT			
As at 1st April 2010	13,226,969	1,650,897	14,877,866
Additions	-	60,028	60,028
Disposals	-	(912,874)	(912,874)
Schemes Completed	(36,263)	36,263	-
As at 31st March 2011	<u>13,190,706</u>	<u>834,314</u>	<u>14,025,020</u>
OTHER CAPITAL GRANTS			
As at 1st April 2010	519,949	-	519,949
Additions	-	10,988	10,988
Disposals	-	(16,591)	(16,591)
Schemes Completed	(5,603)	5,603	-
As at 31st March 2011	<u>514,346</u>	<u>-</u>	<u>514,346</u>
NET BOOK VALUE			
As at 31st March 2011	<u>12,142,699</u>	<u>9,978</u>	<u>12,152,677</u>
As at 31st March 2010	<u>12,305,320</u>	<u>117,760</u>	<u>12,423,080</u>

Additions to housing properties includes capitalised development administration costs of £NIL (2010 - £49,867) and capitalised major repair costs to existing properties of £NIL (2010 £NIL)

All land and housing properties are freehold.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEBTORS

	2011 £	2010 £
Arrears of Rent & Service Charges	185,722	175,052
Less: Provision for Doubtful Debts	<u>(8,883)</u>	<u>(13,549)</u>
	176,839	161,503
Social Housing Grant Receivable	5,468	44,439
Other Debtors	<u>26,022</u>	<u>31,490</u>
	<u>208,329</u>	<u>237,432</u>

Technical arrears in respect of housing benefit due at 31st March 2011 totalled £107,115.

15. CREDITORS: Amounts falling due within one year

	2011 £	2010 £
Housing Loans	220,968	20,598
Trade Creditors	66,888	93,832
Rent in Advance	71,598	69,575
Other Taxation and Social Security	9,807	14,040
Other Creditors	51,914	70,945
Accruals and Deferred Income	<u>263,067</u>	<u>236,378</u>
	<u>684,242</u>	<u>505,368</u>

At the balance sheet date there were pension contributions outstanding of £NIL (2010 £NIL)

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

	2011 £	2010 £
Housing Loans	<u>15,095,745</u>	<u>15,316,606</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	220,968	20,598
Between one and two years	471,642	121,229
Between two and five years	1,619,294	867,776
In five years or more	<u>13,004,809</u>	<u>14,327,601</u>
	15,316,713	15,337,204
Less: Amount shown in Current Liabilities	<u>220,968</u>	<u>20,598</u>
	<u>15,095,745</u>	<u>15,316,606</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2011 £	2010 £
Operating Surplus	1,237,201	1,251,940
Depreciation	207,542	208,269
Change in Provisions for liabilities and charges	-	-
Change in properties developed for resale	-	-
Change in Debtors	(4,400)	(2,395)
Change in Creditors	(22,743)	(180,373)
Gain on sale of fixed assets	-	-
Share Capital Written Off	(19)	(24)
Net Cash Inflow from Operating Activities	1,417,581	1,277,417

<i>Reconciliation of net cash flow to movement in net debt</i>	2011 £	£	2010 £	£
Increase / (decrease) in Cash	573,495		(189,450)	
Cash flow from change in debt	20,491		(480,159)	
Movement in net debt during year		593,986		(669,609)
Net debt at 1st April 2010		(14,202,675)		(13,533,066)
Net debt at 31st March 2011		(13,608,689)		(14,202,675)

<i>Analysis of changes in net debt</i>	At 01.04.10 £	Cash Flows £	At 31.03.11 £
Cash at bank and in hand	1,134,529	573,495	1,708,024
Bank Overdrafts	-	-	-
	1,134,529	573,495	1,708,024
Liquid Resources	-	-	-
Debt: Due within one year	(20,598)	(200,370)	(220,968)
Due after more than one year	(15,316,606)	220,861	(15,095,745)
Net Debt	(14,202,675)	593,986	(13,608,689)

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2010	369
Issued in year	7
Cancelled in year	<u>(19)</u>
At 31st March 2011	<u>357</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 2010	(1,865,206)
Surplus for the year	<u>312,488</u>
At 31st March 2011	<u>(1,552,718)</u>

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2011	2010
	No.	No.
General Needs - New Build	195	195
- Rehabilitation	<u>809</u>	<u>811</u>
	<u>1,004</u>	<u>1,006</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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:

8 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.

22. FIXED ASSET INVESTMENT

	2011	2010
	£	£
Shared Equity Properties		
Development Cost of Shared Equity Property	438,880	438,880
Less: Grants Receivable	438,880	438,880
	<u> -</u>	<u> -</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

The Scheme offers five benefit structures to employers, namely:

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

Shire Housing Association Limited has elected to operate the Career Average Revalued Earnings with a 1/80th accrual rate benefit structure for all staff from 1st April 2011.

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

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

During the accounting period 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 £530,464. 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 as the scheme is a multi-employer arrangement where the 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 Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th 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%.

Financial Assumptions

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

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and 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	18.1	20.6
Pensioners	18.1	20.6

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2011

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	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

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 overall scheme shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption. Shire Housing Association's additional contribution for past service deficits is currently £59,869.

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.

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

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