

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2012

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 2012**

BOARD

TERENCE JOHNSTONE	Chairperson
JAN GILLIES	Vice Chair
KATHY McSKIMMING	
GRACE NICHOL	
JOHN KANE	
ISABELLA CRAWFORD	
JOHN GRAHAM	
LINDA McGREGOR	
ROBERT LAURIE	
STEPHEN CLOETE	Resigned 01/08/11
EDITH YOUNG	
IAN MCWHIRTER	Resigned 29/06/11
MARY DUNSMORE	
GAIL STEELE	Co-Opted 25/01/12

**EAST AYRSHIRE COUNCIL OBSERVER
COUNCILOR 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

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

The Board presents its report and the Financial Statements for the year ended 31st March 2012.

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

In our financial statements last year we noted that financial prudence would remain as one of our key strategic objectives. We have worked hard and achieved a degree of success in reducing management costs. Given the overall financial climate, we were also pleased that the rent increase for April 2012 could be contained at the level of retail price index only. The introduction of component accounting over the course of the last year also helps us present relatively healthy figures at this point in time. We are however very aware that we have substantial long term commitments to our tenants and to our lenders and must ensure at all times that we have a sustainable business plan in place.

We maintain our absolute focus on business sustainability but try to add value to our day to day activities. For example, we offer a range of work experience placements, we have also worked with local schools and community groups and developed our IT systems to include sub account management. Our tenants have asked us to experiment with new participation mechanisms and this work is underway. We can also record some success in the delivery of the Care & Repair service on behalf of East Ayrshire Council. With the Council's support, we have been able to develop the service to deliver minor adaptations for owners and to attract NHS Ayrshire & Arran Change Fund funding, to carry out works to prevent hospital admission and to facilitate prompt discharge. We have also secured an extension to our contract with East Ayrshire Council and we continue to explore new opportunities.

Once again working with the Council and other partners we have helped introduce the new Common Housing Register, which we hope will result in substantial benefits for applicants. Over the course of the year we also retendered for a range of services including day to day maintenance, gas servicing and internal audit. We based our considerations on a balance of quality and price and will continue to provide good quality services for our tenants. The commitment to service quality is reflected in our achievement of Investors in People recognition again last year. We can also record a healthy interest in Board membership having welcomed a number of new members and observers over the course of the year.

As we look forward, we are mindful of a challenging welfare reform agenda. We are working to ensure that our business and our tenants are appropriately prepared.

We believe we have made progress this year and are confident that we have a sound business basis to deliver our commitments to tenants and others and to explore new opportunities which enhance the sustainability of our business.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2012

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 Housing Association's auditors are aware of that information.

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2012**

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

27 June 2012

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
27 June 2012

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 2012 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

Respective Responsibilities of 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 Board's report 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 2012 and of its profit 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

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- the information given in the Board's Report is inconsistent with the financial statements.
- 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 (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association.
- 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
27 June 2012

SHIRE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	Restated 2011 £
TURNOVER	2.	4,015,317	3,740,219
Operating Costs	2.	(2,405,531)	(2,327,137)
OPERATING SURPLUS	9.	1,609,786	1,413,082
Gain On Sale Of Housing Stock	7.	47,672	17,693
Interest Receivable and Other Income		21,204	11,750
Interest Payable and Similar Charges	8.	(956,039)	(954,156)
		(887,163)	(924,713)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		722,623	488,369
Tax on surplus on ordinary activities	10.	-	-
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		722,623	488,369

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.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £	Restated 2011 £
Surplus for the financial year	722,623	488,369
Prior year adjustment (as explained in Note 23)	4,085,719	-
Total gains recognised since last annual report	4,808,342	488,369

SHIRE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		30,586,930		30,777,762
Less: Social Housing Grant	11.(a)		(14,103,507)		(14,025,020)
: Other Public Grants	11.(a)		(514,346)		(514,346)
			<u>15,969,077</u>		<u>16,238,396</u>
Other fixed assets	11.(b)		155,665		158,596
			<u>16,124,742</u>		<u>16,396,992</u>
FIXED ASSET INVESTMENTS					
Shared Equity Cost	21.	438,880		438,880	
Shared Equity Grant	21.	(438,880)		(438,880)	
			<u>-</u>	<u>-</u>	<u>-</u>
CURRENT ASSETS					
Debtors	13.	303,538		208,329	
Cash at bank and in hand		2,302,122		1,708,024	
			<u>2,605,660</u>	<u>1,916,353</u>	
CREDITORS: Amounts falling due within one year	14.	(500,980)		(684,242)	
NET CURRENT ASSETS			<u>2,104,680</u>	<u>1,232,111</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>18,229,422</u>	<u>17,629,103</u>	
CREDITORS: Amounts falling due after more than one year	15.	(14,973,462)		(15,095,745)	
NET ASSETS			<u>3,255,960</u>	<u>2,533,358</u>	
CAPITAL AND RESERVES					
Share Capital	17.		336		357
Revenue Reserves	18.(b)		3,255,624		2,533,001
			<u>3,255,960</u>		<u>2,533,358</u>

The Financial Statements were approved by the Board and signed on their behalf on 27 June 2012.

Chairperson



Vice-Chairperson



Secretary



SHIRE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012 £	Restated 2011 £
Net Cash Inflow from Operating Activities	16.	2,082,566	1,593,462
Returns on Investment and Servicing of Finance			
Interest Received		11,804	11,750
Interest Paid		(952,081)	(954,156)
Net Cash Outflow from Investment and Servicing of Finance		(940,277)	(942,406)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(545,358)	(14,941)
Purchase of Other Fixed Assets		(15,080)	(14,550)
Social Housing Grant Received		89,423	93,531
Other Grants Received		(39,303)	10,988
Proceeds on Disposal of Properties		83,032	43,777
Net Cash (Outflow) / Inflow from Capital Expenditure and Financial Investment		(427,286)	118,805
Net Cash Inflow before use of Liquid Resources and Financing		715,003	769,861
Financing			
Loan Principal Repayments		(120,907)	(20,492)
Share Capital Issued		2	7
Net Cash Outflow from Financing		(120,905)	(20,485)
Increase in Cash	16.	<u>594,098</u>	<u>749,376</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

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 2010, 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

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. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 11. Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Land	N/A
Structure	50 years
Roofs	50 years
Doors & Windows	20 years
Central Heating	20 years
Kitchens	20 years
Bathrooms	30 years
Electrics	30 years

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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 attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2012			2011 - Restated		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,700,642	2,079,126	1,621,516	3,509,777	2,067,819	1,441,958
Other Activities	4.	314,675	326,405	(11,730)	230,442	259,318	(28,876)
Total		4,015,317	2,405,531	1,609,786	3,740,219	2,327,137	1,413,082

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	2012			Restated	
	General Needs Housing £	Supported Housing £	Shared ownership £	2012 - Total £	2011 - Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	3,682,013	-	-	3,682,013	3,485,629
Gross Rents Receivable	3,682,013	-	-	3,682,013	3,485,629
Less: Rent losses from voids	20,000	-	-	20,000	23,408
Net Rents Receivable	3,662,013	-	-	3,662,013	3,462,221
Revenue Grants from Scottish Ministers	38,629	-	-	38,629	47,556
Total Income From Social Letting	3,700,642	-	-	3,700,642	3,509,777
Expenditure on Social Letting Activities					
Service Costs	-	-	-	-	51
Management and maintenance administration costs	593,414	-	-	593,414	585,034
Reactive Maintenance	626,623	-	-	626,623	641,754
Bad Debts - Rents and Service Charges	27,298	-	-	27,298	27,912
Planned and Cyclical Maintenance, including Major Repairs	289,407	-	-	289,407	294,218
Depreciation of Social Housing	542,384	-	-	542,384	518,850
Operating Costs of Social Letting	2,079,126	-	-	2,079,126	2,067,819
Operating Surplus on Social Letting Activities	1,621,516	-	-	1,621,516	1,441,958
2011 (as restated)	1,441,958	-	-		

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

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) 2012	Operating Surplus / (Deficit) 2011
	£	£	£	£	£	£	£	£	£
Care and Repair of Property	-	284,680	-	-	284,680	-	284,680	-	-
Development and construction of property activities	-	-	-	-	-	-	10,116	(10,116)	(27,046)
Services - Other Owners	-	-	-	29,995	29,995	1,614	29,995	(1,614)	(1,830)
Total From Other Activities	-	284,680	-	29,995	314,675	1,614	324,791	(11,730)	(28,876)
2011	-	203,660	-	26,782	230,442	1,830	257,488	(28,876)	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2012	2011
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.	£	£
No Officer of the Association received emoluments greater than £60,000.		
No Pension contributions were made to Officers receiving greater than £60,000		
Emoluments payable to Chief Executive (excluding pension contributions)	<u>58,101</u>	<u>57,533</u>

6. EMPLOYEE INFORMATION

	2012	2011
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>16</u>	<u>16</u>
The average total number of Employees employed during the year was	<u>18</u>	<u>18</u>
Staff Costs were:	£	£
Wages and Salaries	547,762	546,979
Social Security Costs	43,309	38,329
Other Pension Costs	95,759	82,519
Temporary, Agency and Seconded Staff	-	740
	<u>686,830</u>	<u>668,566</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK		
	2012	2011
	£	£
Sales Proceeds	83,032	43,777
Cost of Sales	<u>35,360</u>	<u>26,084</u>
Gain On Sale Of Housing Stock	<u>47,672</u>	<u>17,693</u>

8. INTEREST PAYABLE		
	2012	2011
	£	£
On Bank Loans & Overdrafts	<u>956,039</u>	<u>954,156</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2011 £nil).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		
	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	560,395	228,399
Auditors' Remuneration - Audit Services (including VAT)	6,840	6,240
- Other Services (including VAT)	3,067	2,500
Operating Lease Rentals - Other	<u>6,190</u>	<u>6,738</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 2012

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 2011- restated	33,523,304	844,292	34,367,596
Additions	386,914	-	386,914
Disposals	(42,649)	-	(42,649)
Schemes Completed	-	-	-
As at 31st March 2012	<u>33,867,569</u>	<u>844,292</u>	<u>34,711,861</u>
DEPRECIATION			
As at 1st April 2011- restated	3,589,834	-	3,589,834
Charge for Year	542,384	-	542,384
Disposals	(7,287)	-	(7,287)
As at 31st March 2012	<u>4,124,931</u>	<u>-</u>	<u>4,124,931</u>
SOCIAL HOUSING GRANT			
As at 1st April 2011- restated	13,190,706	834,314	14,025,020
Additions	78,487	-	78,487
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2012	<u>13,269,193</u>	<u>834,314</u>	<u>14,103,507</u>
OTHER CAPITAL GRANTS			
As at 1st April 2011- restated	514,346	-	514,346
Additions	-	-	-
Disposals	-	-	-
Schemes Completed	-	-	-
As at 31st March 2012	<u>514,346</u>	<u>-</u>	<u>514,346</u>
NET BOOK VALUE			
As at 31st March 2012	<u>15,959,099</u>	<u>9,978</u>	<u>15,969,077</u>
As at 31st March 2011	<u>16,228,418</u>	<u>9,978</u>	<u>16,238,396</u>

Additions to housing properties includes capitalised development administration costs of £nil (2011 - £nil) and capitalised replacement components within existing properties of £181,014 (2011 £505,259)

All land and housing properties are freehold.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

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 2011- restated	149,909	338,459	488,368
Additions	-	15,080	15,080
Eliminated on Disposals	(3,856)	(280,556)	(284,412)
As at 31st March 2012	<u>146,053</u>	<u>72,983</u>	<u>219,036</u>
AGGREGATE DEPRECIATION			
As at 1st April 2011- restated	50,677	279,095	329,772
Charge for year	2,722	15,289	18,011
Eliminated on disposal	(3,856)	(280,556)	(284,412)
As at 31st March 2012	<u>49,543</u>	<u>13,828</u>	<u>63,371</u>
NET BOOK VALUE			
As at 31st March 2012	<u>96,510</u>	<u>59,155</u>	<u>155,665</u>
As at 31st March 2011	<u>99,232</u>	<u>59,364</u>	<u>158,596</u>

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2012 £	2011 £
Other		
Expiring within one year	3,513	1,381
Expiring between two and five years	<u>2,121</u>	<u>4,499</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2012	2011
	£	£
Arrears of Rent & Service Charges	206,598	185,722
Less: Provision for Doubtful Debts	(6,269)	(8,883)
	<u>200,329</u>	<u>176,839</u>
Social Housing Grant Receivable	-	5,468
Other Debtors	103,209	26,022
	<u>303,538</u>	<u>208,329</u>

Technical arrears in respect of housing benefit due at 31st March 2012 totalled £172,243 (2011: £107,115).

14. CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Housing Loans	222,344	220,968
Trade Creditors	118,787	66,888
Rent in Advance	59,815	71,598
Other Taxation and Social Security	14,042	9,807
Other Creditors	38,962	51,914
Accruals and Deferred Income	47,030	263,067
	<u>500,980</u>	<u>684,242</u>

At the balance sheet date there were pension contributions outstanding of £nil (2011: £nil)

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

	2012	2011
	£	£
Housing Loans	<u>14,973,462</u>	<u>15,095,745</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	222,344	220,968
Between one and two years	223,125	471,642
Between two and five years	674,428	1,619,294
In five years or more	14,075,909	13,004,809
	<u>15,195,806</u>	<u>15,316,713</u>
Less: Amount shown in Current Liabilities	222,344	220,968
	<u>14,973,462</u>	<u>15,095,745</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012	Restated 2011		
	£	£		
Operating Surplus	1,609,786	1,413,082		
Depreciation	560,395	207,542		
Change in Debtors	(57,442)	(4,400)		
Change in Creditors	(30,150)	(22,743)		
Share Capital Written Off	(23)	(19)		
Net Cash Inflow from Operating Activities	<u>2,082,566</u>	<u>1,593,462</u>		
<i>Reconciliation of net cash flow to movement in net debt</i>	2012	2011		
	£	£	£	
Increase in Cash	594,098	749,376		
Cash flow from change in debt	120,907	20,491		
Movement in net debt during year	715,005	769,867		
Net debt at 1st April 2011	(13,608,689)	(14,202,675)		
Net debt at 31st March 2012	<u>(12,893,684)</u>	<u>(13,432,808)</u>		
<i>Analysis of changes in net debt</i>	At 01.04.11	Cash Flows	Other Changes	At 31.03.12
	£	£	£	£
Cash at bank and in hand	1,708,024	594,098		2,302,122
Debt: Due within one year	(220,968)	220,968	(222,344)	(222,344)
Due after more than one year	(15,095,745)	(100,061)	222,344	(14,973,462)
Net Debt	<u>(13,608,689)</u>	<u>715,005</u>	<u>-</u>	<u>(12,893,684)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	357
Issued in year	2
Cancelled in year	(23)
At 31st March 2012	<u>336</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.

18. RESERVES

(a) Revenue Reserves	Total £
At 1st April 2011 (as restated)	2,533,001
Surplus for the year	<u>722,623</u>
At 31st March 2012	<u>3,255,624</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2012 No.	2011 No.
General Needs - New Build	195	195
- Rehabilitation	807	809
	<u>1,002</u>	<u>1,004</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. 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:

9 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.

21. FIXED ASSET INVESTMENT

	2012 £	2011 £
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 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RETIREMENT BENEFIT OBLIGATIONS

General

Shire Housing Association Limited participates in the Scottish Housing Association 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

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 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 values. 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 current contributions at the rate of 6.6% of pensionable salaries. Member contributions were 6.6%.

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 £533,956. 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 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. 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 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 in 2011/12 was £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.