

ISLINGTON & SHOREDITCH HOUSING
ASSOCIATION LIMITED

CONSOLIDATED REPORT AND
FINANCIAL STATEMENTS
For the year ended

31 MARCH 2011

"The maintenance and integrity of ISHA's website is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions."

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

BOARD

James Cannon (Chair) (re-appointed 23 September 2010)
Pamela Awosika
Pamela Bachu (re-appointed 23 September 2010)
June Dawes
Mary Ebbasi (re-appointed 23 September 2010)
Raj Gadawala
John Jeremy
Nancy Korman
Jennie Rooney
Ai Huynh
Andrew Wade
Aaike Van Renssen (appointed 23 September 2010)

CHIEF EXECUTIVE Clare Thomson

SECRETARY Clare Thomson

REGISTERED OFFICE 102 Blackstock Road
LONDON N4 2DR

BANKERS Barclays Bank Plc
Islington and Camden Group
PO Box 3474
LONDON NW1 7NQ

AUDITORS Nexia Smith & Williamson
Chartered Accountants
25 Moorgate
LONDON EC2R 6AY

LEGAL STATUS The Association is incorporated with limited liability as a charitable Housing Association under the Industrial and Provident Societies Act 1965, Registration number 11614R. The Association is registered with the Tenant Services Authority, registration number LO457.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

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ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2011

REPORT OF THE BOARD

PRINCIPAL ACTIVITIES

To provide a local community-based service that manages, maintains and develops quality affordable housing for people in need in Camden, Hackney, Haringey, Islington, Tower Hamlets and Waltham Forest.

OVERVIEW OF THE BUSINESS

Islington & Shoreditch Housing Association (ISHA) is a charitable housing association incorporated as an Industrial and Provident Society and registered with the Tenant Services Authority. The Association operates in the London Boroughs of Camden, Hackney, Islington and Waltham Forest.

Lien Viet Housing Association joined ISHA as a subsidiary in October 2008. Lien Viet is a small community-based housing association working in Hackney, Haringey, Islington and Tower Hamlets. Lien Viet's residents are predominantly Vietnamese and East Asian.

The Tenant Services Authority (TSA) is ISHA's regulator, and their most recent Regulatory Judgment improved their assessment and summarised:

In relation to Islington & Shoreditch Housing Association (ISHA), we consider that:

Viable:

The group meets the requirements set out in the Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.

Properly Governed:

The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

This revised Regulatory Judgment has been produced following the latest review of ISHA's financial performance in July 2010 where the TSA upgraded the judgment to reflect the group's improved financial position. The overall TSA judgment is that ISHA is viable and has satisfactory governance.

TSA Regulatory Judgment September 2010

Following ISHA's Audit Commission inspection in January 2010, and its development of an action plan with its residents, ISHA was judged to have promising prospects for improvement. The action plan that addressed all weaknesses identified in the inspection was completed by December 2010.

The Homes and Communities Agency (HCA) has changed the funding regime for the development of affordable homes for 2011/12 onwards, where rents are expected to rise to compensate for a reduction in Government grant. ISHA is committed to providing affordable homes to people in housing need, and has commissioned research on rent levels to ensure our homes remain affordable. ISHA is the lead partner for the North River Alliance (NRA), and funding for the 2011-15 NRA development programme has been confirmed, subject to contract, by the HCA.

**ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2011**

DELIVERING AGAINST OUR STRATEGIC OBJECTIVES

The key outcomes against the first year of ISHA's five year business plan objectives were:

Objective 1: To provide excellent services to all our customers

- Service standards developed with residents and published
- Local performance measures developed and monitored by residents
- 44% of Key Performance Indicators (KPIs) set at more challenging level and 81% of KPIs met or within 5% target by March 2010, which was a 2% improvement on 2009/10 outturn
- Resident involvement KPIs introduced and resident profile information produced quarterly
- 4 stakeholder events held to increase engagement with ISHA residents and local council members and staff

Objective 2: To be recognised as a resident-focused organisation

- 21 areas for residents to be involved
- 427 residents involved and 29 service improvements made as a result of resident involvement
- Local performance developed and monitored by residents
- Local area meetings established to mirror the local performance areas
- 2 film projects made by residents to address improvements in local areas, and St Mary's Path young residents premiered their film at Screen on the Green
- Short Notice Inspection action plan developed with 60 residents
- Introduced "You Said, We Did" statements into quarterly newsletter and updates on website to feedback on resident led improvements
- Website rebuilt with residents and launched July 2010

Objective 3: To maintain, improve and develop good quality and affordable homes in our key community areas of Hackney, Islington and Waltham Forest

- Repairs service re-commissioned with new contractor within 10 days of Connaught going into administration
- Asset management strategy developed with residents through Inspection action plan, website questionnaire, Residents' Forum and film projects
- Photovoltaic installation feasibility study commissioned for implementation in 2011-12
- 2010/11 development programme significantly exceeded the HCA targets
- Loan funding secured for 2011/12 programme

Objective 4: To be an organisation that demonstrates excellent customer focused leadership

- Staff targets set from continuous improvement plan
- Governance self assessment reviewed with actions in May 2010 and Governance Committee established in September 2010
- Board satisfied through special Board planning meetings of compliance with loan covenants, and TSA advised quarterly through Financial Viability Review (FVR) on compliance
- Benefit changes and financial inclusion items highlighted to residents in all newsletters and at resident meetings
- Value for money strategy developed with residents.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

YEAR ENDED 31 MARCH 2011

Development Partner Status

The North River Alliance, led by ISHA, is a key development partner of the HCA. There are three other developing associations within the alliance, these being Christian Action HA, Gateway HA and Tower Hamlets Community Housing. The other members of the alliance benefit from the arrangement by being able to access newly built homes. At the year-end, the NRA exceeded all its targets.

The total number of homes completed by the North River Alliance in the year was 337, with a further 483 homes started during the year. An additional 638 homes were started in previous years which means that the NRA exceeded its target of getting 1,000 new homes on site over the 3 year 2008 /11 development programme. ISHA took handover of 62 homes in 2010/11, with a further 405 on site.

Maintaining financial viability

ISHA's prudent approach to the property market, and regular review at Board level of its assumptions and activities resulted in the sales programme being exceeded and keeping within the expenditure budget in 2010/11.

Financial outcome

The surplus after interest costs for the year to 31 March 2011 was £2.0m (2010 £1.4m) for the Group and £1.9m (2010:£1.2m) for the Association. The surplus achieved in 2010/11 is to be utilised in keeping our stock in good repair, meeting our loan covenants and developing within our desired areas of operations.

ISHA has adequate funds to continue to build new homes and will generate sufficient income to maintain and improve services to our residents, and meet loan re-payments.

EQUALITY AND DIVERSITY AND EMPLOYEES

ISHA is committed to ensuring that at the point of service, the needs of the individual have been considered, and actively examines its practices to ensure that services do not have a differential impact on a group or groups of people within the communities we serve. A 100% audit of our tenants is now complete, and will continue as a rolling programme. In addition, we use the opportunity of every contact with our residents to update our tenants' profiles to ensure that we can better tailor our services for particular client groups. At the year-end, ISHA had 53 full and part time staff. Across the boroughs we operate in, 48% of people in housing need are from black and ethnic minority communities, which are well reflected at ISHA, where 53% of our staff are from black or ethnic minority communities.

ISHA recognises its responsibilities on all matters relating to Health & Safety and reviews and monitors its policies and provides staff training and education.

GOVERNANCE

ISHA is governed by the Board of up to fifteen elected voluntary non-executive Board members, including a Board member from Lien Viet, as listed on page 1 of the report. They are responsible for the overall strategic direction of ISHA, which includes the approving, monitoring and compliance of key policies and to ensure that the objectives of the Association are achieved. The Board meets at least six times a year. Its structure provides for sub-committees, namely the Finance and Resource Sub-committee, the Private Finance Sub-committee, the Development Sub-committee, the Housing Services Sub-committee, the Resident Forum and the newly formed Governance Committee. The

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specialist areas of the Association's operations are considered under these sub-committees and reported to the Board. The day-to-day operational control of the Association is delegated to the Senior Management Team. ISHA is committed to attaining the highest standards of corporate governance and will keep its Board structure and procedures under review.

To assist in achieving a high standard, the Board has delegated responsibility for audit supervision to the Finance and Resource Sub-committee and employs independent auditors for both internal and external audit. The Finance and Resource Sub-committee consists of voluntary members who by virtue of their position are themselves independent from the paid officers of the Association.

All Board members are required to subscribe to the agreed aims of the Association. The Board responsibilities in respect of the financial statements are set out below.

INTERNAL CONTROL

The Board is responsible for ISHA's system of internal control and reviewing its effectiveness. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks; however the system of internal control is designed to manage risk and to provide reasonable assurance regarding the safeguarding of assets, control of risk, maintenance of proper accounting records and the reliability of financial information.

The Board and its Finance and Resource Sub-committee carry out monitoring activities to ensure that appropriate control procedures are in place and changes required to these are identified and actioned. To this end, they are assisted by internal audit arrangements carried out by a professional firm. There are formal procedures for reporting weaknesses in internal controls or fraud and as part of these controls, internal audit and senior officers of the Association have access to the Board and Finance and Resource Sub-committee. No material weaknesses in internal control have been identified which require disclosure in the financial statements.

There is a clearly defined organisational structure based upon the system of delegation set out in standing orders, financial regulations, policies and procedures, which were updated and approved May 2009 as part of the regular review of our systems. ISHA has adopted the NHF "Excellence in Governance 2010" code of conduct for board members and staff. Compliance against the Code was reviewed by the Board in May 2010 which led to the establishment of the Governance Committee to review ISHA's governance arrangements. This review was completed in May 2011, with the assistance of an external consultant, and the Board are satisfied that the annual report can state that 'ISHA complies with the NHF Excellence in standards of conduct'.

ISHA is committed to regular, timely and accurate financial management reporting and such reporting includes quarterly budgetary control arrangements, including reporting on variances and regular reports on the revised performance management framework.

All the Senior Management team take internal control seriously. Staff are encouraged to discuss ways in which procedures can be improved with their managers in an open way. Directors are required to report to the Chief Executive on the effectiveness of the controls.

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YEAR ENDED 31 MARCH 2011**

The Chief Executive reports to the Board on the appropriateness and effectiveness of the systems of internal control.

The Board receives confirmation that controls continue to operate from three main sources. These are:

- Internal audit reports prepared according to an agreed plan over a three year cycle,
- External auditors' management letters,
- Compliance reports issued by the Tenant Services Authority and Homes and Communities Agency

There were no major instances of the failure of controls to operate and this was reported to the Board.

The Board is aware that neither the external auditors nor the Tenant Services Authority have any specific responsibility to identify shortcomings in ISHA's systems of internal control. The responsibility rests solely with the Board. The Board obtains additional assurance through other sources including the internal audit process as the principal reassurance on control matters.

RISK MANAGEMENT

The process for identifying, evaluating and managing the significant risks faced by ISHA has been operational throughout the year and is ongoing. The risk management strategy of ISHA requires continuous assessment of ISHA's risk profile and an annual risk evaluation report submitted to the Board. The Board is updated with any changes in risk during the year.

As part of the evaluation and monitoring of risks, the Executive and the Board have been reviewing the risks facing ISHA in the current economic climate. The main risks facing ISHA are monitored closely and reported on a regular basis with reports to key Board Members outside the normal reporting cycles. ISHA has responded to the risks arising from:

- Delivery and procurement of its repairs service
- Impact of Government changes to welfare benefits and the funding of new homes
- Changes in the housing and lending markets

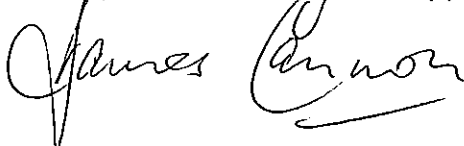
and has taken the appropriate actions to mitigate the impact of these risks.

Financial viability remains the highest monitored risk at Executive, Board and Regulator level.

AUDITORS

Resolutions to appoint Nexia Smith & Williamson as auditors for 2011/12 and to tender the external audit services for the following year will be proposed at the next Annual General Meeting.

The report of the Board was approved on 28 July 2011 and signed on its behalf by:



James Cannon
Chairman

**ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED
YEAR ENDED 31 MARCH 2011**

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. In preparing the financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Associate, and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Islington & Shoreditch Housing Association Limited for the year ended 31 March 2011 which comprise the Group and Association Income and Expenditure Account, the Group and Association Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 22. 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 the requirements of statute. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

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

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

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date 24 August 2011

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT for the year ended 31 MARCH 2011

	Notes	GROUP		ASSOCIATION	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover	2	14,061	13,964	13,333	13,050
Operating costs	2	(9,325)	(10,169)	(8,737)	(9,523)
Operating surplus		4,736	3,795	4,596	3,527
Surplus on sale of properties and land	20	79	680	79	680
Interest receivable and similar income		222	151	220	172
Interest payable and similar charges	7	(3,050)	(3,260)	(3,028)	(3,209)
Surplus for the year	6	1,987	1,366	1,867	1,170

None of the Group's or Association's activities were discontinued during the above two years. All surpluses and deficits recognised in the accounts are shown in the income and expenditure account.

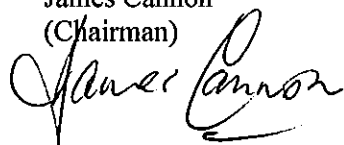
ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

CONSOLIDATED BALANCE SHEET as at 31 MARCH 2011

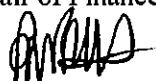
		GROUP		ASSOCIATION	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
TANGIBLE FIXED ASSETS					
Housing properties – cost less depreciation		194,522	176,241	179,378	161,126
Less: Social Housing Grant		(125,985)	(112,289)	(118,129)	(104,433)
Total housing fixed assets		68,537	63,952	61,249	56,693
Other fixed assets		4,422	3,642	4,086	3,295
TOTAL FIXED ASSETS	8	72,959	67,594	65,335	59,988
CURRENT ASSETS					
Housing properties for sale	9	1,611	3,166	1,611	3,166
Debtors	10	2,539	6,550	2,499	6,524
Cash at bank and in hand	11	22,172	18,721	21,542	18,145
		26,322	28,437	25,652	27,835
CREDITORS: amounts due within one year	12	(9,459)	(5,979)	(9,288)	(5,826)
NET CURRENT ASSETS		16,863	22,458	16,364	22,009
TOTAL ASSETS LESS CURRENT LIABILITIES		89,822	90,052	81,699	81,997
CREDITORS: amounts falling due after more than one year	13	65,148	67,365	64,185	66,350
CAPITAL AND RESERVES					
Share capital – Non Equity	14	-	-	-	-
Acquisition Reserve	16	6,585	6,670	-	-
Income and expenditure account	15	18,089	16,017	17,514	15,647
		89,822	90,052	81,699	81,997

These financial statements were authorised and approved by the Board on 28 July 2011 and were signed on their behalf by:

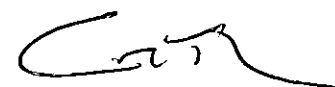
James Cannon
(Chairman)



Pamela Bachu
(Chair of Finance Sub-Committee)



Clare Thomson
(Secretary)



ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 MARCH 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	1	9,235	6,124
Returns on investments and servicing of finance	2	(2,828)	(3,345)
Capital expenditure and financial investment	2	(2,069)	(269)
		<hr/>	<hr/>
		4,338	2,510
Management of liquid resources	2	(3,415)	(116)
		<hr/>	<hr/>
Net cash inflow before use of liquid resources and financing		923	2,394
Financing	2	(885)	(2,396)
		<hr/>	<hr/>
Increase/(decrease) in cash		38	(2)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	3	38	(2)
Cash inflow from increase in debt and finance leasing	3	911	2,417
Cash inflow relating to increase in liquid resources	3	3,415	116
		<hr/>	<hr/>
Change in net debt in the period		4,364	2,531
Net debt at 31 March 2010		(48,678)	(51,209)
		<hr/>	<hr/>
Net debt at 31 March 2011		(44,314)	(48,678)
		<hr/>	<hr/>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 MARCH 2011

1 Reconciliation of operating surplus to net cash inflow/(outflow) from operating activities

	2011 £'000	2010 £'000
Operating surplus	4,736	3,795
Depreciation of fixed assets	616	437
Decrease /(increase) in debtors	1,685	(1,649)
Increase in creditors	643	1,580
Decrease in housing properties for sale	1,555	1,961
	<hr/>	<hr/>
Net cash inflow from operating activities	9,235	6,124
	<hr/>	<hr/>

2 Gross Cash Flows

Returns on investments and servicing of finance

Interest received	222	151
Interest paid	(3,050)	(3,496)
	<hr/>	<hr/>
	(2,828)	(3,345)
	<hr/>	<hr/>

Capital expenditure and financial investment

Purchase of properties	(17,620)	(12,729)
Purchase of other tangible fixed assets	(108)	(151)
Net proceeds from sale of properties	305	2,005
Capital grants received	15,354	10,606
	<hr/>	<hr/>
	(2,069)	(269)
	<hr/>	<hr/>

Management of liquid resources

Cash transferred from 7 day deposit	3,415	116
	<hr/>	<hr/>

Financing

Loan principal repayments	(885)	(2,396)
	<hr/>	<hr/>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT for the year ended 31 MARCH 2011 (continued)

3 Analysis of change in Net Debt

	At 31 March 2010 £'000	Cashflows £'000	At 31 March 2011 £'000
Debt due within 1 year	(976)	(680)	(1,656)
Debt due after 1 year	(66,421)	1,591	(64,830)
	<hr/>	<hr/>	<hr/>
	(67,397)	911	(66,486)
Current asset investments (deposit accounts)	18,630	3,415	22,045
Cash in hand, at bank	89	38	127
	<hr/>	<hr/>	<hr/>
	(48,678)	4,364	(44,314)
	<hr/>	<hr/>	<hr/>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which were considered to be material in relation to the financial statements of the Group.

Basis of preparation

The principal accounting policies of the Group are set out below.

The financial statements have been prepared in accordance with the Statement of Recommended Practice "Accounting by Registered Social Landlords 2008" (the "SORP"), and applicable financial reporting standards, under the historical cost accounting rules and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 ("the Determination").

Group structure and basis of consolidation

The Group financial statements incorporate the financial statements of the Parent, Islington & Shoreditch Housing Association Limited, and its subsidiary, Lien Viet Housing Association Limited.

Acquisition Reserve

The reserve arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the identifiable assets and liabilities acquired over the fair value of the consideration given, is included in the balance sheet and credited to the income and expenditure reserve on a straight line basis over its useful economic life, which is estimated to be 80 years.

Social Housing Grant ("SHG")

SHG is recognised when receivable.

Where developments have been financed wholly or partly by SHG, the cost of those developments has been reduced by the amount of the grant receivable at the balance sheet date after a deduction has been made to provide cover for development overhead.

Social grants are included under SHG headings. If housing properties are disposed of, social housing grants are repayable to the Regulator or subject to restrictions on use and included within creditors as part of a "Recycled Capital Grant Fund" under most circumstances.

Tangible fixed assets - property

Freehold housing properties, commercial properties and freehold offices are stated at cost less grant and accumulated depreciation and provision for any diminution in value. Depreciation is provided on those properties where the building cost less the element of grant funding is positive, depreciation being provided on a straight-line basis over 150 years in the first year following that of completion.

Commercial properties are depreciated over a period of 50 years.

Office premises on short leaseholds are depreciated over the remaining length of the lease.

Housing properties in the course of construction are stated at cost less provision for any diminution in value.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011

1 Accounting policies (continued)

Depreciation of other fixed assets

Other fixed assets are included at cost to the Group less depreciation, which is provided on a straight-line basis over the periods shown below:

Office furniture, equipment and motor vehicles	4 years
Scheme equipment	10 – 15 years

Impairment of housing properties

Impairment reviews are carried out annually as the useful economic lives of housing properties exceed 50 years. Impairments arising from a major reduction in the service potential are charged to the income and expenditure account to the extent that the carrying value exceeds the recoverable amount.

Shared ownership sales

The costs relating to future first tranche sales in respect of shared ownership properties are included in housing properties for sale in current assets. Sales proceeds are included in turnover for the period and the corresponding costs are included in operating costs.

Turnover

All income is recognised on a receivable basis. Turnover represents rental income receivable from both housing and commercial properties, Supporting People income, fees and revenue grants from local authorities and the Homes and Communities Agency. It also includes sales proceeds from first tranche shared ownership sales.

Capitalisation of interest

Finance costs on the mortgage loan financing a scheme are capitalised up to the date of practical completion of the scheme. Finance costs are allocated to periods over the term of the debt at a constant rate on the carrying amount.

Capitalisation of development costs

Development administration costs based on the time spent on a scheme are capitalised up to the date of practical completion of that scheme. Only direct costs are included.

Major repairs

Where a repair involves replacement, renewal or repair of items within the fabric of existing buildings, the repair is treated as a revenue item whether or not major repair SHG is payable for such items. Where applicable, the related SHG receivable is also treated as a revenue item.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011

1 Accounting policies (continued)

Any replacement, renewal or repair to the fabric of an existing building that enhances the net income generated from the property or substantially increases its useful life is capitalised.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the lease obligations are treated as finance charges, which are amortised over each lease term to give a constant rate of charge based on the remaining balance of capital repayments.

Rental costs under operating leases are charged to the Income & Expenditure account in equal amounts over the period of the lease.

Pension schemes

The Group participates along with a number of other Associations in a defined benefit final salary contributory pension scheme administered independently by the Pensions Trust. The cost reflected in these accounts is derived from the contributions payable by the Group.

Agencies

The transactions incurred directly by agencies managing the Group's hostels are not consolidated in the financial statements.

VAT

The Association is VAT registered but a large proportion of its income, including its rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is therefore shown gross of VAT, with any net recovery of VAT included within operating costs.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

2 GROUP - Turnover and operating surplus

		2011		2010			
	Note	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) £'000
SOCIAL HOUSING							
Lettings	3	8,808	5,548	3,260	8,458	5,393	3,065
OTHER SOCIAL HOUSING							
Initial shared-ownership sales		2,899	2,146	753	3,223	2,808	415
Development administration		281	433	(152)	232	764	(532)
Fees for development services		69	69	-	50	50	-
Management fees		999	543	456	1,026	576	450
Other		41	44	(3)	41	43	(2)
		4,289	3,235	1,054	4,572	4,241	331
NON SOCIAL HOUSING							
Commercial properties		698	445	253	698	453	245
Private renting		266	97	169	236	82	154
Total		14,061	9,325	4,736	13,964	10,169	3,795

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

2 ASSOCIATION - Turnover and operating surplus

		2011			2010		
	Note	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) £'000	Turnover £'000	Operating Costs £'000	Operating Surplus/ (deficit) £'000
SOCIAL HOUSING							
Lettings	3	8,078	4,965	3,113	7,778	4,921	2,857
OTHER SOCIAL HOUSING							
Initial shared-ownership sales		2,898	2,146	752	2,981	2,639	342
Development administration		281	434	(153)	232	764	(532)
Fees for development services		69	69	-	50	50	-
Management fees		999	543	456	1,026	576	450
Other		44	38	6	49	38	11
		4,291	3,230	1,061	4,338	4,067	271
NON SOCIAL HOUSING							
Commercial properties		698	445	253	698	453	245
Private renting		266	97	169	236	82	154
Total		13,333	8,737	4,596	13,050	9,523	3,527

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

3 GROUP - Analysis of turnover and operating costs from lettings

	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2011 £'000	2010 £'000
Rents receivable net of service charge and rent voids	6,595	386	690	7,671	7,463
Service charges receivable	753	163	221	1,137	995
Total income from lettings	7,348	549	911	8,808	8,458
Operating costs					
Services	883	162	231	1,276	1,334
Management	706	202	136	1,044	1,274
Routine maintenance	1,608	71	1	1,680	1,563
Planned maintenance	473	23	-	496	431
Major repairs expenditure	516	10	-	526	496
Rent losses from bad debts	79	1	-	80	18
Depreciation on housing properties	370	4	72	446	277
Total expenditure on lettings	4,635	473	440	5,548	5,393
Operating surplus on letting activities	2,713	76	471	3,260	3,065
Rent losses from voids	(59)	(10)	-	(69)	(92)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

3 ASSOCIATION - Analysis of turnover and operating costs from lettings

	Housing £'000	Supported Housing £'000	Shared Ownership £'000	2011 £'000	2010 £'000
Rents receivable net of service charges and rent voids	5,992	321	679	6,992	6,830
Service charges receivable	730	137	219	1,086	948
Total income from lettings	6,722	458	898	8,078	7,778
Operating costs					
Services	854	129	229	1,212	1,266
Management	514	160	136	810	1,074
Routine maintenance	1,495	55	-	1,550	1,456
Planned maintenance	473	23	-	496	431
Major repairs expenditure	441	-	-	441	419
Rent losses from bad debts	79	1	-	80	11
Depreciation on housing properties	304	2	70	376	264
Total expenditure on lettings	4,160	370	435	4,965	4,921
Operating surplus on letting activities	2,562	88	463	3,113	2,857
Rent losses from voids	(57)	(10)	-	(67)	(91)

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

4 Remuneration of officers and senior executives

The emoluments in respect of the Senior Executive (Chief Executive) were as follows:

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Emoluments (excluding pension contributions)	81	81	81	81

Remuneration, excluding pension contributions, for the Chief Executive and the four other senior staff members during the year was £373,000 (2010: £370,000). There were no remuneration payments to Board members.

5 Employee information

The average monthly number of persons employed by the Group and Association during the year expressed in full time equivalents (including senior executives), analysed by category, was as follows:

	GROUP		ASSOCIATION	
	2011 No	2010 No	2011 No	2010 No
Housing, development and administration staff	56	51	51	47
Estate officers	2	2	2	2
	58	53	53	49

Staff costs during the year

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Wages	1,827	1,868	1,705	1,747
Social security costs	171	172	162	162
Pension costs	148	188	133	182
	2,146	2,228	2,000	2,091

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

6 Surplus for the year	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
The surplus for the year is stated after charging:				
Depreciation:				
Housing properties	446	277	376	264
Other owned fixed assets	170	160	158	146
Auditors' remuneration:				
Audit services	52	42	43	34
Non-audit services	2	18	2	18
	<hr/>	<hr/>	<hr/>	<hr/>

The housing properties depreciation (Group and Association) includes £70,000 (2010: £nil) exceptional accelerated depreciation for schemes that will be demolished for redevelopment.

7 Interest payable	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
This interest arises on loans repayable over more than five years:				
Housing loan interest	3,352	3,496	3,330	3,445
Less: Capitalised interest	(302)	(236)	(302)	(236)
	<hr/>	<hr/>	<hr/>	<hr/>
	3,050	3,260	3,028	3,209
	<hr/>	<hr/>	<hr/>	<hr/>

Capitalised interest is based on a calculation of the average cost of borrowing incurred by the Group and Association during the financial year. This amounts to 4.49% (2010: 4.74%).

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

8 GROUP - Tangible fixed assets

	Housing Properties Completed	Shared Ownership Properties at cost	Properties under construction	Private Rent Commercial & Leasehold Properties	Freehold Offices	Other Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 31 March 2010	144,960	20,655	12,056	2,822	1,233	1,137	182,863
Additions	99	-	19,696	-	-	108	19,903
Disposals	-	(226)	-	-	-	(13)	(239)
Transfer to Private Rent Commercial & Leasehold Properties	(832)	-	-	832	-	-	-
Transfer from Market Rent	(10)	-	-	10	-	-	-
Transfer at completion	9,239	2,829	(12,068)	-	-	-	-
At 31 March 2011	153,456	23,258	19,684	3,664	1,233	1,232	202,527
HAG/SHG/ Other grant							
At 31 March 2010	92,305	7,928	12,056	-	-	-	112,289
Additions	-	-	12,746	-	-	-	12,746
Transfers from RCGF/DPF	829	-	-	-	-	-	829
Transfer from other creditors	227	-	-	-	-	-	227
Disposals	-	(106)	-	-	-	-	(106)
Transfer to completed	3,095	2,023	(5,118)	-	-	-	-
At 31 March 2011	96,456	9,845	19,684	-	-	-	125,985
Depreciation							
At 31 March 2010	1,326	104	-	390	202	958	2,980
Disposals	-	-	-	-	-	(13)	(13)
Charge for the period	374	72	-	63	23	84	616
At 31 March 2011	1,700	176	-	453	225	1,029	3,583
Net book value							
At 31 March 2011	55,300	13,237	-	3,211	1,008	203	72,959
At 31 March 2010	51,329	12,623	-	2,432	1,031	179	67,594

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

8 ASSOCIATION - Tangible fixed assets

	Housing Properties Completed	Shared Ownership Properties at cost	Properties under construction	Private Rent Commercial & Leasehold Properties	Freehold Offices	Other Fixed Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 31 March 2010	129,981	20,408	12,056	2,822	794	1,073	167,134
Additions	-	-	19,696	-	-	107	19,803
Disposals	-	(226)	-	-	-	(12)	(238)
Transfer to Private Rent Commercial & Leasehold Properties	(832)	-	-	832	-	-	-
Transfer to Market Rent	(10)	-	-	10	-	-	-
Transfer at completion	9,239	2,829	(12,068)	-	-	-	-
At 31 March 2011	138,378	23,011	19,684	3,664	794	1,168	186,699
HAG/SHG/ Other grant							
At 31 March 2010	84,449	7,928	12,056	-	-	-	104,433
Additions	-	-	12,746	-	-	-	12,746
Transfers from RCGF/DPF	829	-	-	-	-	-	829
Transfer from other creditors	227	-	-	-	-	-	227
Disposals	-	(106)	-	-	-	-	(106)
Transfer to completed	3,095	2,023	(5,118)	-	-	-	-
At 31 March 2011	88,600	9,845	19,684	-	-	-	118,129
Depreciation							
At 31 March 2010	1,215	104	-	390	99	905	2,713
Disposals	-	-	-	-	-	(12)	(12)
Charge for the period	306	70	-	63	16	79	534
At 31 March 2011	1,521	174	-	453	115	972	3,235
Net book value							
At 31 March 2011	48,257	12,992	-	3,211	679	196	65,335
At 31 March 2010	44,317	12,376	-	2,432	695	168	59,988

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

8 Tangible fixed assets (Continued)

If housing properties are disposed of, SHG is recycled to be used on other social housing schemes. In these circumstances the SHG is not repayable to the Homes and Communities Agency.

Interest of £302,000 has been capitalised in the year to 31 March 2011 (2010: £236,000).

Included in additions is £304,000 (2010: £259,000) of development administration expenditure.

Expenditure capitalised in the year to 31 March 2011 on existing properties is £99,000 (2010: £nil).

Total SHG receivable cumulatively up to 31 March 2011 is £124,578,000 (2010: £111,550,000).

9 Housing properties for sale

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Shared-ownership properties – first tranche for sale:				
Under construction	422	1,241	422	1,241
Completed	1,189	1,925	1,189	1,925
	<u>1,611</u>	<u>3,166</u>	<u>1,611</u>	<u>3,166</u>

10 Debtors

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Arrears of rent and service charges	470	446	413	384
Less: provision for doubtful debts	(219)	(215)	(194)	(190)
	<u>251</u>	<u>231</u>	<u>219</u>	<u>194</u>
Social housing grant receivable	1,292	3,618	1,292	3,618
Other debtors	396	495	395	495
Owed by the subsidiary	-	-	25	38
Prepayments and accrued income	600	2,206	568	2,179
	<u>2,539</u>	<u>6,550</u>	<u>2,499</u>	<u>6,524</u>

Included in the Group's and Association's prepayments and accrued income is amounts of £166,000 (2010: £106,000) due after more than one year.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

11 Cash at bank and in hand

At 31 March 2011, the Association held a large cash balance of £21.5 million (2010: £18.1 million). This arose due to some drift in the development programme in 2010, which has continued into 2011. Due to the adverse borrowing environment, the Board considered it appropriate to draw down the whole of the Association's available facility in 2010, to ensure that the planned development projects have the required funding resources. This has also enabled the Association to take the opportunity to lock in favourable long term interest rates and margins.

£156k is held in trust on behalf of leaseholders (2010: £155k).

12 Creditors: amounts falling due within one year	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Housing loans	1,656	976	1,612	934
Maintenance costs	434	491	434	491
Contractors for development costs	3,369	1,739	3,369	1,739
Rent received in advance	166	159	166	159
Recycled capital grant fund	140	24	140	24
Disposal proceeds fund	10	225	10	225
Other creditors and accruals	3,684	2,365	3,557	2,254
	<hr/>	<hr/>	<hr/>	<hr/>
	9,459	5,979	9,288	5,826
	<hr/>	<hr/>	<hr/>	<hr/>

13 Creditors: amounts falling due after more than one year	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Housing loans	64,830	66,421	63,900	65,442
Loan stock	1	1	1	1
Recycled capital grant fund	281	594	281	594
Disposal proceeds fund	3	313	3	313
Other creditors and accruals	33	36	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	65,148	67,365	64,185	66,350
	<hr/>	<hr/>	<hr/>	<hr/>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

13 Creditors: amounts falling due after more than one year (continued)

Loans on mortgages secured by a charge on some of the Group's assets advanced by:

GROUP	Residential £'000	Commercial £'000	2011 Total £'000	2010 Total £'000
Greenwich NatWest Bank	1,358	-	1,358	1,421
The Housing Finance Corporation (THFC):				
Stepped interest loan – 2019	778	-	778	795
Fixed interest loan – 2016	250	-	250	250
Fixed interest loan – 2023	1,325	675	2,000	2,000
Fixed interest loan – 2024	2,169	-	2,169	2,275
Fixed interest loan – 2025	1,501	-	1,501	1,568
Dexia Municipal Bank	9,558	-	9,558	9,909
Dexia Municipal Bank (Ex Bradford & Bingley)	7,113	-	7,113	7,180
AIB Group Plc	2,648	-	2,648	2,770
Lloyds TSB	39,111	-	39,111	39,229
	<hr/>	<hr/>	<hr/>	<hr/>
	65,811	675	66,486	67,397
	<hr/>	<hr/>	<hr/>	<hr/>
As disclosed:				
Falling due within 1 year	1,656	-	1,656	976
Falling due after more than 1 year but in less than 5 years	7,462	-	7,462	7,545
	<hr/>	<hr/>	<hr/>	<hr/>
	9,118	-	9,118	8,521
Falling due after 5 years	56,693	675	57,368	58,876
	<hr/>	<hr/>	<hr/>	<hr/>
	65,811	675	66,486	67,397
	<hr/>	<hr/>	<hr/>	<hr/>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

13 Creditors: amounts falling due after more than one year (continued)

ASSOCIATION	Residential £'000	Commercial £'000	2011 Total £'000	2010 Total £'000
Greenwich NatWest Bank	384	-	384	400
The Housing Finance Corporation (THFC):				
Stepped interest loan – 2019	778	-	778	795
Fixed interest loan – 2016	250	-	250	250
Fixed interest loan – 2023	1,325	675	2,000	2,000
Fixed interest loan – 2024	2,169	-	2,169	2,275
Fixed interest loan – 2025	1,501	-	1,501	1,568
Dexia Municipal Bank	9,558	-	9,558	9,909
Dexia Municipal Bank (Ex Bradford & Bingley)	7,113	-	7,113	7,180
AIB Group Plc	2,648	-	2,648	2,770
Lloyds TSB	39,111	-	39,111	39,229
	<hr/> 64,837	<hr/> 675	<hr/> 65,512	<hr/> 66,376
As disclosed:				
Falling due within 1 year	1,612	-	1,612	934
Falling due after more than 1 year but in less than 5 years	7,330	-	7,330	7,420
	<hr/> 8,942	<hr/> -	<hr/> 8,942	<hr/> 8,354
Falling due after 5 years	55,895	675	56,570	58,022
	<hr/> 64,837	<hr/> 675	<hr/> 65,512	<hr/> 66,376

The Greenwich NatWest loans are at varying rates of interest between 11.5% and 9.5% repayable by 2023. The loans are secured by a first legal charge over the properties concerned and title deed documents are held by the administrators to Orchardbrook Ltd.

The THFC stepped interest loan is repayable in 2019 and is at fixed rates starting at 6.57% and rising, by the end of the loan, to 19.6%. This loan is secured on a floating charge over the Association's assets. The THFC (2016) fixed interest loan is repayable in 2016 and is at a fixed rate of interest of 11.5%. The THFC (2023) loan is repayable in 2023 and is at a rate of 8.625%. The 2016 loan is secured by a floating charge over the Association's assets. The 2023, 2024 and 2025 loans are secured by a fixed charge.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

13 Creditors: amounts falling due after more than one year (continued)

The Dexia Municipal Bank loan is repayable by 2024 and is at fixed rates varying from 5.02% to 9.68% and one tranche at variable interest rates.

The Dexia Municipal Bank loan (Ex Bradford and Bingley) is at variable rates of interest and fixed rates of interest of 5.96% and is repayable by 2022.

The AIB Group plc loan has a mix of fixed rate 5.85% to 2028 and variable rate loans repayable in 2029.

The Lloyds TSB facility has a mix of fixed rate of up to 5.70% and variable rate loans repayable by 2037.

The Dexia, Bradford & Bingley, AIB Group plc and Lloyds TSB loans are secured by fixed charges over the Association's property.

Loan stock

The loan stock falls due for repayment after five years and is not repayable by instalments.

Recycled Capital Grant Fund	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Opening balance	618	831	618	652
Arising from subsidiary undertaking	-	-	-	-
Inputs to the liability				
Grants recycled	106	328	106	328
Utilised during the year	(303)	(541)	(303)	(362)
Closing balance	421	618	421	618
Disposal Proceeds Fund	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Opening balance	537	810	537	810
Inputs to the liability				
Utilised during the year	(526)	(273)	(526)	(273)
Interest accrued	2	-	2	-
Closing balance	13	537	13	537

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

14 Share capital – Non Equity

	2011 £	2010 £
Shares of £1 fully paid and issued at the beginning and end of the year	103	103

Shares have limited rights and carry no entitlement to dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the Association's General meeting.

15 Income and expenditure account GROUP

	2011 £'000	2010 £'000
Balance at 1 April	16,017	14,566
Surplus for the year	1,987	1,366
Transfers from acquisition reserve	85	85
Balance at 31 March	18,089	16,017

Income and expenditure account ASSOCIATION

	2011 £'000	2010 £'000
Balance at 1 April	15,647	14,477
Surplus for the year	1,867	1,170
Balance at 31 March	17,514	15,647

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

16 Acquisition Reserve

Group only

	£'000
Cost	
1 April 2010	6,797
Additions	-
31 March 2011	6,797
Amortisation	
1 April 2010	127
Transfer to income and expenditure account	85
31 March 2011	212
Net book value	
31 March 2011	6,585
31 March 2010	6,670

17 Capital commitments

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Expenditure contracted less certified	50,551	26,840	50,551	26,839

Of the above £16.9 million (2010: £11.3 million) is to be financed by SHG, £9.6 million from shared ownership sales (2010: £6.0 million) and the remaining £24.1 million (2010: £9.5 million) is to be financed from the existing cash resources and loan finance.

A further £8.85 million (2010: £19.4 million) of expenditure has been authorised by the Board but is not contracted and is subject to approval of grant. This will be funded by grant of £0.58 million (2010: £11.9 million), £2.2 million from shared ownership sales, and the remaining £6.07 million from loan finance.

The above capital expenditure is expected to be incurred over the next four years.

18 Related party disclosure

There are two tenants who are also board members. The rent and terms of their tenancies are determined in the same way as those of other tenants.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

19 Housing stock

The number of units of housing in management and in development at the end of the financial year was:

GROUP	Units in development		Units in management	
	2011	2010	2011	2010
New build	329	237	955	904
Intermediate rent	-	-	6	29
Rehabilitation	-	-	550	553
Shared housing – bed spaces	-	-	62	62
Shared ownership	147	76	177	145
Private renting	-	-	19	17
	<u>476</u>	<u>313</u>	<u>1,769</u>	<u>1,710</u>
ASSOCIATION	Units in development		Units in management	
	2011	2010	2011	2010
New build	329	237	857	806
Intermediate rent	-	-	6	29
Rehabilitation	-	-	527	530
Shared housing – bed spaces	-	-	43	43
Shared ownership	147	76	174	142
Private renting	-	-	19	17
	<u>476</u>	<u>313</u>	<u>1,626</u>	<u>1,567</u>

The 1,626 units (2010: 1,567 units) include 150 units (2010: 150 units) which are managed by other Managing Agents.

20 Surplus on sale of properties and land

	GROUP		ASSOCIATION	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Sales proceeds	305	2,007	305	2,007
Cost of sales	(226)	(2,823)	(226)	(2,823)
SHG transferred to other Housing Association	-	1,224	-	1,224
Depreciation on schemes written off	-	298	-	298
Revenue grant on disposals	-	(26)	-	(26)
	<u>79</u>	<u>680</u>	<u>79</u>	<u>680</u>

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

21 Pension scheme

ISHA participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the State Pension Scheme.

SHPS is a multi-employer defined benefit scheme. ISHA operated two defined benefit structures, the final salary with a 1/60th accrual rate, and the career average (CARE) with a 1/60th accrual rate. During the accounting period ISHA paid contributions at the rate of about 14.1% of pensionable payroll. Member contributions varied between 6.6% and 11.6%.

As at the balance sheet date there were 29 active members of the Scheme employed by ISHA. The annual pensionable payroll in respect of these members was £1.2 million. The final salary scheme with a 1/60th accrual rate is closed to new members. ISHA continues to offer membership of the CARE scheme with a 1/60th accrual rate to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi employer Scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable. The total charge to ISHA for the year was £133k (2010: £182k).

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The next triennial formal valuation of the Scheme is due as at 30 September 2011. The results of the valuation will be available in the autumn of 2012.

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

	% pa
Valuation Discount Rates	
Pre-retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

The long-term joint contribution rates that will apply from April 2011 required from employers and members to meet the cost of future benefit accrual were assessed at 17.8%.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out above.

ISLINGTON & SHOREDITCH HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2011 (continued)

22 Non trading subsidiary

The Association has a dormant subsidiary – Urban Style Limited.