

Shire Housing Association Limited
Report and Financial Statements
For the year ended 31st March 2013

Registered Housing Association No. HAL296

FCA 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 2013**

BOARD

JAN GILLIES	Chairperson
KATHY McSKIMMING	Vice-Chairperson
TERENCE JOHNSTONE	
GRACE NICHOL	
LINDA McGREGOR	
MARY DUNSMORE	
EDITH YOUNG	
JANET ALLAN	Appointed 01/08/12
ZOE FORSTER	Co-optee appointed 30/01/13
CATHY BRIEN	Co-optee appointed 30/01/13
CLARE NEWTON	Co-optee appointed 30/01/13
JOHN KANE	Resigned 29/06/12
ISABELLA CRAWFORD	Resigned 31/10/12
JOHN GRAHAM	Resigned 15/11/12
ROBERT LAURIE	Resigned 26/11/12
GAIL STEELE	Resigned 31/03/13

**EAST AYRSHIRE COUNCIL OBSERVER
COUNCILOR KATHERINE MORRICE**

**EXECUTIVE OFFICERS
MADELEINE SULLIVAN**

Director and Secretary

**REGISTERED OFFICE
NETHERTHIRD HOUSE
NETHERTHIRD
CUMNOCK
AYRSHIRE
KA18 3DB**

**AUDITORS
ALEXANDER SLOAN
CHARTERED ACCOUNTANTS
38 CADOGAN STREET
GLASGOW
G2 7HF**

**BANKERS
BANK OF SCOTLAND
43/45 TOWNHEAD STREET
CUMNOCK
KA18 1LF**

**SOLICITORS
HBJ GATELEY WAREING (SCOTLAND) LLP
EXCHANGE TOWER
19 CANNING STREET
EDINBURGH
EH3 8EH**

**REPORT OF THE BOARD
FOR THE YEAR ENDED 31ST MARCH 2013**

The Board presents its report and the Financial Statements for the year ended 31st March 2013.

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

This has been a year of significant challenge but also of real achievement. We noted last year that financial prudence would remain as one of our key strategic objectives. We have worked hard to continue to reduce management costs. We are really pleased to have, once again, been able to contain our rent increase for April 2013 at the level of RPI only, rather than the plus 1 or 2% which was always built in to business plan assumptions.

One of the major challenges facing us and our tenants, is the developing welfare reform agenda. Early last year we undertook a tenant census to help us identify likely actual impacts. It attracted a huge response rate, confirming that it is a real area of concern for our customers, as well as for ourselves as service providers. We have continued and will continue to work with our tenants to ensure that appropriate supports are in place. We are keenly aware that this will be an ongoing and developing area of work for us as the changes come into effect over the next few years.

We maintain our focus on business sustainability and try to add value to our day to day activities. This year we can record real success in developing our equalities agenda - demonstrating that we are working hard to reach all sections of the community. We can also note significant development in the Care & Repair service which has once again with East Ayrshire Council support, secured NHS Ayrshire & Arran Change Fund funding to carry out works to prevent hospital admission and to facilitate prompt discharge. We are also delighted that East Ayrshire Council has granted a further extension to the Care & Repair contract.

Towards the close of the year we identified governance issues. We have engaged openly and positively with the Scottish Housing Regulator and are grateful for the support shown. We are working to a continuous improvement plan and are determined to be in the position of making a really positive report to our Annual General Meeting in August.

We know we have a sound business basis to deliver our commitments to tenants and others. Board and staff efforts are committed to ensuring that we remain a vibrant and viable local social enterprise.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2013

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 2010 and the Determination of Accounting Requirements 2012. 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.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD FOR THE YEAR ENDED 31ST MARCH 2013

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

26 June 2013

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".

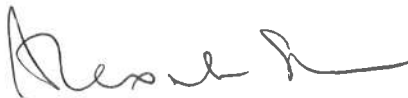
Basis of Opinion

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
26 June 2013

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 2013 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of 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 2013 and of its surplus 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 2010 and the Determination of Accounting Requirements 2012.

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
26 June 2013

SHIRE HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

	Notes	2013 £	2012 £
TURNOVER	2.	4,218,083	4,015,317
Operating Costs	2.	<u>(2,600,252)</u>	<u>(2,405,531)</u>
OPERATING SURPLUS	9.	1,617,831	1,609,786
Gain On Sale Of Housing Stock	7.	104,439	47,672
Interest Receivable and Other Income		47,284	21,204
Interest Payable and Similar Charges	8.	<u>(937,758)</u>	<u>(956,039)</u>
		<u>(786,035)</u>	<u>(887,163)</u>
SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>831,796</u>	<u>722,623</u>

All amounts relate to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2013 £	2012 £
Surplus for the financial year	831,796	722,623
Prior year adjustment	-	4,085,719
Total gains recognised since last annual report	<u>831,796</u>	<u>4,808,342</u>

SHIRE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2013

	Notes	£	2013 £	£	2012 £
TANGIBLE FIXED ASSETS					
Housing Properties - Depreciated Cost	11.(a)		29,379,906		30,586,930
Less: Social Housing Grant	11.(a)		(13,228,066)		(14,103,507)
: Other Public Grants	11.(a)		(514,346)		(514,346)
			<u>15,637,494</u>		<u>15,969,077</u>
Other fixed assets	11.(b)		199,533		155,665
			<u>15,837,027</u>		<u>16,124,742</u>
FIXED ASSET INVESTMENTS					
Shared Equity Cost	21.	438,880		438,880	
Shared Equity Grant	21.	(438,880)		(438,880)	
			<u>-</u>		<u>-</u>
CURRENT ASSETS					
Debtors	13.	177,980		303,538	
Cash at bank and in hand		3,230,301		2,302,122	
			<u>3,408,281</u>	<u>2,605,660</u>	
CREDITORS: Amounts falling due within one year	14.	(483,375)		(500,980)	
NET CURRENT ASSETS			<u>2,924,906</u>		<u>2,104,680</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>18,761,933</u>		<u>18,229,422</u>
CREDITORS: Amounts falling due after more than one year	15.	(14,674,357)		(14,973,462)	
NET ASSETS			<u>4,087,576</u>		<u>3,255,960</u>
CAPITAL AND RESERVES					
Share Capital	17.		156		336
Revenue Reserves	18.(b)		4,087,420		3,255,624
			<u>4,087,576</u>		<u>3,255,960</u>

The Financial Statements were approved by the Board and signed on their behalf on 26 June 2013.

Chairperson

J. C. Allen

Vice-Chairperson

W. H. Skinning

Secretary

M. Sullivan

SHIRE HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH 2013**

	Notes	£	2013 £	£	2012 £
Net Cash Inflow from Operating Activities	16.		2,296,230		2,082,566
Returns on Investment and Servicing of Finance					
Interest Received		25,983		11,804	
Interest Paid		(941,716)		(952,081)	
Net Cash Outflow from Investment and Servicing of Finance			(915,733)		(940,277)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(261,565)		(545,358)	
Purchase of Other Fixed Assets		(49,144)		(15,080)	
Social Housing Grant Received		-		89,423	
Other Grants Received		17,334		(39,303)	
Proceeds on Disposal of Properties		135,090		83,032	
Net Cash Outflow from Capital Expenditure and Financial Investment			(158,285)		(427,286)
Net Cash Inflow before use of Liquid Resources and Financing			1,222,212		715,003
Financing					
Loan Principal Repayments		(294,040)		(120,907)	
Share Capital Issued		7		2	
Net Cash Outflow from Financing			(294,033)		(120,905)
Increase in Cash	16.		928,179		594,098

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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 Determination of Accounting Requirements 2012. 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 Scottish Housing Association Defined Benefit 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 2013

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 2013

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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2013			2012		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,867,158	2,245,112	1,622,046	3,700,642	2,079,126	1,621,516
Other Activities	4.	350,925	355,140	(4,215)	314,675	326,405	(11,730)
Total		4,218,083	2,600,252	1,617,831	4,015,317	2,405,531	1,609,786

3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Housing £	Shared ownership £	2013 Total £	2012 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	3,864,128	-	-	3,864,128	3,682,013
Gross Rents Receivable	3,864,128	-	-	3,864,128	3,682,013
Less: Rent losses from voids	38,138	-	-	38,138	20,000
Net Rents Receivable	3,825,990	-	-	3,825,990	3,662,013
Revenue Grants from Scottish Ministers	41,168	-	-	41,168	38,629
Total Income From Social Letting	3,867,158	-	-	3,867,158	3,700,642
Expenditure on Social Letting Activities					
Management and maintenance administration costs	605,091	-	-	605,091	593,414
Reactive Maintenance	644,947	-	-	644,947	626,623
Bad Debts - Rents and Service Charges	58,466	-	-	58,466	27,298
Planned and Cyclical Maintenance, including Major Repairs	384,089	-	-	384,089	289,407
Depreciation of Social Housing	552,519	-	-	552,519	542,384
Operating Costs of Social Letting	2,245,112	-	-	2,245,112	2,079,126
Operating Surplus on Social Letting Activities	1,622,046	-	-	1,622,046	1,621,516
2012	1,621,516	-	-		

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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) 2013 £	Operating Surplus /(Deficit) 2012 £
Care and Repair of Property	317,692	3,000	-	-	320,692	-	320,692	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(10,116)
Other Income	-	-	-	30,233	30,233	4,215	30,233	(4,215)	-
Services - Other Owners	-	-	-	-	-	-	-	-	(1,614)
Total From Other Activities	317,692	3,000	-	30,233	350,925	4,215	350,925	(4,215)	(11,730)
2012	-	284,680	-	29,995	314,675	1,614	324,791	(11,730)	-

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

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

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

No Pension contributions were made to Officers receiving greater than £60,000.

6. EMPLOYEE INFORMATION

	2013	2012
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	15	16
The average total number of Employees employed during the year was	18	18
Staff Costs were:	£	£
Wages and Salaries	584,937	547,762
Social Security Costs	45,240	43,309
Other Pension Costs	97,732	95,759
Temporary, Agency and Seconded Staff	157	-
	<u>728,065</u>	<u>686,830</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2013	2012
	£	£
Sales Proceeds	135,090	83,032
Cost of Sales	<u>30,651</u>	<u>35,360</u>
Gain On Sale Of Housing Stock	<u>104,439</u>	<u>47,672</u>

8. INTEREST PAYABLE

	2013	2012
	£	£
On Bank Loans & Overdrafts	<u>937,758</u>	<u>956,039</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £nil (2012: £nil).

9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013	2012
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	567,773	560,395
Auditors' Remuneration - Audit Services	6,840	6,840
- Other Services	4,630	3,067
Operating Lease Rentals - Other	<u>7,468</u>	<u>6,190</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 2013

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 2012	33,867,569	844,292	34,711,861
Additions	261,565	-	261,565
Disposals	(79,929)	-	(79,929)
Transfer to other fixed assets	-	(844,292)	(844,292)
As at 31st March 2013	<u>34,049,205</u>	<u>-</u>	<u>34,049,205</u>
DEPRECIATION			
As at 1st April 2012	4,124,931	-	4,124,931
Charge for Year	552,519	-	552,519
Disposals	(8,151)	-	(8,151)
As at 31st March 2013	<u>4,669,299</u>	<u>-</u>	<u>4,669,299</u>
SOCIAL HOUSING GRANT			
As at 1st April 2012	13,269,193	834,314	14,103,507
Additions	-	-	-
Disposals	(41,127)	-	(41,127)
Transfer to other fixed assets	-	(834,314)	(834,314)
As at 31st March 2013	<u>13,228,066</u>	<u>-</u>	<u>13,228,066</u>
OTHER CAPITAL GRANTS			
As at 1st April 2012	514,346	-	514,346
Additions	-	-	-
Disposals	-	-	-
As at 31st March 2013	<u>514,346</u>	<u>-</u>	<u>514,346</u>
NET BOOK VALUE			
As at 31st March 2013	<u>15,637,494</u>	<u>-</u>	<u>15,637,494</u>
As at 31st March 2012	<u>15,959,099</u>	<u>9,978</u>	<u>15,969,077</u>

Additions to housing properties includes capitalised development administration costs of £nil (2012 - £nil) and capitalised major repair costs to existing properties of £261,565 (2012 - £181,014).

All land and housing properties are freehold.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS (Continued)

b) Other Tangible Assets

	Land £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2012	-	146,053	72,983	219,036
Additions	-	50,609	(1,465)	49,144
Transfer from housing properties	844,292	-	-	844,292
Eliminated on Disposals	-	-	(10,099)	(10,099)
As at 31st March 2013	<u>844,292</u>	<u>196,662</u>	<u>61,419</u>	<u>1,102,373</u>
GRANTS RECEIVED				
As at 1st April 2012	-	-	-	-
Transfer from housing properties	834,314	-	-	834,314
As at 31st March 2013	<u>834,314</u>	<u>-</u>	<u>-</u>	<u>834,314</u>
AGGREGATE DEPRECIATION				
As at 1st April 2012	-	49,543	13,828	63,371
Charge for year	-	981	14,273	15,254
Eliminated on disposal	-	-	(10,099)	(10,099)
As at 31st March 2013	<u>-</u>	<u>50,524</u>	<u>18,002</u>	<u>68,526</u>
NET BOOK VALUE				
As at 31st March 2013	<u>9,978</u>	<u>146,138</u>	<u>43,417</u>	<u>199,533</u>
As at 31st March 2012	<u>-</u>	<u>96,510</u>	<u>59,155</u>	<u>155,665</u>

12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2013 £	2012 £
Other		
Expiring within one year	-	3,513
Expiring between two and five years	<u>7,468</u>	<u>2,121</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	2013	2012
	£	£
Arrears of Rent & Service Charges	148,716	206,598
Less: Provision for Doubtful Debts	(51,357)	(6,269)
	<u>97,359</u>	<u>200,329</u>
Other Debtors	80,621	103,209
	<u>177,980</u>	<u>303,538</u>

14. CREDITORS: Amounts falling due within one year

	2013	2012
	£	£
Housing Loans	227,409	222,344
Trade Creditors	58,565	118,787
Rent in Advance	119,801	59,815
Other Taxation and Social Security	14,917	14,042
Other Creditors	12,644	38,962
Accruals and Deferred Income	50,039	47,030
	<u>483,375</u>	<u>500,980</u>

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

	2013	2012
	£	£
Housing Loans	<u>14,674,357</u>	<u>14,973,462</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	227,409	222,344
Between one and two years	227,652	223,125
Between two and five years	684,435	674,428
In five years or more	13,762,271	14,075,909
	<u>14,901,766</u>	<u>15,195,806</u>
Less: Amount shown in Current Liabilities	227,409	222,344
	<u>14,674,357</u>	<u>14,973,462</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2013 £	2012 £
Operating Surplus	1,617,831	1,609,786
Depreciation	567,773	560,395
Change in Debtors	129,525	(57,442)
Change in Creditors	(18,712)	(30,150)
Share Capital Written Off	(187)	(23)
Net Cash Inflow from Operating Activities	<u>2,296,230</u>	<u>2,082,566</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2013 £	2012 £
Increase in Cash	928,179	594,098
Cash flow from change in debt	<u>294,040</u>	<u>120,907</u>
Movement in net debt during year	1,222,219	715,005
Net debt at 1st April 2012	(12,893,684)	(13,608,689)
Net debt at 31st March 2013	<u>(11,671,465)</u>	<u>(12,893,684)</u>

<i>Analysis of changes in net debt</i>	At 01.04.12 £	Cash Flows £	Other Changes £	At 31.03.13 £
Cash at bank and in hand	2,302,122	928,179		3,230,301
	<u>2,302,122</u>	<u>928,179</u>		<u>3,230,301</u>
Debt: Due within one year	(222,344)	222,344	(227,409)	(227,409)
Due after more than one year	(14,973,462)	71,696	227,409	(14,674,357)
Net Debt	<u>(12,893,684)</u>	<u>1,222,219</u>	<u>-</u>	<u>(11,671,465)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2012	336
Issued in year	7
Cancelled in year	<u>(187)</u>
At 31st March 2013	<u>156</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

Revenue Reserve	Total
	£
At 1st April 2012	3,255,624
Surplus for the year	<u>831,796</u>
At 31st March 2013	<u>4,087,420</u>

19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2013	2012
General Needs - New Build	No.	No.
- Rehabilitation	194	195
	<u>805</u>	<u>807</u>
	<u>999</u>	<u>1,002</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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:

8 members are tenants of the Association

East Ayrshire Council is represented by a local councillor.

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

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

	2013	2012
	£	£
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 2013

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

As at the balance sheet date there were 16 active members of the Scheme employed by Shire Housing Association Limited. The annual pensionable payroll in respect of these members was £532,870. 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 2013

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2012 by a professionally qualified actuary using the Projected Unit Credit method. This valuation is due to be finalised by December 2013. However, draft results have been published. The market value of the Scheme's assets at the valuation date was £394m. The draft valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2012 have not yet been published, but the assumptions at 2009 were as follows:

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

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2013

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.

The Trustees are currently reviewing the progress of the Recovery Plan and will be supplying updated contribution figures to members in due course. However, they have indicated that the deficit will be based on each member's share of the deficit and that the average increase would (if there is no change in the recovery plan period) be in the region of 153%.

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.