

**Shire Housing Association Limited**  
**Report and Financial Statements**  
**For the year ended 31st March 2014**

**Registered Housing Association No. HAL296**

**FCA Reference No. 2515R(S)**

**Scottish Charity No. SC038664**

# SHIRE HOUSING ASSOCIATION LIMITED

## CONTENTS

|   | <b>Page</b> |
|---|-------------|
| MEMBERS OF THE BOARD OF MANAGEMENT<br>EXECUTIVES AND ADVISERS | 1           |
| REPORT OF THE BOARD OF MANAGEMENT                             | 2           |
| REPORT BY THE AUDITORS ON<br>CORPORATE GOVERNANCE MATTERS     | 5           |
| REPORT OF THE AUDITORS  | 6           |
| INCOME AND EXPENDITURE ACCOUNT                                | 8           |
| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES                | 8           |
| BALANCE SHEET   | 9           |
| CASH FLOW STATEMENT   | 10          |
| NOTES TO THE FINANCIAL STATEMENTS                             | 11          |

**SHIRE HOUSING ASSOCIATION LIMITED**

---

**BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2014**

**BOARD OF MANAGEMENT**

|                   |                    |
|-------------------|--------------------|
| Jan Gillies       | Chairperson        |
| Kathy McSkimming  | Vice-Chairperson   |
| Terence Johnstone |                    |
| Grace Nichol      |                    |
| Linda McGregor    |                    |
| Edith Young       |                    |
| Janet Allan       |                    |
| Zoe Forster       |                    |
| Margaret Nisbet   |                    |
| Paul Hillard      | Co-optee           |
| Dougie McIntyre   | Co-optee           |
| Nick Allan        | Co-optee           |
| Cathy Brien       | Resigned June 2013 |
| Clare Newton      | Resigned June 2013 |
| Mary Dunsmore     | Resigned June 2013 |

**EXECUTIVE OFFICERS**

|                    |                                |
|--------------------|--------------------------------|
| Madeleine Sullivan | Director and Secretary         |
| Lilias Dunlop      | Interim 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

---

**BOARD OF MANAGEMENT REPORT  
FOR THE YEAR ENDED 31ST MARCH 2014**

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2014.

**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**

**Business Review**

2013/14 has been a successful but challenging year for Shire Housing.

In 2013/14 we carried out an independent survey of some 400 tenants. The survey result was very positive on the service provided and is reflective of the Association continuing to meet Customer Service Excellence Standards.

A stock condition survey was carried out by a firm of independent surveyors which highlights our properties are well maintained and in good condition. The survey provides Shire with the future maintenance profile.

We are very aware of the present economic climate and impact of welfare reforms on tenants. The Board have therefore committed to contain rent increases where the business plan and long term cash flows demonstrate this is possible. 2014/15 is the third year in a row the rent increase has been capped at RPI only.

The introduction of welfare reforms is a concern for tenants and has had a significant impact on the business with approximately one third of tenants affected. This is reflected within the figures presented in the accounts. We are working hard to support tenants and have engaged the services of a financial inclusion officer to assist.

The board over the last year in response to the Scottish Housing Regulator engagement has undertaken governance support/training and is actively recruiting new board members who can bring a range of knowledge and experience to the board.

**Future Developments**

The board has commissioned a strategic business review to assess options to ensure business sustainability. The review includes an assessment of the rent profile, asset management and overall service provision. The board will be working on the strategic outcomes and options which result throughout 2014.

Care & Repair has become an integral part of our service delivery over the last 10 years. The service continues to be very well received in East Ayrshire and now includes funding from East Ayrshire Council, NHS Ayrshire & Arran Change Fund and East Ayrshire Council Social Work Minor Adaptations. We are delighted to have received a further one year extension to the contract and look forward to submitting our tender to hopefully continue delivering the service in 2015.

## SHIRE HOUSING ASSOCIATION LIMITED

---

### BOARD OF MANAGEMENT REPORT FOR THE YEAR ENDED 31ST MARCH 2014

#### Board of Management and Executive Officers

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

Each member of the Board of Management 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 of Management.

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

#### Statement of Board of Management's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Board of Management 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 of Management 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 of Management 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 of Management 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 of Management 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 of Management 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

---

### BOARD OF MANAGEMENT REPORT FOR THE YEAR ENDED 31ST MARCH 2014

#### Statement on Internal Financial Control

The Board of Management 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 of Management'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 of Management 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 of Management;
- the Board of Management 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 of Management



LILIAS DUNLOP  
Interim Secretary  
25 June 2014

SHIRE HOUSING ASSOCIATION LIMITED

---

REPORT BY THE AUDITORS TO THE BOARD OF MANAGEMENT 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  
25 June 2014

**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 2014 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 of Management and Auditors**

As explained more fully in the Statement of Board of Management's Responsibilities the Association's Board of Management, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. 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 2014 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.



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

---

**Matters on which we are required to report by exception (contd.)**

- 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.
- 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  
25 June 2014

## SHIRE HOUSING ASSOCIATION LIMITED

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

|   | Notes | 2014<br>£   | 2013<br>£   |
|---|-------|-------------|-------------|
| TURNOVER  | 2.    | 4,257,386   | 4,218,083   |
| Operating Costs   | 2.    | (3,030,992) | (2,600,252) |
| <b>OPERATING SURPLUS</b>                                  | 9.    | 1,226,394   | 1,617,831   |
| Gain On Sale Of Housing Stock                             | 7.    | 200,386     | 104,439     |
| Interest Receivable and Other Income                      |       | 41,012      | 47,284      |
| Interest Payable and Similar Charges                      | 8.    | (923,383)   | (937,758)   |
|   |       | (681,985)   | (786,035)   |
| <b>SURPLUS ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |       | 544,409     | 831,796     |
| Tax on surplus on ordinary activities                     | 10.   | -           | -           |
| <b>SURPLUS ON ORDINARY ACTIVITIES AFTER<br/>TAXATION</b>  |       | 544,409     | 831,796     |

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

|  | 2014<br>£ | 2013<br>£ |
|--|-----------|-----------|
| Surplus for the financial year                         | 544,409   | 831,796   |
| Prior year adjustment                                  | -         | -         |
| <b>Total gains recognised since last annual report</b> | 544,409   | 831,796   |

SHIRE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2014

|  | Notes  | 2014         |                   | 2013         |                   |
|--|--------|--------------|-------------------|--------------|-------------------|
|  |        | £            | £                 | £            | £                 |
| <b>TANGIBLE FIXED ASSETS</b>                                   |        |              |                   |              |                   |
| Housing Properties - Depreciated Cost                          | 11.(a) |              | 28,872,436        |              | 29,379,906        |
| Less: Social Housing Grant                                     | 11.(a) |              | (13,228,066)      |              | (13,228,066)      |
| : Other Public Grants  | 11.(a) |              | (514,346)         |              | (514,346)         |
|  |        |              | <u>15,130,024</u> |              | <u>15,637,494</u> |
| Other fixed assets   | 11.(b) |              | 216,242           |              | 199,533           |
|  |        |              | <u>15,346,266</u> |              | <u>15,837,027</u> |
| <b>FIXED ASSET INVESTMENTS</b>                                 |        |              |                   |              |                   |
| Shared Equity Cost   | 21.    | 378,764      |                   | 438,880      |                   |
| Shared Equity Grant  | 21.    | (378,764)    |                   | (438,880)    |                   |
|  |        |              | <u>-</u>          |              | <u>-</u>          |
| <b>CURRENT ASSETS</b>  |        |              |                   |              |                   |
| Debtors  | 13.    | 205,114      |                   | 177,980      |                   |
| Cash at bank and in hand                                       |        | 3,886,873    |                   | 3,230,301    |                   |
|  |        |              | <u>4,091,987</u>  |              | <u>3,408,281</u>  |
| <b>CREDITORS: Amounts falling due within one year</b>          | 14.    | (559,266)    |                   | (483,375)    |                   |
| <b>NET CURRENT ASSETS</b>                                      |        |              | <u>3,532,721</u>  |              | <u>2,924,906</u>  |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |        |              | <u>18,878,987</u> |              | <u>18,761,933</u> |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 15.    | (14,247,028) |                   | (14,674,357) |                   |
| <b>NET ASSETS</b>  |        |              | <u>4,631,959</u>  |              | <u>4,087,576</u>  |
| <b>CAPITAL AND RESERVES</b>                                    |        |              |                   |              |                   |
| Share Capital  | 17.    |              | 130               |              | 156               |
| Revenue Reserves   | 18.(b) |              | 4,631,829         |              | 4,087,420         |
|  |        |              | <u>4,631,959</u>  |              | <u>4,087,576</u>  |

The Financial Statements were approved by the Board of Management and signed on their behalf on 25 June 2014.






SHIRE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED

31st MARCH 2014

|  | Notes | 2014<br>£ | 2013<br>£ |
|--|-------|-----------|-----------|
| <b>Net Cash Inflow from Operating Activities</b>                                     | 16.   | 1,866,703 | 2,296,230 |
| <b>Returns on Investment and Servicing of Finance</b>                                |       |           |           |
| Interest Received  |       | 61,830    | 25,983    |
| Interest Paid  |       | (923,383) | (941,716) |
| <b>Net Cash Outflow from Investment and Servicing of Finance</b>                     |       | (861,553) | (915,733) |
| <b>Capital Expenditure and Financial Investment</b>                                  |       |           |           |
| Acquisition and Construction of Properties   |       | (128,050) | (261,565) |
| Purchase of Other Fixed Assets   |       | (43,935)  | (49,144)  |
| Social Housing Grant Received  |       | (12,312)  | -         |
| Other Grants Received  |       | (9,312)   | 17,334    |
| Proceeds on Disposal of Properties   |       | 272,295   | 135,090   |
| <b>Net Cash Inflow / (Outflow) from Capital Expenditure and Financial Investment</b> |       | 78,686    | (158,285) |
| <b>Net Cash Inflow before use of Liquid Resources and Financing</b>                  |       | 1,083,836 | 1,222,212 |
| <b>Financing</b>   |       |           |           |
| Loan Principal Repayments  |       | (427,266) | (294,040) |
| Share Capital Issued   |       | 2         | 7         |
| <b>Net Cash Outflow from Financing</b>   |       | (427,264) | (294,033) |
| <b>Increase in Cash</b>  | 16.   | 656,572   | 928,179   |

# SHIRE HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 receivable.

##### **Retirement Benefits**

The Association participated 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 2014

### 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 2014

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 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|                  | Notes | 2014             |                         |  | 2013             |                         |  |
|------------------|-------|------------------|-------------------------|--|------------------|-------------------------|--|
|                  |       | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ | Turnover<br>£    | Operating<br>Costs<br>£ | Operating<br>Surplus /<br>(Deficit)<br>£ |
| Social Lettings  | 3.    | 3,911,554        | 2,676,941               | 1,234,613                                | 3,867,158        | 2,245,112               | 1,622,046                                |
| Other Activities | 4.    | 345,832          | 354,051                 | (8,219)                                  | 350,925          | 355,140                 | (4,215)                                  |
| <b>Total</b>     |       | <b>4,257,386</b> | <b>3,030,992</b>        | <b>1,226,394</b>                         | <b>4,218,083</b> | <b>2,600,252</b>        | <b>1,617,831</b>                         |

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS

|   | General<br>Needs<br>Housing<br>£ | Supported<br>Housing<br>£ | Shared<br>ownership<br>£ | 2014<br>Total<br>£ | 2013<br>Total<br>£ |
|---|----------------------------------|---------------------------|--------------------------|--------------------|--------------------|
| <b>Income from Lettings</b>                               |                                  |                           |                          |                    |                    |
| Rent Receivable Net of Identifiable Service Charges       | 3,953,107                        | -                         | -                        | 3,953,107          | 3,864,128          |
| <b>Gross Rents Receivable</b>                             | 3,953,107                        | -                         | -                        | 3,953,107          | 3,864,128          |
| Less: Rent losses from voids                              | 92,596                           | -                         | -                        | 92,596             | 38,138             |
| <b>Net Rents Receivable</b>                               | 3,860,511                        | -                         | -                        | 3,860,511          | 3,825,990          |
| Revenue Grants from Scottish Ministers                    | 51,043                           | -                         | -                        | 51,043             | 41,168             |
| <b>Total Income From Social Letting</b>                   | 3,911,554                        | -                         | -                        | 3,911,554          | 3,867,158          |
| <b>Expenditure on Social Letting Activities</b>           |                                  |                           |                          |                    |                    |
| Management and maintenance administration costs           | 747,415                          | -                         | -                        | 747,415            | 605,091            |
| Reactive Maintenance                                      | 728,538                          | -                         | -                        | 728,538            | 644,947            |
| Bad Debts - Rents and Service Charges                     | 124,151                          | -                         | -                        | 124,151            | 58,466             |
| Planned and Cyclical Maintenance, including Major Repairs | 513,226                          | -                         | -                        | 513,226            | 384,089            |
| Depreciation of Social Housing                            | 563,611                          | -                         | -                        | 563,611            | 552,519            |
| <b>Operating Costs of Social Letting</b>                  | 2,676,941                        | -                         | -                        | 2,676,941          | 2,245,112          |
| <b>Operating Surplus on Social Letting Activities</b>     | 1,234,613                        | -                         | -                        | 1,234,613          | 1,622,046          |
| <b>2013</b>   | 1,622,046                        | -                         | -                        |                    |                    |



# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

|  | Grants<br>From<br>Scottish<br>Ministers<br>£ | Other<br>Revenue<br>Grants<br>£ | Supporting<br>People<br>Income<br>£ | Other<br>Income<br>£ | Total<br>Turnover<br>£ | Operating<br>Costs<br>Bad Debts<br>£ | Operating<br>Costs<br>Other<br>£ | Operating<br>Surplus<br>/(Deficit)<br>2014<br>£ | Operating<br>Surplus<br>/(Deficit)<br>2013<br>£ |
|--|--|---------------------------------|-------------------------------------|----------------------|------------------------|--------------------------------------|----------------------------------|---|---|
| Care and Repair of Property                            | 324,038                                      | -                               | -                                   | -                    | 324,038                | 324,038                              | -                                | -   | -   |
| Development and construction of property<br>activities | -  | -                               | -                                   | -                    | -                      | -                                    | 4,019                            | (4,019)   | -   |
| Other Income   | -  | -                               | -                                   | 21,794               | 21,794                 | 4,200                                | 21,794                           | (4,200)   | (4,215)   |
| <b>Total From Other Activities</b>                     | <b>324,038</b>                               | <b>-</b>                        | <b>-</b>                            | <b>21,794</b>        | <b>345,832</b>         | <b>328,238</b>                       | <b>25,813</b>                    | <b>(8,219)</b>                                  | <b>(4,215)</b>                                  |
| <b>2013</b>  | <b>317,692</b>                               | <b>3,000</b>                    | <b>-</b>                            | <b>30,233</b>        | <b>350,925</b>         | <b>4,215</b>                         | <b>350,925</b>                   | <b>(4,215)</b>                                  |   |

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

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

|   | 2014           | 2013           |
|---|----------------|----------------|
|   | No.            | No.            |
| The average monthly number of full time equivalent persons employed during the year was | 17             | 15             |
| The average total number of Employees employed during the year was                      | 17             | 18             |
| Staff Costs were:   | £              | £              |
| Wages and Salaries  | 588,465        | 584,937        |
| Social Security Costs   | 48,584         | 45,240         |
| Other Pension Costs   | 100,347        | 97,732         |
| Temporary, Agency and Seconded Staff  | -              | 157            |
|   | <u>737,396</u> | <u>728,065</u> |

## SHIRE HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

##### 7. GAIN ON SALE OF HOUSING STOCK

|                               | 2014           | 2013           |
|-------------------------------|----------------|----------------|
|                               | £              | £              |
| Sales Proceeds                | 272,295        | 135,090        |
| Cost of Sales                 | 71,909         | 30,651         |
| Gain On Sale Of Housing Stock | <u>200,386</u> | <u>104,439</u> |

##### 8. INTEREST PAYABLE

|                            | 2014           | 2013           |
|----------------------------|----------------|----------------|
|                            | £              | £              |
| On Bank Loans & Overdrafts | <u>923,383</u> | <u>937,758</u> |

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2013 £0).

##### 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

|   | 2014         | 2013     |
|---|--------------|----------|
|   | £            | £        |
| Surplus on Ordinary Activities before Taxation is stated after charging:- |              |          |
| Depreciation - Tangible Owned Fixed Assets                                | 586,608      | 567,773  |
| Auditors' Remuneration - Audit Services                                   | 7,807        | 6,840    |
| - Other Services  | 1,921        | 4,630    |
| Operating Lease Rentals - Other   | 10,764       | 7,468    |
| Loss on sale of fixed assets  | <u>4,229</u> | <u>-</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 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS

| a) Housing Properties       | Housing<br>Properties<br>Held<br>for Letting<br>£ | Total<br>£        |
|-----------------------------|---|-------------------|
| <b>COST</b>                 |   |                   |
| As at 1st April 2013        | 34,049,205  | 34,049,205        |
| Additions                   | 128,050   | 128,050           |
| Disposals                   | (91,312)  | (91,312)          |
| Schemes Completed           | -   | -                 |
| As at 31st March 2014       | <u>34,085,943</u>                                 | <u>34,085,943</u> |
| <b>DEPRECIATION</b>         |   |                   |
| As at 1st April 2013        | 4,669,299   | 4,669,299         |
| Charge for Year             | 563,611   | 563,611           |
| Disposals                   | (19,403)  | (19,403)          |
| As at 31st March 2014       | <u>5,213,507</u>                                  | <u>5,213,507</u>  |
| <b>SOCIAL HOUSING GRANT</b> |   |                   |
| As at 1st April 2013        | 13,228,066  | 13,228,066        |
| Additions                   | -   | -                 |
| Disposals                   | -   | -                 |
| Schemes Completed           | -   | -                 |
| As at 31st March 2014       | <u>13,228,066</u>                                 | <u>13,228,066</u> |
| <b>OTHER CAPITAL GRANTS</b> |   |                   |
| As at 1st April 2013        | 514,346   | 514,346           |
| Additions                   | -   | -                 |
| Disposals                   | -   | -                 |
| Schemes Completed           | -   | -                 |
| As at 31st March 2014       | <u>514,346</u>                                    | <u>514,346</u>    |
| <b>NET BOOK VALUE</b>       |   |                   |
| As at 31st March 2014       | <u>15,130,024</u>                                 | <u>15,130,024</u> |
| As at 31st March 2013       | <u>15,637,494</u>                                 | <u>15,637,494</u> |

Additions to housing properties includes capitalised development administration costs of £nil (2013 - £nil) and capitalised major repair costs to existing properties of £128,050 (2013 £261,565)

All land and housing properties are freehold.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 11. TANGIBLE FIXED ASSETS (Continued)

##### b) Other Tangible Assets

|                               | Land<br>£      | Office<br>Premises<br>£ | Furniture<br>& Equipment<br>£ | Total<br>£       |
|-------------------------------|----------------|-------------------------|-------------------------------|------------------|
| <b>COST</b>                   |                |                         |                               |                  |
| As at 1st April 2013          | 844,292        | 196,662                 | 61,419                        | 1,102,373        |
| Additions                     | -              | 24,637                  | 19,298                        | 43,935           |
| Eliminated on Disposals       | (4,018)        | (12,887)                | (7,623)                       | (24,528)         |
| As at 31st March 2014         | <u>840,274</u> | <u>208,412</u>          | <u>73,094</u>                 | <u>1,121,780</u> |
| <b>GRANTS RECEIVED</b>        |                |                         |                               |                  |
| As at 1st April 2013          | 834,314        | -                       | -                             | 834,314          |
| As at 31st March 2014         | <u>834,314</u> | -                       | -                             | <u>834,314</u>   |
| <b>AGGREGATE DEPRECIATION</b> |                |                         |                               |                  |
| As at 1st April 2013          | -              | 50,524                  | 18,002                        | 68,526           |
| Charge for year               | -              | 6,132                   | 16,865                        | 22,997           |
| Eliminated on disposal        | -              | (12,676)                | (7,623)                       | (20,299)         |
| As at 31st March 2014         | <u>-</u>       | <u>43,980</u>           | <u>27,244</u>                 | <u>71,224</u>    |
| <b>NET BOOK VALUE</b>         |                |                         |                               |                  |
| As at 31st March 2014         | <u>5,960</u>   | <u>164,432</u>          | <u>45,850</u>                 | <u>216,242</u>   |
| As at 31st March 2013         | <u>9,978</u>   | <u>146,138</u>          | <u>43,417</u>                 | <u>199,533</u>   |

#### 12. COMMITMENTS UNDER OPERATING LEASES

| At the year end, the annual commitments under operating leases were as follows:- | 2014<br>£     | 2013<br>£    |
|--|---------------|--------------|
| Expiring between two and five years  | <u>10,764</u> | <u>7,468</u> |

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. DEBTORS

|                                    | 2014           | 2013           |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Arrears of Rent & Service Charges  | 283,830        | 148,716        |
| Less: Provision for Doubtful Debts | (157,415)      | (51,357)       |
|                                    | <u>126,415</u> | <u>97,359</u>  |
| Other Debtors                      | 78,699         | 80,621         |
|                                    | <u>205,114</u> | <u>177,980</u> |

#### 14. CREDITORS: Amounts falling due within one year

|                                    | 2014           | 2013           |
|------------------------------------|----------------|----------------|
|                                    | £              | £              |
| Housing Loans                      | 227,472        | 227,409        |
| Trade Creditors                    | 120,852        | 58,565         |
| Rent in Advance                    | 123,481        | 119,801        |
| Other Taxation and Social Security | 13,848         | 14,917         |
| Other Creditors                    | 16,966         | 12,644         |
| Accruals and Deferred Income       | 56,647         | 50,039         |
|                                    | <u>559,266</u> | <u>483,375</u> |

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

|   | 2014              | 2013              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Housing Loans   | <u>14,247,028</u> | <u>14,674,357</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   | 227,472           | 227,409           |
| Between one and two years   | 227,713           | 227,652           |
| Between two and five years  | 1,296,444         | 684,435           |
| In five years or more   | 12,722,871        | 13,762,271        |
|   | <u>14,474,500</u> | <u>14,901,767</u> |
| Less: Amount shown in Current Liabilities   | 227,472           | 227,409           |
|   | <u>14,247,028</u> | <u>14,674,357</u> |

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. CASH FLOW STATEMENT

| <i>Reconciliation of operating surplus to net cash inflow from operating activities</i> | 2014<br>£        | 2013<br>£        |
|---|------------------|------------------|
| Operating Surplus   | 1,226,394        | 1,617,831        |
| Depreciation  | 586,608          | 567,773          |
| Change in Debtors   | (26,328)         | 129,525          |
| Change in Creditors   | 75,828           | (18,712)         |
| Loss on sale of fixed assets  | 4,229            | -                |
| Share Capital Written Off   | (28)             | (187)            |
| Net Cash Inflow from Operating Activities   | <u>1,866,703</u> | <u>2,296,230</u> |

| <i>Reconciliation of net cash flow to movement in net debt</i> | 2014<br>£      | £                   | 2013<br>£      | £                   |
|--|----------------|---------------------|----------------|---------------------|
| Increase in Cash   | 656,572        |                     | 928,179        |                     |
| Cash flow from change in debt                                  | <u>427,266</u> |                     | <u>294,040</u> |                     |
| Movement in net debt during year                               |                | 1,083,838           |                | 1,222,219           |
| Net debt at 1st April 2013                                     |                | <u>(11,671,465)</u> |                | <u>(12,893,684)</u> |
| Net debt at 31st March 2014                                    |                | <u>(10,587,627)</u> |                | <u>(11,671,465)</u> |

| <i>Analysis of changes in net debt</i> | At<br>01.04.13<br>£ | Cash<br>Flows<br>£ | Other<br>Changes<br>£ | At<br>31.03.14<br>£ |
|--|---------------------|--------------------|-----------------------|---------------------|
| Cash at bank and in hand               | <u>3,230,301</u>    | <u>656,572</u>     | <u>-</u>              | <u>3,886,873</u>    |
| Debt: Due within one year              | 3,230,301           | 656,572            | -                     | 3,886,873           |
| Due after more than one year           | (227,409)           | 227,409            | (227,472)             | (227,472)           |
|  | <u>(14,674,357)</u> | <u>199,857</u>     | <u>227,472</u>        | <u>(14,247,028)</u> |
| Net Debt                               | <u>(11,671,465)</u> | <u>1,083,838</u>   | <u>-</u>              | <u>(10,587,627)</u> |

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. SHARE CAPITAL

|  |             |
|--|-------------|
| <b>Shares of £1 each Issued and Fully Paid</b> | <b>£</b>    |
| At 1st April 2013                              | 156         |
| Issued in year                                 | 2           |
| Cancelled in year                              | <u>(28)</u> |
| At 31st March 2014                             | <u>130</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

|                         |                  |
|-------------------------|------------------|
| <b>Revenue Reserves</b> | <b>Total</b>     |
|                         | <b>£</b>         |
| At 1st April 2013       | 4,087,420        |
| Surplus for the year    | <u>544,409</u>   |
| At 31st March 2014      | <u>4,631,829</u> |

#### 19. HOUSING STOCK

|  |             |             |
|--|-------------|-------------|
| The number of units of accommodation in management at the year end was:- | <b>2014</b> | <b>2013</b> |
|  | <b>No.</b>  | <b>No.</b>  |
| General Needs - New Build  | 194         | 194         |
| - Rehabilitation   | <u>796</u>  | <u>805</u>  |
|  | <u>990</u>  | <u>999</u>  |



# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 20. RELATED PARTY TRANSACTIONS

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

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

4 members are tenants of the Association

2 members are factored owners

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

|  | 2014     | 2013     |
|--|----------|----------|
|  | £        | £        |
| <b>Shared Equity Properties</b>            |          |          |
| Development Cost of Shared Equity Property | 378,764  | 438,880  |
| Less: Grants Receivable                    | 378,764  | 438,880  |
|  | <u>-</u> | <u>-</u> |

# SHIRE HOUSING ASSOCIATION LIMITED

---

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

### 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 offers six 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
- Defined contribution option, contracted in

Shire Housing Association Limited operated the Career average revalued earnings with a 1/80th accrual rate during the year. From 1 April 2014, all employees moved over to the Defined Contribution Option.

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 15 active members of the Scheme employed by Shire Housing Association Limited. The annual pensionable payroll in respect of these members was £575,102. 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 2014

### 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. The market value of the Scheme's assets at the valuation date was £394m. The valuation revealed a shortfall of assets compared with the value of liabilities of £304m (equivalent to a past service funding level of 56.4%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30<sup>th</sup> September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%

#### Financial Assumptions

The key financial assumptions underlying the valuation as at 30th September 2012 were as follows:

|  | % p.a. |
|--|--------|
| - Investment return pre-retirement                   | 5.3    |
| - Investment return post-retirement - non pensioners | 3.4    |
| - Investment return post-retirement - pensioners     | 3.4    |
| - Rate of Salary increases                           | 4.1    |
| - Rate of price inflation                            |        |
| RPI  | 2.6    |
| CPI  | 2.0    |

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.

## SHIRE HOUSING ASSOCIATION LIMITED

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2014

#### 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     | 24.6  |
| Career average 60ths     | 22.4  |
| Career average 70ths     | 19.2  |
| Career average 80ths     | 16.9  |
| Career average 120ths    | 11.4  |

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 have recently supplied Shire Housing Association Limited with an updated contribution figure to the past service deficit. From 1 April 2014 Shire Housing Association Limited will be required to pay £131,004 per annum as a contribution to the past service deficit. The deficit contribution will increase each April by 3%.

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.