

**Shire Housing Association Limited**

**Report and Financial Statements**

**For the year ended 31st March 2015**

**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

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BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS  
YEAR ENDED 31st MARCH 2015

**BOARD OF MANAGEMENT**

Janet Allan	Chairperson
Lorne Campbell	Vice Chairperson - Appointed August 14
Grace Nichol	
Zoe Forster	
Nick Allan	
Edith Young	
Paul Hillard	Co-optee
Shaun Lowrie	Appointed August 14
John Graham	Appointed August 14
Jan Gillies	Resigned August 14
Kathy McSkimming	Resigned August 14
Terence Johnstone	Resigned August 14
Linda McGregor	Resigned August 14
Margaret Nisbet	Resigned August 14
Dougie McIntyre	Co-optee Resigned Feb15

**EXECUTIVE OFFICERS**

Robert Stronge	Interim Director and Secretary
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**REGISTERED OFFICE**

Netherthird House  
Netherthird  
Cumnock  
Ayrshire  
KA18 3DB

**AUDITORS**

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

**BANKERS**

Bank of Scotland  
43/45 Townhead Street  
Cumnock  
KA18 1LF

**SOLICITORS**

HBJ Gateley Wareing (Scotland) LLP  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

The Board of Management presents its report and the Financial Statements for the year ended 31st March 2015.

**Legal Status**

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2515R(S). The Association is governed 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**

Shire Housing continued with the strategic review of its business and operations during 2014/15. Throughout this period service and performance has been maintained despite the external challenges of on-going welfare reform for both our tenants and ourselves, as well as further economic and political uncertainties within the region and nationally.

The strategic review has focused on financial security over the next 30 years, ensuring that we maintain and build on our good governance arrangements, confirming our commitment to delivering cost effective high quality services to our tenants of today and tomorrow and seeking external validation of our plans and business.

We have continued with our development of the Board and its role in providing effective governance. A full appraisal of the Boards performance was undertaken and from this we have developed a training and development plan as well as identifying areas of expertise that we will seek to recruit to in the coming year.

Throughout the year we have seen high levels of satisfaction with our services and in particular the repairs service achieved a satisfaction score of 93.38%. Our income recovery has improved with a reduction in tenant debtors from last year with rent collected as a percentage of total rent due at 100.90%. However at the same time we have faced significant challenges with over supply and low demand in certain areas resulting in an increase in void loss. This has necessitated some innovative and more commercial approaches being taken to fill our empty homes. The areas in which we operate are impacted by both welfare reform and a broader economic downturn in terms of employment opportunities. We have implemented tenancy support initiatives with debt advice services now being provided in-house, and are currently developing support packages to encourage take up of homes including some furnishings, white goods and transport costs.

Offering an attractive and energy efficient home is key to helping create sustainable communities and as part of our strategic review we have also continued to update our stock condition data which allows us to plan for future investment in our assets.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

**Review of Business and Future Developments (Contd)**

**Future Developments**

The strategic planning will continue to progress and will meet the requirements as set out by the Scottish Housing Regulator and we will seek to move from medium to low engagement.

As part of our financial review we will be commencing a review and tenant consultation exercise of our rent setting policy to reduce its complexity and make it more equitable. This will be completed and take effect from the 2016/17 financial year.

A service delivery review is being undertaken to ensure that our structures are appropriate to meet the objectives of the strategic review, are affordable and meet the service expectations of our current and future tenants.

The Care and Repair service remains an integral part of our offer to the wider community and following a tender exercise we are delighted that we will continue to provide this valuable service in East Ayrshire for the next three years.

**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.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

**Statement of Board of Management's Responsibilities**

The Co-operative & Community Benefit Societies Act 2014 requires 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 Co-operative and Community Benefit Societies Act 2014, 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.

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REPORT OF THE BOARD OF MANAGEMENT  
FOR THE YEAR ENDED 31ST MARCH 2015

**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:

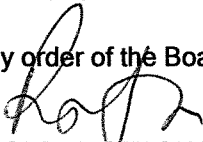
- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility 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;
- Quarterly 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;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- 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 internal financial controls are in place and are effective and that a 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.

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

**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

  
ROBERT STRONGE  
Secretary  
24 June 2015

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REPORT BY THE AUDITORS TO THE MEMBERS  
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 Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

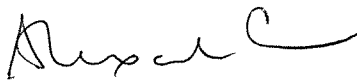
**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. 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 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls 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 of Management, the Audit Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN  
Chartered Accountants

GLASGOW  
24 June 2015



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

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We have audited the financial statements of Shire Housing Association Limited for the year ended 31st March 2015 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 Co-operative and Community Benefit Societies Act 2014. 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 of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management'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 2015 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 Co-operative and Community Benefit Societies Act 2014, 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 of Management's Report is inconsistent with the financial statements.

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

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**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  
24 June 2015

# SHIRE HOUSING ASSOCIATION LIMITED

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## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

	Notes	£	2015 £	£	2014 £
TURNOVER	2.		4,344,791		4,257,386
Operating Costs	2.		<u>(3,145,277)</u>		<u>(3,030,992)</u>
OPERATING SURPLUS	9.		1,199,514		1,226,394
Gain On Sale Of Housing Stock	7.	186,755		200,386	
Interest Receivable and Other Income		37,511		41,012	
Interest Payable and Similar Charges	8.	<u>(923,913)</u>		<u>(923,383)</u>	
			<u>(699,647)</u>		<u>(681,985)</u>
<b>SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			499,867		544,409
<b>SURPLUS ON ORDINARY ACTIVITIES AFTER TAXATION</b>			<u>499,867</u>		<u>544,409</u>

All amounts relate to continuing activities. All recognised surpluses and deficits have been included in the Income & Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

SHIRE HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31st MARCH 2015

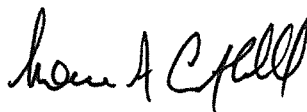
	Notes	2015	2014
		£	£
<b>TANGIBLE FIXED ASSETS</b>			
Housing Properties - Depreciated Cost	11.(a)	28,340,603	28,872,436
Less: Social Housing Grant	11.(a)	(13,228,066)	(13,228,066)
: Other Public Grants	11.(a)	(514,346)	(514,346)
		<u>14,598,191</u>	<u>15,130,024</u>
Other fixed assets	11.(b)	205,730	216,242
		<u>14,803,921</u>	<u>15,346,266</u>
<b>FIXED ASSET INVESTMENTS</b>			
Shared Equity Cost	21.	378,764	378,764
Shared Equity Grant	21.	(378,764)	(378,764)
		<u>-</u>	<u>-</u>
<b>CURRENT ASSETS</b>			
Debtors	13.	196,238	205,114
Cash at bank and in hand		4,415,108	3,886,873
		<u>4,611,346</u>	<u>4,091,987</u>
<b>CREDITORS: Amounts falling due within one year</b>	14.	(475,914)	(559,266)
<b>NET CURRENT ASSETS</b>		<u>4,135,432</u>	<u>3,532,721</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>18,939,353</u>	<u>18,878,987</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15.	(13,807,541)	(14,247,028)
<b>NET ASSETS</b>		<u>5,131,812</u>	<u>4,631,959</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital	17.	116	130
Revenue Reserves	18.(b)	5,131,696	4,631,829
		<u>5,131,812</u>	<u>4,631,959</u>

The Financial Statements were approved by the Board of Management and signed on their behalf on 24 June 2015.

Chairperson



Vice-Chairperson



Secretary



SHIRE HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH 2015

	Notes	2015 £	2014 £
<b>Net Cash Inflow from Operating Activities</b>	16.	1,864,199	1,866,703
<b>Returns on Investment and Servicing of Finance</b>			
Interest Received		24,823	61,830
Interest Paid		(923,913)	(923,383)
<b>Net Cash Outflow from Investment and Servicing of Finance</b>		(899,090)	(861,553)
<b>Capital Expenditure and Financial Investment</b>			
Acquisition and Construction of Properties		(90,416)	(128,050)
Purchase of Other Fixed Assets		(13,804)	(43,935)
Social Housing Grant Received		-	(12,312)
Other Grants Received		(53,482)	(9,312)
Proceeds on Disposal of Properties		230,883	272,295
<b>Net Cash Inflow from Capital Expenditure and Financial Investment</b>		73,181	78,686
<b>Net Cash Inflow before use of Liquid Resources and Financing</b>		1,038,290	1,083,836
<b>Financing</b>			
Loan Principal Repayments		(510,066)	(427,266)
Share Capital Issued		10	2
<b>Net Cash Outflow from Financing</b>		(510,056)	(427,264)
<b>Increase in Cash</b>	16.	528,234	656,572

# SHIRE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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 participates in the Scottish Housing Association Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Past service deficit 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. Regular payments are now made into the SHAPS defined contribution scheme at rates determined by the Board of Management.

##### **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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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**

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.

##### **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.

##### **Works to Existing Properties**

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2015			2014		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Social Lettings	3.	3,955,293	2,753,753	1,201,540	3,911,554	2,676,941	1,234,613
Other Activities	4.	389,498	391,524	(2,026)	345,832	354,051	(8,219)
<b>Total</b>		<b>4,344,791</b>	<b>3,145,277</b>	<b>1,199,514</b>	<b>4,257,386</b>	<b>3,030,992</b>	<b>1,226,394</b>

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

	General			2015 Total £	2014 Total £
	Needs Housing £	Supported Housing £	Shared ownership £		
<b>Income from Lettings</b>					
Rent Receivable Net of Identifiable Service Charges	4,024,487	-	-	4,024,487	3,953,107
<b>Gross Rents Receivable</b>	4,024,487	-	-	4,024,487	3,953,107
Less: Rent losses from voids	117,194	-	-	117,194	92,596
<b>Net Rents Receivable</b>	3,907,293	-	-	3,907,293	3,860,511
Revenue Grants from Scottish Ministers	48,000	-	-	48,000	51,043
<b>Total Income From Social Letting</b>	3,955,293	-	-	3,955,293	3,911,554
<b>Expenditure on Social Letting Activities</b>					
Service Costs	11,451	-	-	11,451	-
Management and maintenance administration costs	905,489	-	-	905,489	747,415
Reactive Maintenance	728,690	-	-	728,690	728,538
Bad Debts - Rents and Service Charges	17,977	-	-	17,977	124,151
Planned and Cyclical Maintenance, including Major Repairs	512,026	-	-	512,026	513,226
Depreciation of Social Housing	578,120	-	-	578,120	563,611
<b>Operating Costs of Social Letting</b>	2,753,753	-	-	2,753,753	2,676,941
<b>Operating Surplus on Social Letting Activities</b>	1,201,540	-	-	1,201,540	1,234,613
<b>2014</b>					
				1,234,613	-



# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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) 2015	Operating Surplus / (Deficit) 2014
	£	£	£	£	£	£	£	£	£
Care and Repair of Property	358,788	-	-	5,000	363,788	358,788	5,000	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	(4,019)
Other Income	-	-	-	25,710	25,710	2,026	25,710	(2,026)	(4,200)
<b>Total From Other Activities</b>	<b>358,788</b>	<b>-</b>	<b>-</b>	<b>30,710</b>	<b>389,498</b>	<b>360,814</b>	<b>30,710</b>	<b>(2,026)</b>	<b>(8,219)</b>
<b>2014</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>	

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in s149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or servants of the Association.

2015	2014
£	£

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

Compensation payable to Officers for loss of Office	<u>51,719</u>	<u>-</u>
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No Pension contributions were made to Officers receiving greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)	<u>57,429</u>	<u>-</u>
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#### 6. EMPLOYEE INFORMATION

	2015	2014
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>15</u>	<u>17</u>
The average total number of Employees employed during the year was	<u>16</u>	<u>17</u>
Staff Costs were:	£	£
Wages and Salaries	548,799	588,465
Social Security Costs	57,979	48,584
Other Pension Costs	167,652	100,347
	<u>774,430</u>	<u>737,396</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 7. GAIN ON SALE OF HOUSING STOCK

	2015	2014
	£	£
Sales Proceeds	230,883	272,295
Cost of Sales	<u>44,128</u>	<u>71,909</u>
Gain On Sale Of Housing Stock	<u>186,755</u>	<u>200,386</u>

## 8. INTEREST PAYABLE

	2015	2014
	£	£
On Bank Loans & Overdrafts	<u>923,913</u>	<u>923,383</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £0 (2014 £0).

## 9. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015	2014
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	602,436	586,608
Auditors' Remuneration - Audit Services	5,814	7,807
- Other Services	4,553	1,921
Operating Lease Rentals - Other	12,348	10,764
Loss on sale of fixed assets	<u>-</u>	<u>4,229</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 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 11. TANGIBLE FIXED ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2014	34,085,943	34,085,943
Additions	90,416	90,416
Disposals	(58,064)	(58,064)
Schemes Completed	-	-
As at 31st March 2015	<u>34,118,295</u>	<u>34,118,295</u>
<b>DEPRECIATION</b>		
As at 1st April 2014	5,213,507	5,213,507
Charge for Year	578,120	578,120
Disposals	(13,935)	(13,935)
As at 31st March 2015	<u>5,777,692</u>	<u>5,777,692</u>
<b>SOCIAL HOUSING GRANT</b>		
As at 1st April 2014	13,228,066	13,228,066
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2015	<u>13,228,066</u>	<u>13,228,066</u>
<b>OTHER CAPITAL GRANTS</b>		
As at 1st April 2014	514,346	514,346
Additions	-	-
Disposals	-	-
Schemes Completed	-	-
As at 31st March 2015	<u>514,346</u>	<u>514,346</u>
<b>NET BOOK VALUE</b>		
As at 31st March 2015	<u>14,598,191</u>	<u>14,598,191</u>
As at 31st March 2014	<u>15,130,024</u>	<u>15,130,024</u>

Additions to housing properties includes capitalised development administration costs of £nil (2014 - £nil) and capitalised major repair costs to existing properties of £90,416 (2014 £128,050)

All land and housing properties are freehold.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

##### b) Other Tangible Assets

	Land £	Office Premises £	Office Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2014	840,274	208,412	73,094	1,121,780
Additions	-	-	13,804	13,804
Eliminated on Disposals	-	-	(14,550)	(14,550)
As at 31st March 2015	840,274	208,412	72,348	1,121,034
<b>GRANTS RECEIVED</b>				
As at 1st April 2014	834,314	-	-	834,314
As at 31st March 2015	834,314	-	-	834,314
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2014	-	43,980	27,244	71,224
Charge for year	-	6,337	17,979	24,316
Eliminated on disposal	-	-	(14,550)	(14,550)
As at 31st March 2015	-	50,317	30,673	80,990
<b>NET BOOK VALUE</b>				
As at 31st March 2015	5,960	158,095	41,675	205,730
As at 31st March 2014	5,960	164,432	45,850	216,242

#### 12. COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-	2015 £	2014 £
<b>Other</b>		
Expiring within one year	5,484	-
Expiring between two and five years	6,864	10,764

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 13. DEBTORS

	2015	2014
	£	£
Arrears of Rent & Service Charges	190,865	283,830
Less: Provision for Doubtful Debts	<u>(107,415)</u>	<u>(157,415)</u>
	83,450	126,415
Other Debtors	<u>112,788</u>	<u>78,699</u>
	<u>196,238</u>	<u>205,114</u>

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

	2015	2014
	£	£
Housing Loans	156,893	227,472
Trade Creditors	89,733	120,852
Rent in Advance	131,702	123,481
Other Taxation and Social Security	31,426	13,848
Other Creditors	55,190	16,966
Accruals and Deferred Income	<u>10,970</u>	<u>56,647</u>
	<u>475,914</u>	<u>559,266</u>

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

	2015	2014
	£	£
Housing Loans	<u>13,807,541</u>	<u>14,247,028</u>
<p>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:-</p>		
Within one year	156,893	227,472
Between one and two years	27,956	227,713
Between two and five years	2,085,347	1,296,444
In five years or more	<u>11,694,238</u>	<u>12,722,871</u>
	13,964,434	14,474,500
Less: Amount shown in Current Liabilities	<u>156,893</u>	<u>227,472</u>
	<u>13,807,541</u>	<u>14,247,028</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 16. CASH FLOW STATEMENT

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2015 £	2014 £
Operating Surplus	1,199,514	1,226,394
Depreciation	602,436	586,608
Change in Debtors	75,046	(26,328)
Change in Creditors	(12,773)	75,828
Loss on sale of fixed assets	-	4,229
Share Capital Written Off	(24)	(28)
Net Cash Inflow from Operating Activities	<u>1,864,199</u>	<u>1,866,703</u>

<i>Reconciliation of net cash flow to movement in net debt</i>	2015 £	£	2014 £	£
Increase in Cash	528,235		656,572	
Cash flow from change in debt	<u>510,066</u>		<u>427,266</u>	
Movement in net debt during year		1,038,301		1,083,838
Net debt at 1st April 2014		(10,587,627)		(11,671,465)
Net debt at 31st March 2015		<u>(9,549,326)</u>		<u>(10,587,627)</u>

<i>Analysis of changes in net debt</i>	At 01.04.14 £	Cash Flows £	Other Changes £	At 31.03.15 £
Cash at bank and in hand	<u>3,886,873</u>	<u>528,235</u>		<u>4,415,108</u>
Debt: Due within one year	3,886,873	528,235		4,415,108
Due after more than one year	(227,472)	70,579		(156,893)
	<u>(14,247,028)</u>	<u>439,487</u>		<u>(13,807,541)</u>
Net Debt	<u>(10,587,627)</u>	<u>1,038,301</u>	<u>-</u>	<u>(9,549,326)</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 17. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2014	130
Issued in year	10
Cancelled in year	(24)
At 31st March 2015	<u>116</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 Reserves	Total
	£
At 1st April 2014	4,631,829
Surplus for the year	499,867
At 31st March 2015	<u>5,131,696</u>

#### 19. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2015	2014
	No.	No.
General Needs - New Build	194	194
- Rehabilitation	790	796
	<u>984</u>	<u>990</u>



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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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:

3 members are tenants of the Association

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**

	2015 £	2014 £
<b>Shared Equity Properties</b>		
Development Cost of Shared Equity Property	378,764	378,764
Less: Grants Receivable	378,764	378,764
	<u>          </u>	<u>          </u>
	-	-
	<u>          </u>	<u>          </u>

# SHIRE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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), which is a multi-employer 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
- Defined contribution option, contracted in

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 8.45% of pensionable salaries. Member contributions were 2%.

As at the balance sheet date there were 14 active members of the Scheme employed by Shire Housing Association Limited. The annual pensionable payroll in respect of these members was £465,680. 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 past service deficit 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

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

### 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%).

#### 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 2015

### 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 salaries)</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 2015 Shire Housing Association Limited will be required to pay £134,800 per annum as a contribution to the past service deficit. This will represent an increase of 3% in Shire Housing Association Limited's 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.