

# Shire Housing Association Limited

**Report and Financial Statements**

**For the year ended 31st March 2016**

**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 2016

### BOARD OF MANAGEMENT

Janet Allan	Chairperson
Lorne Campbell	Vice Chairperson
Grace Nichol	
Zoe Forster	
Nick Allan	
Edith Young	
Paul Hillard	Resigned - 12 May 2015
Shaun Lowrie	
John Graham	Resigned - 23 March 2016
William Paterson	Co-opted - 26 August 2015
Wendy McCracken	Co-opted - 24 June 2015

### EXECUTIVE OFFICERS

Jim Munro (appointed 11.3.16)	Director & Secretary
Lynn Miller	Head of Customer Services
Barbara Spittal	Head of Finance

### REGISTERED OFFICE

Netherthird House  
Netherthird  
Cumnock  
Ayrshire  
KA18 3DB

### AUDITORS

Alexander Sloan  
Chartered Accountants  
38 Cadogan Street  
Glasgow  
G2 7HF

### INTERNAL AUDITORS

The Internal Audit Association  
Conference House  
The Exchange  
Edinburgh  
EH3 9EB

### 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

# SHIRE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

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The Board of Management presents its report and the Financial Statements for the year ended 31st March 2016.

### 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 Association is a Registered Scottish Charity and we provide relief of those in need by reason of age, ill health (whether related to mental or physical health), disability (whether due to mental or physical health issues or learning disabilities), financial hardship or other disadvantage, both to individual persons or to a group of persons with similar needs and issues by;

1. providing, constructing, improving and managing land, accommodation and associated facilities;
2. providing or arranging home maintenance, repair and improvement services and providing facilities and services for the benefit of such people either exclusively for them or together with other persons;
3. undertaking any activities which are charitable, allowed under section 58 of the Housing (Scotland) Act 2001, including any statutory amendment or re enactment of the provisions of this section from time to time being in force and;
4. carrying on any other charitable activities permitted to registered social landlords from time to time.

### Review of Business and Future Developments

Shire Housing undertook a strategic review of its business and operations in 2014/15 with the aid of external consultants; the aim to validate our business plan and provide a range of strategic business options. This work progressed during 2015/16 with the Association undergoing a staff restructure, and the appointment of a new Director Jim Munro in March 2016, plus two additional new staff bringing our full staff compliment to 19. Throughout this period service and performance has been the focus to ensure we have the right resources in place to deal with the 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.

As part of the strategic options review we also reviewed our Rent Setting Policy to reduce its complexity and make it more equitable. The Association engaged external consultants to assist in the process which involved full tenant consultation. The new Rent Policy was implemented April 2016.

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.

We have continued with our development of the Board and its role in providing effective governance. The Board continue to focus on the Association's strategic aim and objectives for the next three to five years.

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

### Review of Business and Future Developments (Contd.)

Throughout the year we have seen high levels of satisfaction with our services. This is demonstrated again with the re-accreditation of Customer Service Excellence award. Our income recovery has improved with a reduction in tenant debtors from last year. However we continue to have significant challenges with over supply and low demand in certain areas. This has necessitated some innovative and more commercial approaches being taken to fill our empty homes. We continue to work closely with East Ayrshire Council and are members of the Common Housing Register. 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.

#### Future Developments

##### *Vision*

We are currently reviewing our strategic vision to ensure we remain a locally based sustainable housing association providing quality services to its customers.

##### *Scottish Housing Regulator*

Our strategic planning will continue to progress to meet the requirements as set out by the Scottish Housing Regulator. We will seek to move from a medium to low engagement Regulation Plan during 2016/17.

##### *Value for Money*

As part of our continued approach to delivering quality services we aim to demonstrate value for money in all areas of our work. This is a key part of our work to ensure customers agree we are delivering the right services at the right cost.

##### *Care and Repair*

We were successful with our tender bid in 2015 to continue to administer the Care and Repair service for East Ayrshire Council. The service has expanded and now delivers minor adaptations and integrated care fund activities. We aim to maintain our association with Care and Repair and run a very active continuous improvement programme including annual performance reviews with our contractors.

# SHIRE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

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### 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 Co-operative and Community Benefit Act 2014 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements - 2015. 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

## REPORT OF THE BOARD OF MANAGEMENT FOR THE YEAR ENDED 31ST MARCH 2016

### 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 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.

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 2016. No weaknesses were found in the 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



JIM MUNRO

Secretary

29th June 2016

# 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 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in 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 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 5 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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 Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls .

A handwritten signature in black ink, appearing to read 'Alexander Sloan'.

**ALEXANDER SLOAN**  
Chartered Accountants

GLASGOW  
29th June 2016



We have audited the financial statements of Shire Housing Association Limited for the year ended 31st March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom

This report is made solely to the Association's members, as a body, in accordance with the 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 Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board of Management report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications of our report.

### **Opinion on the financial statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Association's affairs as at 31st March 2016 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 2014 and the Determination of Accounting Requirements 2015.

### **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.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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

- the Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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

29th June 2016

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2016

	Notes	2016	2015
		£	£
REVENUE	2.	4,682,616	4,619,639
Operating Costs	2.	<u>(3,152,054)</u>	<u>(3,321,260)</u>
OPERATING SURPLUS	9.	1,530,562	1,298,379
Gain On Sale Of Housing Stock	7.	153,763	186,755
Interest Receivable and Other Income		43,682	37,511
Interest Payable and Similar Charges	8.	(912,872)	(946,116)
Other Finance Charges	11.	<u>(18,988)</u>	<u>(87,807)</u>
		(734,415)	(809,657)
SURPLUS FOR YEAR		<u>796,147</u>	<u>488,722</u>
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME		<u>796,147</u>	<u>488,722</u>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 13 to 28 form part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2016

	Notes	2016		2015	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Housing Properties - Depreciated Cost	12.(a)		<b>25,807,369</b>		26,397,777
Other Non Current Assets	12.(b)		<b>1,023,582</b>		1,040,044
			<b>26,830,951</b>		27,437,821
<b>CURRENT ASSETS</b>					
Receivables	14.	<b>118,352</b>		196,238	
Cash at bank and in hand		<b>4,871,262</b>		4,415,108	
		<b>4,989,614</b>		4,611,346	
<b>CREDITORS: Amounts falling due within one year</b>	15.	<b>(461,991)</b>		(461,642)	
<b>NET CURRENT ASSETS</b>			<b>4,527,623</b>		4,149,704
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>31,358,574</b>		31,587,525
<b>CREDITORS: Amounts falling due after more than one year</b>	16.		<b>(13,329,217)</b>		(14,113,507)
<b>DEFERRED INCOME</b>					
Social Housing Grants	18.	<b>(12,078,692)</b>		(12,309,212)	
Other Grants	18.	<b>(437,107)</b>		(447,395)	
			<b>(12,515,799)</b>		(12,756,607)
<b>NET ASSETS</b>			<b>5,513,558</b>		4,717,411
<b>EQUITY</b>					
Share Capital	19.		<b>116</b>		116
Revenue Reserves			<b>5,513,442</b>		4,717,295
			<b>5,513,558</b>		4,717,411

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Board of Management and authorised for issue and signed on their behalf on 29th June 2016.

Board Member



Board Member



Secretary



The notes on pages 13 to 28 form part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31st MARCH 2016

	Notes	2016 £	2015 £
<b>Net Cash Inflow from Operating Activities</b>	17.	<b>2,047,809</b>	1,962,174
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(318,812)	(90,416)	
Purchase of Other Fixed Assets	(6,647)	(13,804)	
Purchase of investment properties	-	-	
Social Housing Grant Received	34,041	-	
Social Housing Grant Repaid	-	-	
Other Grants Received	39,561	(53,482)	
Changes on short term deposits with banks	-	-	
Proceeds on sale of investments	-	-	
Proceeds on Disposal of Properties	196,003	230,883	
<b>Net Cash (Outflow) / Inflow from Investing Activities</b>		<b>(55,854)</b>	73,181
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	41,502	24,823	
Interest Paid on Loans	(912,872)	(946,116)	
Loan Principal Repayments	(664,434)	(510,066)	
Share Capital Issued	4	10	
<b>Net Cash Outflow from Financing</b>		<b>(1,535,800)</b>	(1,431,349)
<b>Increase in Cash</b>		<b>456,154</b>	604,006
<b>Opening Cash &amp; Cash Equivalents</b>		<b>4,415,108</b>	3,811,102
<b>Closing Cash &amp; Cash Equivalents</b>		<b>4,871,262</b>	4,415,108
<b>Cash and Cash equivalents as at 31 March 2016.</b>			
Cash		4,871,262	4,415,108
Bank overdraft		-	-
		<b>4,871,262</b>	<b>4,415,108</b>

The notes on pages 13 to 28 form part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY

31st MARCH 2016

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1st April 2014	130	4,228,573	4,228,703
Issue of Shares	10	-	10
Cancellation of Shares	(24)	-	(24)
Adjustment from transition to FRS 102	-	(11,145)	(11,145)
Surplus for Year	-	499,867	499,867
Balance as at 31st March 2015	<u>116</u>	<u>4,717,295</u>	<u>4,717,411</u>
Balance as at 1st April 2015	116	4,717,295	4,717,411
Issue of Shares	4	-	4
Cancellation of Shares	(4)	-	(4)
Surplus for Year	-	796,147	796,147
Balance as at 31st March 2016	<u>116</u>	<u>5,513,442</u>	<u>5,513,558</u>

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 PRINCIPAL ACCOUNTING POLICIES

##### Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2015.

##### Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of of the asset to which it relates.

##### 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 made into the SHAPS defined contribution scheme at rates determined by the Board of Management.

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

##### Valuation Of Housing Properties

Housing Properties are stated at cost 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 12. 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 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### Depreciation And Impairment Of Other Non-Current Assets

Non-Current 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% Straight Line
Office Equipment	- 25% Reducing Balance

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

#### Social Housing Grant And Other Grants In Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

#### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying Shire Housing Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

##### *Rent Arrears - Bad Debt Provision*

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

##### *Life Cycle of Components*

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

##### *Useful Life of Properties, Plant and Equipment*

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.



# SHIRE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

#### **Leases/Leased Assets**

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position 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.

#### **Key Judgements made in the application of Accounting Policies**

##### *a) Exemptions taken in the transition to FRS 102*

The Association has considered and taken advantage of the following exemptions in its first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

##### *b) The Categorisation of Housing Properties*

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

##### *c) Identification of Cash Generating Units*

The Association considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### *d) Pension*

We have calculated the SHAPS past service deficit liability using the latest accounting estimates available, these being based on the 2015 triennial valuation, and believe these represent a fair estimate of liability due.

##### *e) Fixed Rate Loans*

The Board of Management have reviewed the terms of the Association's fixed rate loan and consider it to be a basic financial instrument in terms of FRS 102.

#### **Financial Instruments - Basic**

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102

The Association's debt instruments are measured at amortised cost using the effective interest rate method

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	Notes	2016			2015		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	4,340,923	2,809,760	1,531,163	4,230,141	2,929,736	1,300,405
Other Activities	4.	341,693	342,294	(601)	389,498	391,524	(2,026)
<b>Total</b>		<b>4,682,616</b>	<b>3,152,054</b>	<b>1,530,562</b>	<b>4,619,639</b>	<b>3,321,260</b>	<b>1,298,379</b>

#### 3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2016 Total £	Restated 2015 Total £
<b>Revenue from Lettings</b>			
Rent Receivable Net of Service Charges	4,101,517	<b>4,101,517</b>	4,024,487
<b>Gross income from rent and service charges</b>	4,101,517	<b>4,101,517</b>	4,024,487
Less: Rent losses from voids	81,342	<b>81,342</b>	117,194
<b>Net Rents Receivable</b>	4,020,175	<b>4,020,175</b>	3,907,293
Grants released from deferred income	274,848	<b>274,848</b>	274,848
Revenue grants from Scottish Ministers	45,900	<b>45,900</b>	48,000
<b>Total turnover from affordable letting activities</b>	4,340,923	<b>4,340,923</b>	4,230,141
<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	812,422	<b>812,422</b>	782,306
Service Costs	14,678	<b>14,678</b>	11,451
Planned and cyclical maintenance, including major repairs	363,304	<b>363,304</b>	512,026
Reactive maintenance costs	712,836	<b>712,836</b>	728,690
Bad Debts - rents and service charges	39,540	<b>39,540</b>	17,977
Depreciation of affordable let properties	866,980	<b>866,980</b>	877,286
<b>Operating costs of affordable letting activities</b>	2,809,760	<b>2,809,760</b>	2,929,736
<b>Operating surplus on affordable letting activities</b>	1,531,163	<b>1,531,163</b>	1,300,405
<b>2015</b>	1,201,540		

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 4. PARTICULARS OF REVENUE, 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 Incurred	Operating Costs Other	Operating Surplus / (Deficit) 2015	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2015	Operating Surplus / (Deficit) 2014	Operating Surplus / (Deficit) 2015
Care and Repair	308,924	7,800	-	-	316,724	308,924	7,800	-	-	-	-	-
Other activities	-	-	-	24,969	24,969	601	24,969	(601)	(601)	(601)	(601)	(2,026)
<b>Total From Other Activities</b>	<b>308,924</b>	<b>7,800</b>	<b>-</b>	<b>24,969</b>	<b>341,693</b>	<b>309,525</b>	<b>32,769</b>	<b>(601)</b>	<b>(601)</b>	<b>(601)</b>	<b>(601)</b>	<b>(2,026)</b>
<b>2015</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>(2,026)</b>	<b>(2,026)</b>	<b>(2,026)</b>	<b>(2,026)</b>

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board of Management, managers and employees of the Association.

2016      2015

£            £

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

Compensation payable to Officers for loss of Office

-      51,719

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

Emoluments payable to Chief Executive (excluding pension contributions)

3,860      57,429

Total Compensation paid to key management personnel

250,031      248,746

Consideration paid for services of key management personnel paid to third parties

110,937      -

During the current year the services of a Chief Executive were supplied by an external consultant. A new Chief Executive was brought into post in March 2016.

#### 6. EMPLOYEE INFORMATION

2016      2015

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

18      16

Staff Costs were:

£            £

Wages and Salaries

591,518      548,799

Social Security Costs

54,005      57,979

Other Pension Costs

35,549      36,648

681,072      643,426

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	2016	2015
	£	£
Sales Proceeds	196,003	230,883
Cost of Sales	42,240	44,128
Gain On Sale Of Housing Stock	<u>153,763</u>	<u>186,755</u>

#### 8. INTEREST PAYABLE & SIMILAR CHARGES

	2016	2015
	£	£
On Bank Loans & Overdrafts	<u>912,872</u>	<u>946,116</u>

Interest incurred in the development period of housing properties which has been written off to the income and expenditure account amounted to £162,955 (2015 £157,672).

#### 9. SURPLUS FOR YEAR

	2016	2015
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	890,089	901,602
Auditors' Remuneration - Audit Services	8,111	8,410
Auditors' Remuneration - Other Services	2,983	4,553
Operating Lease Rentals - Other	13,055	12,348
Gain on sale of fixed assets	<u>(153,763)</u>	<u>(186,755)</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.

#### 11. OTHER FINANCE INCOME / CHARGES

	2016	2015
	£	£
Unwinding of Discounted Liabilities	<u>18,988</u>	<u>87,807</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 12. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
As at 1st April 2015	34,118,295	<b>34,118,295</b>
Additions	318,812	<b>318,812</b>
Disposals	(57,176)	<b>(57,176)</b>
Schemes Completed	-	-
As at 31st March 2016	<u>34,379,931</u>	<u><b>34,379,931</b></u>
<b>DEPRECIATION</b>		
As at 1st April 2015	7,720,518	<b>7,720,518</b>
Charge for Year	866,980	<b>866,980</b>
Disposals	(14,936)	<b>(14,936)</b>
As at 31st March 2016	<u>8,572,562</u>	<u><b>8,572,562</b></u>
<b>NET BOOK VALUE</b>		
As at 31st March 2016	<u>25,807,369</u>	<u><b>25,807,369</b></u>
As at 31st March 2015	<u>26,397,777</u>	<u><b>26,397,777</b></u>

Additions to housing properties includes capitalised development administration costs of £ (2015 - £nil) and capitalised major repair costs to existing properties of £240,462 (2015 £90,416)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £ 854,120 . The amount capitalised is £240,462, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £240,462 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £5,698,259 (2015 - £5,870,403).

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 12. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Land £	Office Premises £	Furniture & Equipment £	Total £
<b>COST</b>				
As at 1st April 2015	840,274	208,412	72,348	<b>1,121,034</b>
Additions	-	-	6,647	<b>6,647</b>
Eliminated on Disposals	-	-	(12,580)	<b>(12,580)</b>
As at 31st March 2016	<u>840,274</u>	<u>208,412</u>	<u>66,415</u>	<u><b>1,115,101</b></u>
<b>AGGREGATE DEPRECIATION</b>				
As at 1st April 2015	-	50,317	30,673	<b>80,990</b>
Charge for year	-	6,337	16,771	<b>23,109</b>
Eliminated on disposal	-	-	(12,580)	<b>(12,580)</b>
As at 31st March 2016	<u>-</u>	<u>56,654</u>	<u>34,864</u>	<u><b>91,519</b></u>
<b>NET BOOK VALUE</b>				
As at 31st March 2016	<u>840,274</u>	<u>151,758</u>	<u>31,551</u>	<u><b>1,023,582</b></u>
As at 31st March 2015	<u>840,274</u>	<u>158,095</u>	<u>41,675</u>	<u><b>1,040,044</b></u>

#### 13 COMMITMENTS UNDER OPERATING LEASES

	2016	2015
	£	£
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	-	5,484
Later than one year and not later than five years	<b>20,519</b>	16,926
Later than five years	<b>11,880</b>	-

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Arrears of Rent & Service Charges	161,588	190,865
Less: Provision for Doubtful Debts	<u>(107,500)</u>	<u>(107,415)</u>
	54,088	83,450
Other Receivables	<u>64,264</u>	<u>112,788</u>
	<u>118,352</u>	<u>196,238</u>

#### 15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade Payables	124,447	89,733
Rent in Advance	125,993	131,702
Other Taxation and Social Security	34,580	31,426
Other Payables	1,164	55,190
Liability for Past Service Contributions	138,844	134,800
Accruals and Deferred Income	<u>36,963</u>	<u>18,791</u>
	<u>461,991</u>	<u>461,642</u>

#### 16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2016	2015
	£	£
Liability for Past Service Contributions	825,179	945,035
Housing Loans	<u>12,504,038</u>	<u>13,168,472</u>
	<u>13,329,217</u>	<u>14,113,507</u>
<b>Housing Loans</b>		
Amounts due within one year	-	-
Amounts due in one year or more but less than two years	-	-
Amounts due in two years or more but less than five years	3,000,000	3,000,000
Amounts due in more than five years	<u>9,504,038</u>	<u>10,192,747</u>
	<u>12,504,038</u>	<u>13,192,747</u>
<b>Liability for Past Service Contributions</b>		
Amounts due within one year	138,844	134,800
Amounts due in one year or more but less than two years	135,163	135,829
Amounts due in two years or more but less than five years	411,144	399,991
Amounts due in more than five years	<u>278,872</u>	<u>409,215</u>
	<u>964,023</u>	<u>1,079,835</u>

The Association has a number of long-term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Co-op Bank	Standard Security over 777 properties	9.00%	2027	£9.85m fixed until 21.8.18

All of the Association's bank borrowings are repayable in a monthly basis with the principal being amortised over the term of the loans

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 2.49% (2015 - 2.22%)

The Association's loan is valued in the financial statements in accordance with Financial Reporting Standard 102. This results in a valuation that differs from the amount owing at the balance sheet date to the lender. At the balance sheet date the amount owing to the lender was £13,300,000 (2015 - £13,429,180). The difference of £795,962 will reduce throughout the period of the loan.



# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31st march 2016</i>	<b>2016</b> £	2015 £
Operating Surplus	1,530,562	1,298,379
Depreciation	890,089	901,602
Amortisation of Capital Grants	(274,848)	(274,848)
Change in debtors	40,505	75,046
Change in creditors	(119,507)	49,826
Unwinding of Discount on Pension Liability	(18,988)	(87,807)
Share Capital Written Off	(4)	(24)
Balance as at 31st March 2016	<u>2,047,809</u>	<u>1,962,174</u>

## 18. DEFERRED INCOME

	<b>2016</b> £	2015 £
<i>Social Housing Grants</i>		
Balance as at 1st April 2015	12,309,212	12,573,773
Amortisation in Year	(264,561)	(264,561)
Balance as at 31st March 2016	<u>12,078,692</u>	<u>12,309,212</u>
<i>Other Grants</i>		
Balance as at 1st April 2015	447,394	457,682
Amortisation in Year	(10,287)	(10,287)
Balance as at 31st March 2016	<u>437,107</u>	<u>447,395</u>
Total	<u>12,515,799</u>	<u>12,756,607</u>

This is expected to be released to the Statement of Comprehensive Income in the following years:

	<b>2016</b> £	2015 £
Amounts due within one year	274,848	274,848
Amounts due in one year or more	12,240,951	12,481,759
	<u>12,515,799</u>	<u>12,756,607</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	<b>£</b>
At 1st April 2015	<b>116</b>
Issued in year	<b>4</b>
Cancelled in year	<b>(4)</b>
	<hr/>
At 31st March 2016	<b>116</b>
	<hr/>

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.

#### 20. HOUSING STOCK

The number of units of accommodation in management	<b>2016</b>	<b>2015</b>
at the year end was:-	<b>No.</b>	<b>No.</b>
General Needs - New Build	<b>194</b>	194
General Needs - Rehabilitation	<b>785</b>	790
	<hr/>	<hr/>
	<b>979</b>	984
	<hr/>	<hr/>

#### 21. RELATED PARTY TRANSACTIONS

Members of the Board of Management are related parties of the Association as defined by Financial Reporting Standard 102

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.

Rent Received from Tenants on the Committee was £8,876 (2015 : £12,993).

At the year end total rent arrears owed by the tenant members of the Committee were £nil.

# SHIRE HOUSING ASSOCIATION LIMITED

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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 22. DETAILS OF ASSOCIATION

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is Netherthird House, Netherthird, Cumnock.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in Ayrshire.

#### 23. GOVERNING BODY MEMBER EMOLUMENTS

Board members received £3,807 in the year by way of reimbursement of expenses (2015 - £3,322). No remuneration is paid to Board members in respect of their duties in the Association.

#### 24. FIXED ASSET INVESTMENTS

The Association participates in a shared equity arrangement at 31 March 2016. At this date the Association has expended £378,764 on shared equity properties.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 25. RETIREMENT BENEFIT OBLIGATIONS

##### General

Shire Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the scheme).

All employees are part of the defined contribution option.

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 FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2015. 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 £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal. Then the liability of the withdrawing employer is re-apportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

All employers in the scheme have entered into an agreement to make additional contributions to fund the Scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the balance sheet date the present value of this obligation was £964,023 (2015 - £1,079,835). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of high quality corporate bond with a similar term. The discount rate used was 2.49%.

The Association made payments totalling £134,800 (2015: £131,004) to the pension scheme during the year.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2016

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 26. TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK & Ireland (FRS 102) for the accounting period beginning on 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting policies compared with those used previously.

The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ending 31 March 2016.

Reconciliation of Capital & Reserves							
At 31 March 2015				At 31 March 2014			
Note	As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£	£	£	£
Non Current Assets	14,803,921	12,633,900	27,437,821	15,346,266	12,084,817	27,431,083	
Investment	-	-	-	-	-	-	-
Current Assets	4,611,346	-	4,611,346	4,091,987	-	4,091,987	
Current Liabilities	(475,914)	14,272	(461,642)	(559,266)	92,712	(466,554)	
Non Current Liabilities	(13,807,541)	(305,966)	(14,113,507)	(14,247,028)	(171,277)	(14,418,305)	
Deferred Income	-	(12,756,607)	(12,756,607)	-	(12,197,141)	(12,197,141)	
	5,131,812	(414,401)	4,717,411	4,631,959	(190,889)	4,441,070	
Capital & Reserves	(5,131,812)	414,401	(4,717,411)	(4,631,959)	190,889	(4,441,070)	

Reconciliation of Retained Surpluses for the Year				
Year Ended 31 March 2015				
Note	As previously Stated	Effect of Transition	As Restated	
	£	£	£	£
Revenue	(i)	4,344,791	274,848	4,619,639
Operating Costs	(i) & (ii)	(3,145,277)	(175,983)	(3,321,260)
Other Income		186,755	-	186,755
Exceptional item		-	-	-
Interest Receivable		37,511	-	37,511
Interest Payable		(923,913)	(22,203)	(946,116)
Change in Fair Value of Financial Inst.		-	-	-
Other Finance Income / Costs		-	(87,807)	(87,807)
		499,867		488,722
Surplus		499,867	(11,145)	488,722

#### Notes to the Reconciliations

(i) - Social Housing Grants and Other grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.

(ii) - As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. In addition to this the Association's loan has been restated to reflect its amortised cost using the effective interest rate method as required by FRS 102 Section 11.

(iii) - The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13A