



Alexander Sloan
Accountants and Business Advisers

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31st March 2017

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

MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31st MARCH 2017

MANAGEMENT BOARD

Janet Allan	Chairperson
Lorne Campbell	Vice Chairperson
Grace Nichol	
Zoe Forster	
Nick Allan	
Edith Young	
Shaun Lowrie	
William Paterson	
Wendy McCracken	Co-optee

EXECUTIVE OFFICERS

Jim Munro	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
152 Morrison Street
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 MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2017

The Management Board presents its report and the Financial Statements for the year ended 31st March 2017.

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.

The principal activity of the Association is the provision and management of affordable rented accommodation.

Review of Business and Future Developments

Governance

The Board has developed in its role in providing effective governance. During 2016/17 the Board completed a new Strategic Business Plan detailing our aim and objectives over the next three years.

Our vision of:

Great Homes, Great People and Vibrant Communities are supported by core values of Integrity, Partnership, Excellence, Innovation, Investing and Listening.

Our strategic planning will continue to progress to meet the requirements as set out by the Scottish Housing Regulator. We are now classified as "Low" engagement with the Scottish Housing Regulator effective April 2017.

The Business Plan and long term cash flows are revised annually to ensure 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.

The ethos of Value for Money is integral to the success of Shire Housing; this is directly linked to our strategic Business Plan activities. As part of our continued approach to delivering quality services we aim to demonstrate value for money in all areas of our work and are developing a Value for Money Strategy. We will continue to engage with customers to ensure we are delivering the right services at the right cost.

Service and Performance

A Tenant Scrutiny panel was formed during 2016/17 to work with staff to implement an action plan following the Customer Satisfaction Survey, which overall showed high levels of satisfaction with our services. We also received the re-accreditation of Customer Service Excellence award in the year.

Challenges

Income Recovery - This remains a challenge with on-going welfare reform for both our tenants and ourselves. The areas in which we operate are impacted by a broader economic downturn in terms of employment opportunities.

Supply and Demand - In East Ayrshire we continue to experience over supply and low demand in certain areas, and we are continuing to review and develop our Asset Management Strategy. We have implemented tenancy support initiatives with debt advice services being provided in-house and continue to offer support packages to encourage take up of homes.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2017

Review of Business and Future Developments (Contd.)

Care and Repair

We have successfully delivered the Care and Repair service for East Ayrshire Council over the last 14 years. 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.

Vision

Great Homes, Great People and Vibrant Communities

Great Homes - Offering an attractive and energy efficient home is key to helping create sustainable communities and as part of our vision of great homes we have recently completed a stock condition survey which allows us to plan for future investment in our assets. This will inform our asset management options for areas of low demand.

Great People - To ensure we have the right resources in place to deal with the future challenges of income recovery and areas of low demand, we are undertaking an Organisational Development Review. The aim to develop and strengthen our Capacity –skills and knowledge, provide high quality training leading to improved performance, this will continue throughout the year.

Vibrant Communities – We aim to build on our engagement with communities ensuring a high level of customer satisfaction with our services. Over the coming year we will develop our Wider Role strategy, working with an experienced Wider Role partner to procure project funding for our communities.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2017

Management Board and Executive Officers

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

Each member of the Management Board holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Board.

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

Statement of Management Board's Responsibilities

The Co-operative and Community Benefit Act 2014 requires the Management Board to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Board is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the 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 Management Board must, in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Board are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The members of the Management Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31ST MARCH 2017

Statement on Internal Financial Control

The Management Board acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Board's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- 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 Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2017. 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 Management Board



JIM MUNRO
Secretary
28 June 2017

SHIRE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS 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 contained 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 Management Board and Executive Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Board'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 contained 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
Statutory Auditors
GLASGOW
28 June 2017



Alexander Sloan
Accountants and Business Advisers



We have audited the financial statements of Shire Housing Association Limited for the year ended 31 March 2017 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 standards 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 Management Board and Auditors

As explained more fully in the Statement of Management Board's Responsibilities the Association's Management Board, are responsible for the preparation of the Financial Statements that give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) 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 Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Board's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for 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 31 March 2017 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 Management Board's Report is inconsistent with the financial statements.
- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

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

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

- the 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
28 June 2017



Alexander Sloan
Accountants and Business Advisers

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017		2016	
		£	£	£	£
REVENUE	2.		4,756,971		4,682,616
Operating Costs	2.		(3,166,139)		(3,152,054)
OPERATING SURPLUS			1,590,832		1,530,562
Gain On Sale Of Housing Stock	7.	328,564		153,763	
Interest Receivable and Other Income		49,094		43,682	
Interest Payable and Similar Charges	8.	(906,889)		(912,872)	
Other Finance Charges	10.	188,373		(18,988)	
			(340,858)		(734,415)
Surplus on ordinary activities before taxation			1,249,974		796,147
SURPLUS FOR YEAR	9.		1,249,974		796,147
Other Comprehensive Income			-		-
TOTAL COMPREHENSIVE INCOME			1,249,974		796,147

The notes on pages 13 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st MARCH 2017

	Notes	2017		2016
		£	£	£
NON-CURRENT ASSETS				
Housing Properties - Depreciated Cost	11.(a)		25,429,759	25,807,369
Other Non Current Assets	11.(b)		1,010,767	1,023,582
			<u>26,440,526</u>	<u>26,830,951</u>
CURRENT ASSETS				
Receivables	14.	116,463	118,352	
Cash at bank and in hand		6,134,643	4,871,262	
		<u>6,251,106</u>	<u>4,989,614</u>	
CREDITORS: Amounts falling due within one year	15.	(1,628,301)	(461,991)	
NET CURRENT ASSETS			<u>4,622,805</u>	<u>4,527,623</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			31,063,331	31,358,574
CREDITORS: Amounts falling due after more than one year	16.		(12,059,539)	(13,329,217)
DEFERRED INCOME				
Social Housing Grants	18.	(11,813,446)	(12,078,691)	
Other Grants	18.	(426,821)	(437,108)	
		<u>(12,240,267)</u>	<u>(12,515,799)</u>	
NET ASSETS			<u>6,763,525</u>	<u>5,513,558</u>
EQUITY				
Share Capital	19.		109	116
Revenue Reserves			6,763,416	5,513,442
			<u>6,763,525</u>	<u>5,513,558</u>

The Financial Statements were approved by the Management Board, authorised for issue and signed on their behalf on 28 June 2017.





Board Member Board Member Secretary

The notes on pages 13 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st MARCH 2017

	Notes	2017	2016
		£	£
Net Cash Inflow from Operating Activities	17.	2,303,811	2,047,809
Investing Activities			
Acquisition and Construction of Properties	(586,953)	(318,813)	
Purchase of Other Fixed Assets	(11,197)	(6,647)	
Social Housing Grant Received	-	34,041	
Other Grants Received	-	39,561	
Proceeds on Disposal of Properties	415,508	196,003	
Net Cash Outflow from Investing Activities		(182,642)	(55,855)
Financing Activities			
Interest Received on Cash and Cash Equivalents	49,094	41,502	
Interest Paid on Loans	(906,889)	(912,872)	
Loan Principal Repayments	-	(664,434)	
Share Capital Issued	7	4	
Net Cash Outflow from Financing		(857,788)	(1,535,800)
Increase in Cash		1,263,381	456,154
Opening Cash & Cash Equivalents		4,871,262	4,415,108
Closing Cash & Cash Equivalents		6,134,643	4,871,262
Cash and Cash equivalents as at 31 March 2017.			
Cash		6,134,643	4,871,262
		6,134,643	4,871,262

The notes on pages 13 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY

AS AT 31st MARCH 2017

	Share Capital	Revenue Reserve	Total
	£	£	£
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	116	5,513,442	5,513,558
Balance as at 1st April 2016	116	5,513,442	5,513,558
Issue of Shares	7		7
Cancellation of Shares	(14)		(14)
Surplus for Year		1,249,974	1,249,974
Balance as at 31st March 2017	109	6,763,416	6,763,525

The reserves opening balance at 1st January 2015 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 2017

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.

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 2014 and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure as it 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 participated in the Scottish Housing Association Defined Benefits Pension Scheme. Retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. The Association moved from the Defined Benefit scheme to the Defined Contribution Scheme in 2014.

The Association still has a liability for past service costs contributions to the Scottish Housing Association Defined Benefit Pension Scheme. The Association provides 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 a 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 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.

Component	Useful Economic Life
Land	N/A
Structure	50 Years
Roofs	50 Years
Doors & Windows	20 Years
Central Heating	20 Years
Kitchens	20 Years
Bathrooms	30 Years
Electrics	30 Years

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 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
Furniture and Equipment	-25% Reducing Balance

The carrying value of non-current assets is 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 they relate.

Social Housing Grants which are attributed to individual components are 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

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 non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income. The Association currently has no shared ownership 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.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Board to exercise judgement in applying Shire Housing Association Limited 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, are disclosed below:

a) 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.

b) 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.

c) 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 assessment.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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) The Categorisation of Housing Properties

In the judgement of the Management Board 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.

b) 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.

c) Pension Liability

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Management Board feel this is the best available estimate of the past service liability.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. 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 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2017			2016		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3.	4,416,766	2,866,140	1,550,626	4,340,923	2,809,760	1,531,163
Other Activities	4.	340,205	299,999	40,206	341,693	342,294	(601)
Total		4,756,971	3,166,139	1,590,832	4,682,616	3,152,054	1,530,562

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2017 Total £	2016 Total £
Revenue from Lettings			
Rent Receivable Net of Service Charges	4,155,812	4,155,812	4,101,517
Gross Income from rent and service charges	4,155,812	4,155,812	4,101,517
Less: Rent losses from voids	62,989	62,989	81,342
Net Rents Receivable	4,092,823	4,092,823	4,020,175
Grants released from deferred income	275,532	275,532	274,848
Revenue grants from Scottish Ministers	46,000	46,000	45,900
Other revenue grants	2,411	2,411	-
Total turnover from affordable letting activities	4,416,766	4,416,766	4,340,923
Expenditure on affordable letting activities			
Management and maintenance administration costs	787,498	787,498	812,422
Service Costs	13,809	13,809	14,678
Planned and cyclical maintenance, including major repairs	449,097	449,097	363,304
Reactive maintenance costs	697,247	697,247	712,836
Bad Debts - rents and service charges	40,868	40,868	39,540
Depreciation of affordable let properties	877,621	877,621	866,980
Operating costs of affordable letting activities	2,866,140	2,866,140	2,809,760
Operating surplus on affordable letting activities	1,550,626	1,550,626	1,531,163
2016	1,531,163		

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2017	Operating Surplus / (Deficit) 2016
	£	£	£	£	£	£	£	£	£
Care and Repair	313,440	-	-	8,000	321,440	-	280,940	40,500	-
Other activities	-	-	-	18,765	18,765	294	18,765	(294)	(601)
Total From Other Activities	313,440	-	-	26,765	340,205	294	299,705	40,206	(601)
2016	308,924	7,800	-	24,969	341,693	309,525	32,769	(601)	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

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 Management Committee, managers and employees of the Association.

	2017	2016
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>67,012</u>	<u>-</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>5,648</u>	<u>-</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>67,012</u>	<u>3,860</u>
Total Emoluments paid to key management personnel	<u>255,576</u>	<u>250,031</u>
Consideration paid for services of key management personnel paid to third parties	<u>-</u>	<u>110,937</u>

The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

	Number	Number
£60,001 to £70,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2017	2016
	No.	No.
The average monthly number of full time equivalent persons employed during the year was	<u>20</u>	<u>17</u>
The average total number of Employees employed during the year was	<u>21</u>	<u>18</u>
Staff Costs were:	£	£
Wages and Salaries	672,967	591,518
Social Security Costs	65,319	54,005
Other Pension Costs	48,075	35,549
	<u>786,361</u>	<u>681,072</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2017	2016
	£	£
Sales Proceeds	415,508	196,003
Cost of Sales	86,944	42,240
Gain On Sale Of Housing Stock	<u>328,564</u>	<u>153,763</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2017	2016
	£	£
On Bank Loans & Overdrafts	<u>906,889</u>	<u>912,872</u>

9. SURPLUS FOR YEAR

	2017	2016
	£	£
Surplus is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	901,631	890,089
Auditors' Remuneration - Audit Services	8,752	8,111
Auditors' Remuneration - Other Services	2,479	2,983
Operating Lease Rentals - Other	11,918	13,055
Gain on sale of fixed assets	<u>(328,564)</u>	<u>(153,763)</u>

10. OTHER FINANCE INCOME / CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities	(41,001)	(18,988)
Unwinding of Housing Loans	26,542	-
Gain on Remeasurement of Pension Liability	202,832	-
	<u>188,373</u>	<u>(18,988)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1st April 2016	34,379,931	34,379,931
Additions	586,953	586,953
Disposals	(118,819)	(118,819)
As at 31st March 2017	34,848,065	34,848,065
DEPRECIATION		
As at 1st April 2016	8,572,562	8,572,562
Charge for Year	877,619	877,619
Disposals	(31,875)	(31,875)
As at 31st March 2017	9,418,306	9,418,306
NET BOOK VALUE		
As at 31st March 2017	25,429,759	25,429,759
As at 31st March 2016	25,807,369	25,807,369

Additions to housing properties include capitalised development administration costs of £nil (2016 - £nil) and capitalised major repair costs to existing properties of £586,953 (2016 - £240,462)

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £1,708,754. The amount capitalised is £586,953, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £586,953 and improvement of £nil.

The Association's Lenders have standard securities over Housing Property with a carrying value of £5,579,638 (2016 - £5,698,259).

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

b) Other Tangible Assets	Land £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2016	840,274	208,412	66,415	1,115,101
Additions	-	-	11,197	11,197
Eliminated on Disposals	-	-	(8,806)	(8,806)
As at 31st March 2017	840,274	208,412	68,806	1,117,492
AGGREGATE DEPRECIATION				
As at 1st April 2016	-	56,655	34,864	91,519
Charge for year	-	6,337	17,675	24,012
Eliminated on disposal	-	-	(8,806)	(8,806)
As at 31st March 2017	-	62,992	43,733	106,725
NET BOOK VALUE				
As at 31st March 2017	840,274	145,420	25,073	1,010,767
As at 31st March 2016	840,274	151,757	31,551	1,023,582

12. CAPITAL COMMITMENTS

	2017 £	2016 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	74,614	-

The above commitments will be financed by the Association's own resources.

13. COMMITMENTS UNDER OPERATING LEASES

At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-

Other

Not later than one year

Later than one year and not later than five years

Later than five years

	2017 £	2016 £
Not later than one year	9,892	9,892
Later than one year and not later than five years	12,641	21,427
Later than five years	-	1,080

14. RECEIVABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Arrears of Rent & Service Charges	176,958	161,588
Less: Provision for Doubtful Debts	(117,500)	(107,500)
	59,458	54,088
Other Receivables	57,005	64,264
	116,463	118,352

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £	2016 £
Housing Loans	950,000	-
Trade Payables	282,388	124,447
Rent in Advance	143,593	125,993
Other Taxation and Social Security	43,402	34,580
Other Payables	5,640	1,164
Liability for Past Service Contributions	131,440	138,844
Accruals and Deferred Income	71,838	36,963
	<u>1,628,301</u>	<u>461,991</u>

At the balance sheet date there were pension contributions outstanding of £nil (2016 £nil).

16. PAYABLES AMOUNTS FALLING DUE AFTER ONE YEAR

	2017 £	2016 £
Liability for Past Service Contributions	532,043	825,179
Housing Loans	11,527,496	12,504,038
	<u>12,059,539</u>	<u>13,329,217</u>
Housing Loans		
Amounts due within one year	950,000	-
Amounts due in one year or more but less than two years	1,000,000	-
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	7,527,496	9,504,038
	<u>12,477,496</u>	<u>12,504,038</u>
Less: Amount shown in Current Liabilities	950,000	-
	<u>11,527,496</u>	<u>12,504,038</u>
Liability for Past Service Contributions		
Amounts due within one year	131,440	138,844
Amounts due in one year or more but less than two years	135,383	135,163
Amounts due in two years or more but less than five years	396,660	411,144
Amounts due in more than five years	-	278,872
	<u>663,483</u>	<u>964,023</u>
Less: Amount shown in Current Liabilities	131,440	138,844
	<u>532,043</u>	<u>825,179</u>

The terms and conditions of the Association's loans are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable / Fixed
Cooperative Bank	Standard Security over 765 properties	9.00%	2027/to 2037	Fixed

All of the Association's bank borrowings are repayable in accordance with the repayment schedule approved by the Co-operative Bank.

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A. The cash out flows have been discounted at a rate of 1.06% (2015 - 2.49%)

Due to lenders at the year end	13,300,000	13,300,000
Effective interest rate adjustment	(1,772,504)	(795,962)
Loans at amortised cost using the effective interest rate	<u>11,527,496</u>	<u>12,504,038</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to balance as at 31 March 2017</i>	2017 £	2016 £
Operating Surplus	1,590,832	1,530,562
Depreciation	901,631	890,089
Amortisation of Capital Grants	(275,532)	(274,848)
Change in debtors	1,889	40,505
Change in creditors	(76,826)	(119,507)
Unwinding of Discount on Pension Liability	161,831	(18,988)
Share Capital Written Off	(14)	(4)
Balance as at 31st March 2017	<u>2,303,811</u>	<u>2,047,809</u>

18. DEFERRED INCOME

	Social Housing Grants £	Other Grants £	Total £
Grants Received			
Balance as at 1st April 2016	14,096,421	514,346	14,610,767
Balance as at 31st March 2017	<u>14,096,421</u>	<u>514,346</u>	<u>14,610,767</u>
Amortisation			
Balance as at 1st April 2016	2,017,730	77,238	2,094,968
Amortisation in year	265,245	10,287	275,532
Balance as at 31st March 2017	<u>2,282,975</u>	<u>87,525</u>	<u>2,370,500</u>
Net book value			
Balance as at 31st March 2017	<u>11,813,446</u>	<u>426,821</u>	<u>12,240,267</u>
Balance as at 31st March 2016	<u>12,078,691</u>	<u>437,108</u>	<u>12,515,799</u>

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

	2017 £	2016 £
Amounts due within one year	275,532	274,848
Amounts due after more than one year	11,964,735	12,240,267
	<u>12,240,267</u>	<u>12,515,115</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid

At 1st April 2016	£
Issued in year	116
Cancelled in year	7
	(14)
At 31st March 2017	<u>109</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.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2017	2016
	No.	No.
General Needs - Built by Association	194	194
General Needs - Purchased by Association	773	785
	<u>967</u>	<u>979</u>

21. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms.

Management Board Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Management Board Members has a connection is made at arm's length under normal commercial terms.

Transactions with Management Board Members (and their close family) were as follows:

Rent and factoring received from Tenants on the Management Board and their close family members	£
	<u>8,876</u>

At the year end total rent arrears and factoring owed by the tenant members of the Committee (and their close family) were £nil (2016 - £nil)

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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. GOVERNING BODY MEMBER EMOLUMENTS

Management Board members received £4,534 in the year by way of reimbursement of expenses. (2015 - £3,807). No remuneration is paid to Management Board members in respect of their duties in the Association.

24. INVESTMENTS

The Association participates in a shared equity arrangement. At 31 March 2017 the Association has expended £261,032 on shared equity properties.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. RETIREMENT BENEFIT OBLIGATIONS

General

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

All employees are currently part of the defined contribution scheme, but the Association was originally in the defined benefit scheme.

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 17 active members of the Scheme employed by Shire Housing Association Limited. The annual pensionable payroll in respect of these members was £539,803. Shire Housing Association Limited continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last provisional 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 £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m, equivalent to a past service funding level of 76%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. 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 statement of financial position date the present value of this obligation was £663,483 (2016 - £964,023). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.06%.

The Association made payments totalling £138,709 (2016: £134,800) to the pension scheme during the year.