



Alexander Sloan
Accountants and Business Advisers

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2019

Registered Housing Association No. HAL 296

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 31 MARCH 2019

MANAGEMENT BOARD

Janet Allan *	Chairperson - resigned 21 December 2018
Lorne Campbell	Chairperson - from 21 December 2018
Nick Allan *	Convener of the Audit Committee
Shaun Lowrie	
William Paterson	
Wendy McCracken	Resigned 27 June 2018
Hugh Carr *	
Simon Roberts *	
Ross Morris	
Alexander Rae *	
Laura Murphy *	
Terry Bardell	
Stuart Murray	Co-opted 30 January 2019

* Member of the Audit Committee during the year or at the year end.

EXECUTIVE OFFICERS

Jim Munro	Director & Secretary
Lynn Miller	Head of Customer Services
Claire Donnelly	Head of Corporate Services

REGISTERED OFFICE

Netherthird House
Netherthird
Cumnock
Ayrshire
KA18 3DB

EXTERNAL AUDITORS

Alexander Sloan
Accountants & Business Advisers
180 St Vincent Street
Glasgow
G2 5SG

INTERNAL AUDITORS

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

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

SOLICITORS

Addleshaw Goddard
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2019

The Management Board presents its report and the Financial Statements for the year ended 31 March 2019.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No.2515R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC038664.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation. This includes:

1. providing, constructing, improving and managing land, accommodation and associated facilities and providing care;
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

Governance

Strong governance continues to be the key foundation for the Association's business success. Robust strategic planning and risk management ensures that it delivers high quality services that meet the requirements of the Scottish Housing Regulator and of our customers. The Association continued to be classified as "Low Engagement" with the Scottish Housing Regulator during 2018/19 and is proactively planning to meet the new regulatory requirements introduced for 2019/20. This will include submitting a new Assurance Statement to the Scottish Housing Regulator based on detailed self-assessment and assurance mapping.

The Association takes risk management seriously, and constantly updates and refines its risk map, implementing controls to mitigate risks in all areas of operation.

During 2018/19 the Management Board oversaw the continued transformation of the business, implementing our Business Plan for the period 2017-2020. Our Vision of Great Homes, Great People, Vibrant Communities is supported by our core values of Integrity, Partnership, Excellence, Innovation, Investing and Listening.

Great Homes - Offering tenants an attractive energy efficient affordable home is a key objective, whilst also supporting the communities we operate in. The Association invested a record £1.3 million in our housing stock during 2018/19 including an ambitious rewire program and timber window and door replacement. This investment not only provides greater comfort and value for money for its tenants, but also helps ensure it continues to meet the requirements of the Scottish Housing Quality Standard, and the Energy Efficiency Standard for Social Housing.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2019

Review of Business and Future Developments (Continued)

Great People - Ensuring we have the right human resources is a key ingredient in meeting our long-term strategic challenges. During 2018/19 the Association completed a major staff restructure that saw the creation of five new posts to support our Business Plan and strategic challenges:

- Community Regeneration and Engagement Officer;
- ICT/Performance Officer;
- Financial Inclusion Assistant;
- Repairs Assistant; and
- Customer Services Adviser.

The new posts underline the Management Board's continued commitment to delivering high quality services and strengthen our ability to meet our Business Vision of creating and maintaining Vibrant Communities. The Association supports its customers and partners with other stakeholders to sustain and develop the communities it operates in across East Ayrshire.

Awards

Delivering high quality services to our customers and stakeholders is a key element of business success. The Association won the Ayrshire Chamber of Commerce Customer Excellence Award in October 2018 and was a finalist in the Ayrshire Business Excellence Award in March 2019. We also retained our Customer Services Excellence award and continue to hold Silver Accreditation in both Investors in People and Investors in Young People.

Performance

We monitor our operational and financial performance throughout the year, to identify areas where we can improve business efficiency and services to customers.

	2019	2018
Gross rent arrears as a % of annual rental income	4.55%	4.56%
Average calendar days to re-let properties (excluding difficult to let stock)	23 days	43 days
Average time to complete non-emergency repairs	4.89 days	5.2 days

Future Outlook

The Association has ambitious plans for 2019/20 and beyond, including reviewing our current loans financing arrangements to ensure that we have the financial flexibility to support our business aspirations. Plans to build new office accommodation for the Association are being developed and will be progressed during the next 12 months. We are continuing to explore opportunities to increase and diversify our housing stock with key stakeholders including East Ayrshire Council, East Ayrshire Health and Social Care Partnership, and the Scottish Government, ensuring we proactively respond to changes in demographics and housing needs.

Health and social care integration across East Ayrshire present significant challenge to our communities. The Association is working collaboratively with East Ayrshire Health and Social Care Partnership to find innovative ways to tackle these challenges, including utilising the East Ayrshire Care and Repair Service.

Engaging with our tenants and stakeholders remains a key priority for 2019/20. The Association will be commissioning comprehensive satisfaction surveys of our tenants and factored owners during 2019/20. Results from these surveys will help to shape our future operations, helping us to identify areas where we can improve and further develop services.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2019

Management Board and Executive Officers

The members of the Management Board, the Executive Officers and the Audit Committee 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 judgements 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 - 2019. 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 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 31 MARCH 2019

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 together with the Audit Committee 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 2019. 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.

Donations

During the year the Association made charitable donations amounting to £1,345 (2018 - £450).

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Management Board

JIM MUNRO

Secretary
26 June 2019

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 'Regulation of Social Housing in Scotland' 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 'Regulation of Social Housing in Scotland' 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 Management Board, and 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 within the publication 'Regulation of Social Housing in Scotland' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

ALEXANDER SLOAN

Accountants and Business Advisers
Statutory Auditors
GLASGOW
26 June 2019



SHIRE HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of Shire Housing Association Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Society 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 auditor's 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 prepared in accordance with the requirements of the Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Management Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Management Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Management Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Board.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- the Statement of Comprehensive Income and Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

SHIRE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED (Continued)

Responsibilities of the Management Board

As explained more fully in the Statement of Management Board's Responsibilities as set out on Page 4, the Management Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Conclude on the appropriateness of the Management Board use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Association audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW
26 June 2019



SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
REVENUE	2		4,983,102		4,833,266
Operating Costs	2		(3,378,686)		(3,316,080)
OPERATING SURPLUS			1,604,416		1,517,186
Gain On Sale Of Housing Stock	7	-		127,081	
Interest Receivable and Other Income		33,475		35,915	
Interest Payable and Similar Charges	8	(565,923)		(849,538)	
Other Finance (Charges)/Income	10	(17,000)		14,102	
			(549,448)		(672,440)
SURPLUS FOR THE YEAR	9		1,054,968		844,746
Other comprehensive income					
Adjustment relating to Opening Pension Liability			(213,000)		-
Actuarial (Losses) on defined benefit Pension Plan			(282,000)		-
TOTAL COMPREHENSIVE INCOME			559,968		844,746

The notes on pages 13 to 30 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Notes	2019		2018	
		£	£	£	£
NON-CURRENT ASSETS					
Housing Properties - Depreciated Cost	11 (a)		25,214,410		25,085,363
Other Non-current Assets	11 (b)		1,027,996		1,011,059
			<u>26,242,406</u>		<u>26,096,422</u>
CURRENT ASSETS					
Receivables	14	252,871		438,995	
Investments- short term bank deposits		3,005,877		4,705,085	
Cash at bank and in hand		2,357,641		724,200	
		<u>5,616,389</u>		<u>5,868,280</u>	
CREDITORS: Amounts falling due within one year	15	<u>(1,525,591)</u>		<u>(1,502,433)</u>	
NET CURRENT ASSETS			<u>4,090,798</u>		<u>4,365,847</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>30,333,204</u>		<u>30,462,269</u>
CREDITORS: Amounts falling due after more than one year	16		<u>(9,583,240)</u>		<u>(10,889,271)</u>
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish Housing Association Pension Scheme	25	<u>(892,000)</u>		-	
			<u>(892,000)</u>		-
DEFERRED INCOME					
Social Housing Grants	18	(11,471,208)		(11,736,208)	
Other Grants	18	<u>(218,527)</u>		<u>(228,527)</u>	
			<u>(11,689,735)</u>		<u>(11,964,735)</u>
NET ASSETS			<u><u>8,168,229</u></u>		<u><u>7,608,263</u></u>
EQUITY					
Share Capital	19		99		101
Revenue Reserves			<u>8,168,130</u>		<u>7,608,162</u>
TOTAL EQUITY			<u><u>8,168,229</u></u>		<u><u>7,608,263</u></u>

The Financial Statements were approved by the Management Board and authorised for issue and signed on their behalf on 26 June 2019.

Chairperson

Audit Convener

Secretary

The notes on pages 13 to 30 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019	2018
		£	£
Net cash inflow from operating activities	17	2,509,147	1,518,471
Investing Activities			
Acquisition and Construction of Properties	(1,086,843)	(589,052)	
Purchase of Other Fixed Assets	(40,393)	(24,960)	
Changes on short term deposits with banks	1,699,208	(998,331)	
Net cash inflow / (outflow) from investing activities		571,972	(1,458,543)
Financing Activities			
Interest Received on Cash and Cash Equivalents	33,475	35,915	
Interest Paid on Loans	(481,158)	(849,538)	
Loan Principal Repayments	(1,000,000)	(950,000)	
Share Capital Issued	5	6	
Net cash outflow from financing activities		(1,447,678)	(1,763,617)
Increase / (decrease) in cash		1,633,441	(1,703,689)
Opening Cash & Cash Equivalents		724,200	2,427,889
Closing Cash & Cash Equivalents		2,357,641	724,200
Cash and Cash equivalents as at 31 March			
Cash		2,357,641	724,200
		2,357,641	724,200

The notes on pages 13 to 30 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2019

	Notes	Share Capital £	Revenue Reserve £	Total £
Balance as at 31 March 2017		109	6,763,416	6,763,525
Issue of Shares		6	-	6
Cancellation of Shares		(14)	-	(14)
Surplus for the year		-	844,746	844,746
Balance as at 31 March 2018		101	7,608,162	7,608,263
Balance as at 1 April 2018		101	7,608,162	7,608,263
Issue of Shares		5	-	5
Cancellation of Shares		(7)	-	(7)
Adjustment relating to Opening Pension Liability	25	-	(213,000)	(213,000)
Actuarial (Losses) on defined benefit Pension Plan	25	-	(282,000)	(282,000)
Surplus for the year		-	1,054,968	1,054,968
Balance as at 31 March 2019		99	8,168,130	8,168,229

The notes on pages 13 to 30 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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 Preparation

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 2019. A summary of the more important accounting policies is set out below.

Revenue

The Association recognises revenue on rent receivable from tenants net of losses from void properties. 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 Capital Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Association previously participated in the Scottish Housing Association's Defined Benefit Pension Scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating organisations taken as a whole. Following a change in the information available, the Association now accounts for this scheme as a defined benefit pension scheme, from 1 April 2018, in accordance with FRS 102. The Association moved to the Scottish Housing Associations Defined Contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as employee benefit expense when they are due.

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 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

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:

Asset Category	Depreciation Rate
Office Premises	3% (average) straight line
Furniture & Equipment	25% straight line

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.

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 normally be restricted to the net proceeds of sale unless the conditions of the grant were not met.

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.

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.

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.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board of Management 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 estates in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Association has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In the judgement of the Board of Management, these break clauses do not cause the financial instrument to be classified as a complex financial instrument and therefore they meet the definition of a basic financial instrument.

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.

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. This year the Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Management Board to exercise judgement in applying the 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 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.

d) Defined benefit pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

e) Allocation of share of assets and liabilities for multi employer schemes

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2019			2018		
		Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Affordable letting activities	3	4,606,498	3,037,657	1,568,841	4,502,115	2,997,948	1,504,167
Other Activities	4	376,604	341,029	35,575	331,151	318,132	13,019
Total		4,983,102	3,378,686	1,604,416	4,833,266	3,316,080	1,517,186

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2019 Total £	2018 Total £
Revenue from Lettings			
Rent receivable net of service charges	4,311,036	4,311,036	4,257,527
Service charges receivable	8,040	8,040	7,847
Gross income from rent and service charges	4,319,076	4,319,076	4,265,374
Less: Rent losses from voids	59,689	59,689	81,398
Net Rents Receivable	4,259,387	4,259,387	4,183,976
Grants released from deferred income	275,000	275,000	275,532
Revenue grants from Scottish Ministers	72,111	72,111	42,607
Total turnover from affordable letting activities	4,606,498	4,606,498	4,502,115
Expenditure on affordable letting activities			
Management and maintenance administration costs	1,117,372	1,117,372	1,049,182
Service Costs	8,040	8,040	7,847
Planned and cyclical maintenance, including major repairs	293,801	293,801	379,185
Reactive maintenance costs	638,167	638,167	606,371
Bad Debts - rents and service charges	22,481	22,481	48,634
Depreciation of affordable let properties	957,796	957,796	906,729
Operating costs of affordable letting activities	3,037,657	3,037,657	2,997,948
Operating surplus on affordable letting activities	1,568,841	1,568,841	1,504,167

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
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 Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus / (Deficit) 2019	Operating Surplus / (Deficit) 2018
	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	2,965	(2,965)	-
Care and Repair	340,942	-	340,942	-	301,652	39,290	13,782
Factoring	-	35,662	35,662	6,500	29,912	(750)	(763)
Total From Other Activities	340,942	35,662	376,604	6,500	334,529	35,575	13,019
2018	316,314	14,837	331,151	708	317,424	13,019	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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 Board, managers and employees of the Association.

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)

Compensation payable to Officers for loss of Office

Pension contributions made on behalf on Officers with emoluments greater than £60,000

Emoluments payable to Chief Executive (excluding pension contributions)

Total Emoluments paid to key management personnel

2019	2018
£	£
72,819	147,086
-	27,500
6,128	8,823
72,819	69,803
202,573	236,782

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

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	1

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

The average total number of Employees employed during the year was:

Staff Costs were:

Wages and Salaries

Social Security Costs

Other Pension Costs

2019	2018
No.	No.
19	18
19	18
£	£
766,508	683,034
70,017	65,890
58,109	53,725
894,634	802,649

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2019 £	2018 £
Sales Proceeds	-	153,800
Cost of Sales	-	(26,719)
Gain On Sale Of Housing Stock	-	<u>127,081</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2019 £	2018 £
On Bank Loans	481,158	878,559
Effective Interest Rate Adjustment	84,765	(29,021)
	<u>565,923</u>	<u>849,538</u>

9. SURPLUS FOR THE YEAR

	2019 £	2018 £
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	981,670	931,397
Auditors' Remuneration - Audit Services	8,280	8,820
Auditors' Remuneration - Other Services	600	2,222
Operating Lease Rentals - Other	10,675	12,182
Gain on disposal of fixed assets	(418)	(127,081)

10. OTHER FINANCE (CHARGES) / INCOME

	2019 £	2018 £
Unwinding of Discounted Liabilities	-	(7,000)
Gain on Remeasurement of Pension Liability	-	21,102
Interest income on pension scheme assets	104,000	-
Interest expense on pension scheme liabilities	(121,000)	-
	<u>(17,000)</u>	<u>14,102</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1 April 2018	35,089,364	35,089,364
Additions	1,086,843	1,086,843
Disposals	(363,931)	(363,931)
As at 31 March 2019	<u>35,812,276</u>	<u>35,812,276</u>
DEPRECIATION		
As at 1 April 2018	10,004,001	10,004,001
Charge for Year	957,796	957,796
Disposals	(363,931)	(363,931)
As at 31 March 2019	<u>10,597,866</u>	<u>10,597,866</u>
NET BOOK VALUE		
As at 31 March 2019	<u>25,214,410</u>	<u>25,214,410</u>
As at 31 March 2018	<u>25,085,363</u>	<u>25,085,363</u>

Additions to housing properties include capitalised development administration costs of £Nil (2018 - £Nil) and capitalised major repair costs to existing properties of £1,086,843 (2018 - £589,052).

All land and housing properties are heritable.

The Association's Lenders have standard securities over Housing Property with a carrying value of £9,652,303 (2018 - £9,100,902).

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON CURRENT ASSETS (Continued)

(b) Other Tangible Assets	Office Premises £	Furniture & Equipment £	Land £	Total £
COST				
As at 1 April 2018	208,412	93,766	840,274	1,142,452
Additions	-	40,393	-	40,393
Eliminated on Disposals	-	(32,258)	-	(32,258)
As at 31 March 2019	<u>208,412</u>	<u>101,901</u>	<u>840,274</u>	<u>1,150,587</u>
AGGREGATE DEPRECIATION				
As at 1 April 2018	69,329	62,064	-	131,393
Charge for year	6,338	17,536	-	23,874
Eliminated on Disposals	-	(32,676)	-	(32,676)
As at 31 March 2019	<u>75,667</u>	<u>46,924</u>	<u>-</u>	<u>122,591</u>
NET BOOK VALUE				
As at 31 March 2019	<u>132,745</u>	<u>54,977</u>	<u>840,274</u>	<u>1,027,996</u>
As at 31 March 2018	<u>139,083</u>	<u>31,702</u>	<u>840,274</u>	<u>1,011,059</u>

12. CAPITAL COMMITMENTS

	2019 £	2018 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>1,065,158</u>	<u>-</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

	2019 £	2018 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Other		
Not later than one year	5,092	7,338
Later than one year and not later than five years	<u>9,479</u>	<u>5,543</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Arrears of Rent & Service Charges	215,621	232,979
Less: Provision for Doubtful Debts	(157,000)	(152,000)
	<u>58,621</u>	<u>80,979</u>
Other Receivables	194,250	358,016
	<u>252,871</u>	<u>438,995</u>

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Housing Loans	1,000,000	1,000,000
Trade Payables	238,332	99,239
Rent Received in Advance	154,363	131,098
Other Taxation and Social Security	19,691	16,337
Other Payables	24,693	17,178
Liability for Past Service Contributions	-	131,204
Accruals and Deferred Income	88,512	107,377
	<u>1,525,591</u>	<u>1,502,433</u>

At the balance sheet date there were pension contributions outstanding of £0 (2018 - £0).

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019 £	2018 £
Liability for Past Service Contributions	-	390,796
Housing Loans	9,583,240	10,498,475
	<u>9,583,240</u>	<u>10,889,271</u>
Housing Loans		
Amounts due within one year	1,000,000	1,000,000
Amounts due in one year or more but less than two years	1,000,000	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	5,583,240	6,498,475
	<u>10,583,240</u>	<u>11,498,475</u>
Less: Amount shown in Current Liabilities	1,000,000	1,000,000
	<u>9,583,240</u>	<u>10,498,475</u>
Liability for Past Service Contributions		
Amounts due within one year	-	131,204
Amounts due in one year or more but less than two years	-	135,140
Amounts due in two years or more but less than five years	-	255,656
Amounts due in more than five years	-	-
	<u>-</u>	<u>522,000</u>
Less: Amount shown in Current Liabilities	-	131,204
	<u>-</u>	<u>390,796</u>

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

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable / Fixed
Co-operative Bank	Standard security over 765 properties	4.7%	2027-2030	Variable

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 in the prior year was accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows were discounted at a rate of 1.51%.

Due to lenders at the year end	11,350,000	12,350,000
Effective interest rate adjustment	(766,760)	(851,525)
Loans at amortised cost using the effective interest rate	<u>10,583,240</u>	<u>11,498,475</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 £	2018 £
Surplus for the year	1,054,968	844,746
Depreciation	981,670	931,397
Gain on disposal	(418)	(127,081)
Adjustment to opening pension liability	(213,000)	-
Amortisation of Capital Grants	(275,000)	(275,532)
Change in debtors	186,124	(351,553)
Change in creditors	239,127	(317,115)
Unwinding of Discount on Pension Liability	88,000	14,102
Transfer of interest to financial activities	447,683	799,521
Share Capital Written Off	(7)	(14)
Net cash inflow from operating activities	<u>2,509,147</u>	<u>1,518,471</u>

Reconciliation of net cash flow to movement in net debt

	2019		2018	
	£	£	£	£
Increase / (decrease) in cash	1,633,441		(1,703,689)	
Cashflow from change in net debt	(699,208)		1,763,611	
Other charges	(84,765)		-	
Movement in net debt during the year		849,468		59,922
Net debt at 1st April 2018		(6,069,190)		(6,129,112)
Net debt at 31 March 2019		<u>(5,219,722)</u>		<u>(6,069,190)</u>

Analysis of changes in net debt

	At 01 April 2018	Cashflows	Other Changes	At 31 March 2019
Cash at bank and in hand	724,200	1,633,441	-	2,357,641
Liquid resources	4,705,085	(1,699,208)	-	3,005,877
	<u>5,429,285</u>	<u>(65,767)</u>	<u>-</u>	<u>5,363,518</u>
Debt: Due within one year	(1,000,000)	-	-	(1,000,000)
Due after more than one year	(10,498,475)	1,000,000	(84,765)	(9,583,240)
Net Debt	<u>(6,069,190)</u>	<u>934,233</u>	<u>(84,765)</u>	<u>(5,219,722)</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
Social Housing Grants		
As at 1 April 2018	14,096,421	14,096,421
As at 31 March 2019	14,096,421	14,096,421
Amortisation		
As at 1 April 2018	2,360,213	2,360,213
Amortisation in year	265,000	265,000
As at 31 March 2019	2,625,213	2,625,213
Net book value		
As at 31 March 2019	11,471,208	11,471,208
As at 31 March 2018	11,736,208	11,736,208
Other Grants		
As at 1 April 2018	514,346	514,346
As at 31 March 2019	514,346	514,346
Amortisation		
As at 1 April 2018	285,819	285,819
Amortisation in year	10,000	10,000
As at 31 March 2019	295,819	295,819
Net book value		
As at 31 March 2019	218,527	218,527
As at 31 March 2018	228,527	228,527
Total grants net book value as at 31 March 2019	11,689,735	11,689,735
Total grants net book value as at 31 March 2018	11,964,735	11,964,735

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

	2019 £	2018 £
Amounts due within one year	275,000	265,245
Amounts due in one year or more	11,414,735	11,699,490
	11,689,735	11,964,735

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2019 £	2018 £
As at 1 April	101	109
Issued in year	5	6
Cancelled in year	(7)	(14)
As at 31 March	99	101

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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-

	2019 No.	2018 No.
General Needs - Built by Association	194	194
General Needs - Purchased by Association	768	769
	<u>962</u>	<u>963</u>

During the year one property was demolished, reconstruction is in progress.

21. RELATED PARTY TRANSACTIONS

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

Any transactions between the Association and any entity with which a Management Board member has a connection is made at arm's length and is under normal commercial terms.

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

	2019 £	2018 £
Rent received from tenants on the Management Board and their close family members	4,173	5,909

At the year end total rent arrears owed by the tenant members on the Management Board (and their close family) were £Nil (2018 - £Nil).

At the year end total factoring arrears owed by the factored owners on the Management Board (and their close family) were £Nil (2018 - £Nil).

Members of the Management Board who are tenants	1	2
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SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 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, registered property factor and a Scottish charity that owns and manages social housing property in East Ayrshire.

23. MANAGEMENT BOARD MEMBER EMOLUMENTS

Management Board members received £3,802 (2018 - £4,299) in the year by way of reimbursement of expenses. No remuneration is paid to Management Board members in respect of their duties to the Association.

24. RETIREMENT BENEFIT OBLIGATIONS

Shire Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the scheme). The assets of which are held in a separate trustee administered fund. All employees are currently part of the defined contribution scheme, but the Association was originally in the defined benefit scheme.

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-appointed amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

The last 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%). All Scheme members have agreed to make contributions towards the past service deficit.

In prior years, the scheme actuary was unable to identify the Association's share of the scheme assets and defined benefit obligations. The scheme was therefore accounted for on a multi-employer defined contribution basis. However, information was available in relation to future payments towards the past service deficit. Until 31 March 2018, the expected contributions to the past service deficit were recorded as a liability in the financial statements. From 1 April 2018, the Association's share of the pension deficit has been recorded in these financial statements. In line with Financial Reporting Exposure Draft 71, this has been recorded as an adjustment to the revenue reserve as at 1 April 2018 as the difference between the past service deficit liability and the pensions deficit measured at that date.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The administering authority has responsibility for the management of the Fund. As most of the Fund's investments are equity based, there is an inherent risk of volatility in the investment market having a significant effect on the value of the fund's assets. In order to mitigate this risk, the Fund holds a diverse investment portfolio with a range of investment managers.

At the balance sheet date, there was 5 active member of the scheme employed by the Association. Total pension contributions made by the Association for the year were £146,000.

The following figures are prepared by the Actuaries in accordance with their understanding of FRS 102 and Guidance Note 36: Accounting for Retirement Benefits under FRS 102 issued by the Institute and Faculty of Actuaries.

Principal Actuarial Assumptions

Assumptions as at	2019 %p.a.	2018 %p.a.	2017 %p.a.
Salary increases	3.3%	3.2%	0.0%
Pension increases	3.3%	3.2%	0.0%
Discount rate	2.3%	2.6%	0.0%

The defined benefit obligation is estimated to comprise of the following:

	2019 £000
Employee members	5
Deferred pensioners	7
Pensioners	10
	<hr/>
	22
	<hr/>

Mortality Rates

Life expectancy is based on the PFA92 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males (Years)	Females (Years)
Current Pensioners	21.7	23.4
Future Pensioners	23.1	24.7

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RETIREMENT BENEFIT OBLIGATIONS

Fair value of scheme assets by category

	2019
	£000
Equities	1,695
Bonds	2,228
Property	313
Cash	4
	<hr/>
	4,240

Net Pension Liability

	2019
	£000
Fair value of employer's assets	4,240
Present value of defined benefit obligations	(5,132)
	<hr/>
	(892)

Reconciliation of fair value of employer assets

	2019
	£000
Opening fair value of employer assets	4,013
Interest Income	104
Expected Return on Assets	109
Contributions by the Employer	146
Estimated Benefits Paid	(132)
	<hr/>
Closing fair value	4,240

Reconciliation of defined benefit obligations

	2019
	£000
Opening defined benefit obligation	4,748
Scheme Expenses	4
Interest Cost	121
Actuarial Losses	391
Estimated Benefits Paid	(132)
	<hr/>
Closing defined benefit obligation	5,132

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 RETIREMENT BENEFIT OBLIGATIONS

Analysis of amount charged to the Income and Expenditure Account

	2019
	£000
Charged to operating costs:	
Scheme expenses	4
	<hr/>
Charged to Other Finance Costs / (Income)	
Expected Return on employer assets	(104)
Interest on pension scheme liabilities	121
	<hr/>
	17
	<hr/>
Net Charge to the Income and Expenditure Account	21

Actuarial Gain / (Loss) recognised in Other Comprehensive Income

	2019
	£000
Actuarial (loss) recognised in year	(282)
Cumulative actuarial losses	(282)