



**Alexander Sloan**  
Accountants and Business Advisers

# **Shire Housing Association Limited**

For the year ended 31 March 2020

Registered Social Landlord No. HAL 296

FCA Reference No. 2515R(S)

Scottish Charity No. SC038664

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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# SHIRE HOUSING ASSOCIATION LIMITED

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## MANAGEMENT BOARD, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

### Management Board

Lorne Campbell	Chairperson
Hugh Carr *	Vice Chairperson
Nick Allan *	Convenor of the the Audit Committee
Shaun Lowrie	
William Paterson	
Simon Roberts *	
Ross Morris*	
Alexander Rae *	
Laura Murphy *	
Terry Bardell	Resigned 19 September 2019
Stuart Murray	
Alisha Malik	Co-opted 25 September 2019
Debra MacLeod	Co-opted 27 November 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  
Cumnock  
Ayrshire  
KA18 3DB

### EXTERNAL AUDITORS

Alexander Sloan  
Accountants and 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

### SOLICITOR

Addleshaw Goddard  
Exchange Tower  
19 Canning Street  
Edinburgh  
EH3 8EH

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

The Management Board presents its report and the Financial Statements for the year ended 31 March 2020.

### Legal Status

The Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society (No.2515R(S)), the Scottish Housing Regulator as a registered social landlord (No.HAL 296) and as 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

Strong governance continues to be the key foundation for our business success. Robust strategic planning and risk management ensures that we deliver high quality services that meet the requirements of the Scottish Housing Regulator and of our customers. The Association continued to be viewed as “low risk” by the Scottish Housing Regulator during 2019/20. A key part of this process was the submission of our first Assurance Statement, supported by a detailed Assurance Map, confirming our compliance with the new Regulatory Framework.

Risk management remains an integral part of our business, we constantly update and refine our risk map, implementing controls to mitigate risks in all areas of operation. At the end of 2019/20, for example, we implemented our Contingency Plan allowing us to work remotely during the Covid-19 Pandemic.

During 2019/20 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.

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

### Review of Business and Future Developments (Continued)

**Great Homes** - Offering tenants an attractive, energy efficient, affordable home is a key objective, together with supporting the communities we operate in. We invested a record £1.5 million in our housing stock during 2019/20 including an ambitious rewire program, external wall insulation work, replacement central heating, new roofs, and timber window and door replacement. This investment not only provides greater comfort and value for money for our tenants, but also ensures we continue to meet the requirements of the Scottish Housing Quality Standard, and the Energy Efficiency Standard for Social Housing.

**Great People** - Ensuring we have the right human resources is a key ingredient in meeting our long-term strategic challenges. During 2019/20 we retained our Customer Services Excellence award and also Silver Accreditation in both Investors in People and Investors in Young People. The accreditation frameworks continue to provide a basis for organisational development, our commitment to continuous improvement, strengthening our ability to meet our Business Vision of creating and maintaining Vibrant Communities in all our communities.

**Vibrant Communities** - Delivering high-quality services to our communities and developing our role as a community anchor remain key business objectives. For example, we strengthened partnership working with the Ayrshire Chamber of Commerce's Developing Young Workforce Team and local schools during 2019/20. Our success in developing this partnership was reflected in our nomination as a finalist in the Ayrshire Chamber of Commerce Developing Young Workforce Award in October 2019.

### Performance

We monitor our operational and financial performance throughout the year, identifying areas where we can improve business efficiency and services to customers. The figures below summarise key performance indicators at 31 March that were reported in the Scottish Housing Regulator's Annual Return on the Charter:

	2020	2019
Gross rent arrears as a % of annual rental income	4.49%	4.55%
Percentage of rent lost due to empty properties	1.11%	1.35%
Average time to complete non-emergency repairs	4.42 days	4.89 days
Average time to complete emergency repairs	2.01 hours	2.13 hours

# SHIRE HOUSING ASSOCIATION LIMITED

## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

### Review of Business and Future Developments (Continued)

#### Tenant Satisfaction

Delivering high quality services to our tenants is the central ethos of our business. We use feedback from our tenants and benchmark performance to support our culture of continuous improvement. The Association commissioned an independent consultant to undertake a comprehensive tenant satisfaction survey in October 2019, reviewing a range of indicators from the Scottish Housing Regulator's Annual Return on the Charter (ARC) and comparing our performance with Scottish Averages. The results, detailed in the table below, highlight the quality of services we deliver over a six-year period.

Scottish Housing Regulator Indicators				
	2013	2016	2019	2018/19 ARC
Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by Shire Housing Association? ( <i>% very/ fairly satisfied</i> )	93%	96%	92%	90%
How good or poor do you feel Shire is at keeping you informed about their services and decisions? ( <i>% very/ fairly good</i> )	98%	99%	99%	92%
How satisfied or dissatisfied are you with the opportunities given to you to participate in Shire's decision-making process? ( <i>% very/ fairly satisfied</i> )	94%	100%	99%	87%
Thinking about the LAST time you had repairs carried out, how satisfied or dissatisfied were you with the repairs and maintenance service provided by Shire? <i>Those who have reported a repair in the last 12 months</i>	91%	91%	93%	92%
Overall, how satisfied or dissatisfied are you with the quality of your home? ( <i>% very/ fairly satisfied</i> )	92%	84%	95%	88%
Taking into account the accommodation and services your landlord provides, to what extent do you think your rent represents value for money? Is it... ( <i>% stating very/ fairly good value for money</i> )	58%	85%	93%	83%
Overall, how satisfied or dissatisfied are you with Shire's management of the neighbourhood you live in? ( <i>% very/ fairly satisfied</i> )	96%	95%	97%	88%

Source: Research Resource Consultancy

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

### Review of Business and Future Developments (Continued)

#### Future Outlook

We are developing a new 2020-2025 Business Plan, with ambitious plans for 2020/21 and beyond. Work is ongoing to review our current loan financing arrangements to ensure that we have the financial flexibility to support our business aspirations. Plans to build new office accommodation for the Association will continue to be progressed. The Association continues 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.

Demographic change in East Ayrshire, particularly an ageing population, presents a challenge to health and social care provision. However, we continue to work collaboratively with East Ayrshire Health and Social Care Partnership to find innovative ways to strengthen health and social care integration, including innovative solutions through the East Ayrshire Care and Repair Service.

Developing new digital services for our customers and accelerating channel shift will be an increasing priority. Our response to the Covid-19 pandemic with agile remote working across the Association has underlined the importance of transforming our future service delivery as we adapt to the “new normal” post Covid-19.

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

### 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

- 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
- prepare the Financial Statements on the going concern basis unless it is inappropriate to
- 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 2010 and the Determination of Accounting Requirements 2019. It is 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.

### Going Concern

Based on its budgetary and forecasting processes the Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

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## REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2020

### 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;

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 misstatement 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
- 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 receives 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 2020. 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.

During the year the Association made charitable donations amounting to £2,259 (2019 - £1,345).

### Disclosure of Information to the Auditor

The members of the Management Board at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

### Auditors

A resolution to reappoint 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  
7 July 2020

# SHIRE HOUSING ASSOCIATION LIMITED

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## 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 6 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 Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 6 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the 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 'Our Regulatory Framework' 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  
7 July 2020



# SHIRE HOUSING ASSOCIATION LIMITED

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## 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 2020 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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 Benefit Societies Act 2014, the Housing (Scotland) Act 2010 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 information, we are required to report that fact.

We have nothing to report in this regard.

# SHIRE HOUSING ASSOCIATION LIMITED

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

### Matters on which we are required to report by exception

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.

### Responsibilities of the Management Board

As explained more fully in the Statement of Management Board's Responsibilities as set out on page 6, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

### Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of 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 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.

### ALEXANDER SLOAN

Accountants and Business Advisers  
Statutory Auditors  
GLASGOW  
7 July 2020



# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Revenue	2	5,003,483	4,983,102
Operating costs	2	3,336,048	3,378,686
<b>OPERATING SURPLUS</b>		<b>1,667,435</b>	<b>1,604,416</b>
Interest receivable and other income		37,880	33,475
Interest payable and similar charges	7	(303,464)	(565,923)
Other Finance charges	9	(19,000)	(17,000)
		(284,584)	(549,448)
<b>SURPLUS FOR THE YEAR</b>		<b>1,382,851</b>	<b>1,054,968</b>
Adjustment relating to opening pension liability	17	-	(213,000)
Actuarial gains/(losses) on defined benefit pension plan	17	689,000	(282,000)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>2,071,851</b>	<b>559,968</b>

The results relate wholly to continuing activities.

The notes on pages 15 to 34 form an integral part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019
		£	£	£
<b>NON-CURRENT ASSETS</b>				
Housing properties - depreciated cost	10		25,777,033	25,214,410
Other tangible assets	10		1,024,260	1,027,996
			<u>26,801,293</u>	<u>26,242,406</u>
<b>CURRENT ASSETS</b>				
Receivables	11	357,774	252,871	
Investments	12	3,025,389	3,005,877	
Cash and cash equivalents	13	2,259,566	2,357,641	
		<u>5,642,729</u>	<u>5,616,389</u>	
<b>CREDITORS:</b> Amounts falling due within one year	14	(1,958,447)	(1,525,591)	
<b>NET CURRENT ASSETS</b>			<u>3,684,282</u>	<u>4,090,798</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			30,485,575	30,333,204
<b>CREDITORS:</b> Amounts falling due after more than one year	15		(8,732,763)	(9,583,240)
<b>PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Scottish housing association pension scheme	17	(98,000)	(892,000)	
			(98,000)	(892,000)
<b>DEFERRED INCOME</b>				
Social housing grants	18	(11,206,208)	(11,471,208)	
Other grants	18	(208,527)	(218,527)	
			<u>(11,414,735)</u>	<u>(11,689,735)</u>
<b>NET ASSETS</b>			<u><b>10,240,077</b></u>	<u><b>8,168,229</b></u>
<b>EQUITY</b>				
Share capital	19		96	99
Revenue reserves			10,239,981	8,168,130
			<u><b>10,240,077</b></u>	<u><b>8,168,229</b></u>

The financial statements were approved by the Management Board and authorised for issue and signed on their behalf on 7 July 2020.

**Committee Member**

**Committee Member**

**Secretary**

The notes on pages 15 to 34 form an integral part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
<b>Surplus for the Year</b>			1,382,851		1,054,968
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	10	1,002,303		981,670	
Amortisation of capital grants	18	(275,000)		(275,000)	
Increase/decrease in provisions		-		88,000	
Gain on disposal of tangible fixed assets		-		(418)	
Adjustments to pension provisions		(105,000)		(213,000)	
Share capital written off	19	(10)		(7)	
			622,293		581,245
Interest receivable			(37,880)		(33,475)
Interest payable	7		303,464		481,158
<b>Operating cash flows before movements in working capital</b>			2,270,728		2,083,896
Change in debtors		(105,051)		186,124	
Change in creditors		26,456		239,127	
			(78,595)		425,251
<b>Net cash inflow from operating activities</b>			2,192,133		2,509,147
<b>Investing Activities</b>					
Acquisition and construction of properties		(1,416,590)		(1,086,843)	
Purchase of other fixed assets		(24,760)		(40,393)	
Changes on short term deposits with banks		(19,512)		1,699,208	
<b>Net cash (outflow) / inflow from investing activities</b>			(1,460,862)		571,972
<b>Financing Activities</b>					
Interest received on cash and cash equivalents		38,028		33,475	
Interest paid on loans		(117,381)		(481,158)	
Loan principal repayments		(750,000)		(1,000,000)	
Share capital issued	19	7		5	
<b>Net cash outflow from financing activities</b>			(829,346)		(1,447,678)
<b>(Decrease)/increase in cash</b>	20		(98,075)		1,633,441
<b>Opening cash &amp; cash equivalents</b>			2,357,641		724,200
<b>Closing cash &amp; cash equivalents</b>			<b>2,259,566</b>		<b>2,357,641</b>
<b>Cash and cash equivalents as at 31 March</b>					
Cash	20		<b>2,259,566</b>		<b>2,357,641</b>

The notes on pages 15 to 34 form an integral part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Revenue Reserve	Total
	£	£	£
<b>Balance as at 1 April 2018</b>	101	7,608,162	7,608,263
Issue of Shares	5	-	5
Cancellation of Shares	(7)	-	(7)
Other comprehensive income	-	(495,000)	(495,000)
Surplus for the year	-	1,054,968	1,054,968
<b>Balance as at 31 March 2019</b>	<b>99</b>	<b>8,168,130</b>	<b>8,168,229</b>
<b>Balance as at 1 April 2019</b>	99	8,168,130	8,168,229
Issue of Shares	7	-	7
Cancellation of Shares	(10)	-	(10)
Other comprehensive income	-	689,000	689,000
Surplus for the year	-	1,382,851	1,382,851
<b>Balance as at 31 March 2020</b>	<b>96</b>	<b>10,239,981</b>	<b>10,240,077</b>

The notes on pages 15 to 34 form an integral part of these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

### 1. PRINCIPAL ACCOUNTING POLICIES

#### **Statement of Compliance and Basis of Accounting**

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 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods beginning on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below

#### **Revenue**

Revenue comprises rental and service charge income receivable in the period, other services provided, revenue grants receivable and government grants released to income in the period.

The Association recognises revenue on rent receivable 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.

#### **Retirement Benefits**

The Association previously participated in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme where retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. For employees of the Association, the Scheme is now closed to future accrual. Payments towards past deficits 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. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102. The Association moved to the SHAPS defined contribution scheme on leaving the defined benefit scheme. Contributions to defined contribution plans are recognised as an employee benefit expense when they are due.

#### **Going Concern**

On the basis that the Management Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

##### Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties over the useful life of each major component. Housing under construction and land are not depreciated.

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

##### Depreciation and Impairment of Other Tangible Assets

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

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

##### Social Housing Grants and Other Capital Grants

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.

Any remaining 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 be restricted to the net proceeds of sale.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

#### **Taxation**

The Association is a Scottish Charity and is not liable to taxation on its charitable activities.

#### **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, a material reduction in future maintenance costs, or a significant extension of the life of the property.

#### **Capitalisation Of Development Overheads**

Directly attributable development administration costs relating to ongoing development activities are capitalised.

#### **Development Interest**

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

#### **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.

#### **Cash and Liquid Resources**

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can't be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

#### **Impairment**

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 1. PRINCIPAL ACCOUNTING POLICIES (continued.)

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

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

#### Key Judgements

##### *a) 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 Management Board considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

##### *c) Financial instrument break clauses*

The Management Board has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement 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.

##### *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. 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

##### *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 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.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

		2020	2020	2020	2019	2019	2019
	Notes	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
		£	£	£	£	£	£
Affordable letting activities	3	4,666,717	3,022,610	1,644,107	4,606,498	3,037,657	1,568,841
Other Activities	4	336,766	313,438	23,328	376,604	341,029	35,575
<b>Total</b>		<b>5,003,483</b>	<b>3,336,048</b>	<b>1,667,435</b>	<b>4,983,102</b>	<b>3,378,686</b>	<b>1,604,416</b>

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

	General Housing	Total	Total
	£	£	£
Rent receivable net of service charges	4,386,041	4,386,041	4,311,036
Service charges receivable	8,237	8,237	8,040
<b>Gross income from rent and service charges</b>	<b>4,394,278</b>	<b>4,394,278</b>	<b>4,319,076</b>
Less: Rent losses from voids	51,786	51,786	59,689
<b>Income from rents and service charges</b>	<b>4,342,492</b>	<b>4,342,492</b>	<b>4,259,387</b>
Grants released from deferred income	275,000	275,000	275,000
Revenue grants from Scottish Ministers	49,225	49,225	72,111
<b>Total turnover from affordable letting activities</b>	<b>4,666,717</b>	<b>4,666,717</b>	<b>4,606,498</b>
<b>Expenditure on affordable letting activities</b>			
Management and maintenance administration costs	1,106,955	1,106,955	1,117,372
Service costs	8,237	8,237	8,040
Planned and cyclical maintenance, including major repairs	241,919	241,919	293,801
Reactive maintenance costs	679,859	679,859	638,167
Bad Debts - rents and service charges	11,833	11,833	22,481
Depreciation of affordable let properties	973,807	973,807	957,796
<b>Operating costs of affordable letting activities</b>	<b>3,022,610</b>	<b>3,022,610</b>	<b>3,037,657</b>
<b>Operating surplus on affordable letting activities</b>	<b>1,644,107</b>	<b>1,644,107</b>	<b>1,568,841</b>
<b>2019</b>			<b>1,568,841</b>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020  
 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	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£
Wider role activities	-	-	-	-	7,757	(7,757)	(2,965)
Care and repair	311,325	-	311,325	-	279,213	32,112	39,290
Factoring	-	25,441	25,441	670	25,798	(1,027)	(750)
<b>Total From Other Activities</b>	<b>311,325</b>	<b>25,441</b>	<b>336,766</b>	<b>670</b>	<b>312,768</b>	<b>23,328</b>	<b>35,575</b>
<b>2019</b>	<b>340,942</b>	<b>35,662</b>	<b>376,604</b>	<b>6,500</b>	<b>334,529</b>	<b>35,575</b>	

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 5. OFFICERS' EMOLUMENTS

	2020 £	2019 £
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)	<u>83,235</u>	<u>81,677</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,018</u>	<u>6,128</u>
Emoluments payable to Director & Secretary (excluding pension contributions)	83,235	81,677
Pension contributions paid on behalf of the Director & Secretary	6,018	6,128
Total emoluments payable to the Director & Secretary	<u>89,253</u>	<u>87,805</u>
Total emoluments paid to key management personnel (excluding pension contributions)	<u>209,561</u>	<u>202,573</u>

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

	Number	Number
£60,001 to £70,000	2	1
£80,001 to £90,000	<u>1</u>	<u>1</u>

### 6. EMPLOYEE INFORMATION

	2020 No.	2019 No.
Average monthly number of full time equivalent persons employed during the year	<u>19</u>	<u>19</u>
Average total number of employees employed during the year	<u>20</u>	<u>19</u>
Staff costs were:	£	£
Wages and salaries	725,580	766,508
National insurance costs	73,578	70,017
Pension costs	64,778	58,109
	<u>863,936</u>	<u>894,634</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	153,942	481,158
Effective Interest Rate Adjustment	149,522	84,765
	<u>303,464</u>	<u>565,923</u>

#### 8. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	1,002,303	981,670
Auditors' remuneration - audit services	8,700	8,280
Auditors' remuneration - other services	630	600
Operating lease rentals - other	10,886	10,675
Gain on sale of other non-current assets	-	(418)
	<u>-</u>	<u>(418)</u>

#### 9. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Net interest on pension obligations	<u>(19,000)</u>	<u>(17,000)</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020  
NOTES TO THE FINANCIAL STATEMENTS (continued)

## 10. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
<b>COST</b>		
At 1 April 2019	35,812,276	35,812,276
Additions	1,536,430	1,536,430
Disposals	<u>(400,354)</u>	<u>(400,354)</u>
At 31 March 2020	<u>36,948,352</u>	<u>36,948,352</u>
<b>DEPRECIATION</b>		
At 1 April 2019	10,597,866	10,597,866
Charge for Year	973,807	973,807
Disposals	<u>(400,354)</u>	<u>(400,354)</u>
At 31 March 2020	<u>11,171,319</u>	<u>11,171,319</u>
<b>NET BOOK VALUE</b>		
At 31 March 2020	<u>25,777,033</u>	<u>25,777,033</u>
At 31 March 2019	<u>25,214,410</u>	<u>25,214,410</u>

Expenditure on Existing Properties	2020		2019	
	<i>Component replacement</i> £	<i>Improvement</i> £	<i>Component replacement</i> £	<i>Improvement</i> £
Amounts capitalised	1,536,430	-	1,086,843	-
Amounts charged to the statement of comprehensive income	<u>-</u>	<u>787,037</u>	<u>-</u>	<u>768,250</u>

All land and housing properties are heritable.

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Land £	Total £
<b>COST</b>				
At 1 April 2019	208,412	101,901	840,274	1,150,587
Additions	-	24,760	-	24,760
	<u>208,412</u>	<u>126,661</u>	<u>840,274</u>	<u>1,175,347</u>
At 31 March 2020	208,412	126,661	840,274	1,175,347
<b>DEPRECIATION</b>				
At 1 April 2019	75,667	46,924	-	122,591
Charge for year	6,337	22,159	-	28,496
	<u>82,004</u>	<u>69,083</u>	<u>-</u>	<u>151,087</u>
At 31 March 2020	82,004	69,083	-	151,087
<b>NET BOOK VALUE</b>				
At 31 March 2020	<u>126,408</u>	<u>57,578</u>	<u>840,274</u>	<u>1,024,260</u>
At 31 March 2019	<u>132,745</u>	<u>54,977</u>	<u>840,274</u>	<u>1,027,996</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

## 11. RECEIVABLES

	2020	2019
	£	£
Gross arrears of rent and service charges	240,710	215,621
<b>Less:</b> Provision for doubtful debts	<u>(157,000)</u>	<u>(157,000)</u>
<i>Net arrears of rent and service charges</i>	83,710	58,621
Other receivables	274,064	194,250
	<u>357,774</u>	<u>252,871</u>

## 12. CURRENT ASSET INVESTMENTS

	2020	2019
	£	£
Short term deposits	<u>3,025,389</u>	<u>3,005,877</u>

## 13. CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	<u>2,259,566</u>	<u>2,357,641</u>

# SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020  
NOTES TO THE FINANCIAL STATEMENTS (continued)

## 14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Bank loans	1,250,000	1,000,000
Trade payables	203,742	238,332
Rent received in advance	171,940	154,363
Other taxation and social security	18,981	19,691
Other payables	24,189	24,693
Accruals and deferred income	289,595	88,512
	<u>1,958,447</u>	<u>1,525,591</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Bank loans	8,732,763	9,583,240

### 16. DEBT ANALYSIS - BORROWINGS

	£	£
<b>Bank Loans</b>		
Amounts due within one year	1,250,000	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	4,732,763	5,583,240
	<u>9,982,763</u>	<u>10,583,240</u>

The Association has a number of bank loans the principal terms of which are as follows:

<b>Lender</b>	<b>Number of Properties Secured</b>	<b>Effective Interest Rate</b>	<b>Maturity (Year)</b>	<b>Variable or Fixed</b>
Co-operative Bank	745	4.7%	2027-2030	Variable

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

In accordance with FRS 102 the Association's bank borrowings are valued using at amortised cost using the effective interest rate method.

	2020	2019
	£	£
Due to lenders At 31 March 2020	10,600,000	11,350,000
Effective interest rate adjustment	(617,237)	(766,760)
	<u>9,982,763</u>	<u>10,583,240</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETIREMENT BENEFIT OBLIGATIONS

#### Scottish Housing Association Pension Scheme

Shire Housing Association Limited participated in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Association moved to a defined contribution scheme in 1 April 2014 but has a net liability for the past service deficit in the defined benefit scheme.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 28 February 2022.

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

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of £213,000

#### Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019
Fair value of plan assets	4,680,000	4,240,000
Present value of defined benefit obligation	4,778,000	5,132,000
(Deficit) in plan	(98,000)	(892,000)
Unrecognised surplus	-	-
Defined benefit (liability) to be recognised	(98,000)	(892,000)

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

#### Defined benefit costs recognised in the statement of comprehensive income

	<b>2020</b>	<b>2019</b>
Expenses	4,000	4,000
Net interest expense	19,000	17,000
	<u>          </u>	<u>          </u>
Defined benefit costs recognised in statement of comprehensive income	23,000	21,000
	<u>          </u>	<u>          </u>

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Experience on plan assets (excluding amounts included in interest income) - gain / (loss)	337,000	109,000
Experience gains and losses arising on plan liabilities - gain / (loss)	(222,000)	(38,000)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain / (loss)	31,000	(14,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	543,000	(339,000)
	<u>          </u>	<u>          </u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	689,000	(282,000)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss)	-	-
	<u>          </u>	<u>          </u>
Total amount recognised in other comprehensive income - gain / (loss)	689,000	(282,000)
	<u>          </u>	<u>          </u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

##### Reconciliation of opening and closing balances of the defined benefit obligation

	2020	2019
	£	£
Defined benefit obligation at the start of period	5,132,000	4,748,000
Expenses	4,000	4,000
Interest expense	117,000	121,000
Actuarial losses (gains) due to scheme experience	222,000	38,000
Actuarial losses (gains) due to changes in demographic assumptions	(31,000)	14,000
Actuarial losses (gains) due to changes in financial assumptions	(543,000)	339,000
Benefits paid and expenses	(123,000)	(132,000)
Defined benefit obligation at the end of period	<u>4,778,000</u>	<u>5,132,000</u>

##### Reconciliation of opening and closing balances of the fair value of plan assets

	2020	2019
	£	£
Fair value of plan assets at start of period	4,240,000	4,013,000
Interest income	98,000	104,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	337,000	109,000
Contributions by the employer	128,000	146,000
Benefits paid and expenses	(123,000)	(132,000)
Fair value of plan assets at the end of period	<u>4,680,000</u>	<u>4,240,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £435,000

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 17. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Scottish Housing Association Pension Scheme (continued.)

##### Assets

	2020	2019	2018
	£	£	£
Absolute Return	287,000	359,000	476,000
Alternative Risk Premia	375,000	237,000	152,000
Corporate Bond Fund	342,000	297,000	280,000
Credit Relative Value	113,000	74,000	-
Distressed Opportunities	85,000	72,000	18,000
Emerging Markets Debt	166,000	136,000	137,000
Fund of Hedge Funds	-	12,000	115,000
Global Equity	644,000	682,000	722,000
Infrastructure	276,000	178,000	73,000
Insurance-Linked Securities	126,000	110,000	110,000
Liability Driven Investment	1,233,000	1,509,000	1,413,000
Long Lease Property	114,000	51,000	-
Net Current Assets	35,000	4,000	7,000
Over 15 Year Gilts	59,000	109,000	130,000
Private Debt	93,000	55,000	37,000
Property	87,000	84,000	159,000
Risk Sharing	148,000	123,000	37,000
Secured Income	260,000	148,000	147,000
Opportunistic Illiquid Credit	114,000	-	-
Liquid Credit	123,000	-	-
	<u>4,680,000</u>	<u>4,240,000</u>	<u>4,013,000</u>
Total assets	4,680,000	4,240,000	4,013,000

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

#### Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%

Allowance for commutation of pension for cash at retirement	75% of maximum allowance
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The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2019	21.5
Female retiring in 2019	23.2
Male retiring in 2039	22.8
Female retiring in 2039	<u>24.5</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 18. DEFERRED INCOME

	Social Housing Grants £	Other Housing Grants £	Total £
<b>Capital grants received</b>			
At 1 April 2019	14,096,421	514,346	14,610,767
At 31 March 2020	14,096,421	514,346	14,610,767
<b>Amortisation</b>			
At 1 April 2019	2,625,213	295,819	2,921,032
Amortisation in year	265,000	10,000	275,000
At 31 March 2020	2,890,213	305,819	3,196,032
<b>Net book value</b>			
At 31 March 2020	11,206,208	208,527	11,414,735
At 31 March 2019	11,471,208	218,527	11,689,735

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

	2020 £	2019 £
Amounts due within one year	275,000	265,245
Amounts due in more than one year	11,139,735	11,699,490
	11,414,735	11,964,735

### 19. SHARE CAPITAL

Shares of £1 each, issued and fully paid	2020 £	2019 £
At 1 April	99	101
Issued in year	7	5
Cancelled in year	(10)	(7)
At 31 March	96	99

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 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 20. CASH FLOWS

#### Reconciliation of net cash flow to movement in net debt

	£	2020 £	£	2019 £
(Decrease) / increase in cash	(98,075)		1,633,441	
Change in liquid resources	19,512		(1,699,208)	
Cashflow from change in net debt	750,000		1,000,000	
Other non cash changes	(149,523)		(84,765)	
Movement in net debt during the year		521,914		849,468
Net debt at 1 April		(5,219,722)		(6,069,190)
Net debt at 31 March		<u>(4,697,808)</u>		<u>(5,219,722)</u>

	At 01 April 2019 £	Cashflows £	Other Changes £	At 31 March 2020 £
Cash and cash equivalents	2,357,641	(98,075)	-	2,259,566
Liquid resources	3,005,877	19,512	-	3,025,389
Debt: Due within one year	(1,000,000)	750,000	(1,000,000)	(1,250,000)
Due after more than one year	(9,583,240)	-	850,477	(8,732,763)
Net debt	<u>(5,219,722)</u>	<u>671,437</u>	<u>(149,523)</u>	<u>(4,697,808)</u>

### 21. CAPITAL COMMITMENTS

	2020 £	2019 £
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	<u>1,296,220</u>	<u>1,065,158</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

### 22. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total minimum lease payments under non-cancellable operating leases were as follows:		
<b>Other</b>		
Expiring in the next year	-	5,092
Expiring later than one year and not later than five years	3,240	9,479
Expiring later than five years	<u>26,296</u>	<u>-</u>

# SHIRE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

### 23. 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, Cumnock, Ayrshire, KA18 3DB.

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

### 24. MANAGEMENT BOARD MEMBER EMOLUMENTS

Management Board members received £7,333 (2019 - £3,802) 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.

### 25. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General needs - Built by Association	194	194
General Needs - Purchased by Association	768	768
	<u>962</u>	<u>962</u>

### 26. 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 with is made at arm's length and is under normal commercial terms.

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

	2020 £	2019 £
Rent received from tenants on the Management Board and their close family members	<u>4,046</u>	<u>4,173</u>

At the year end total rent arrears owed by the tenant members on the Management Board (and their close family) were £Nil (2019 - £Nil).

Members of the Management Board who are tenants	1	1
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