



Alexander Sloan
Accountants and Business Advisers

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2018

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 2018

MANAGEMENT BOARD

Janet Allan	Chairperson
Lorne Campbell	Vice Chairperson
Nick Allan	
Shaun Lowrie	
William Paterson	
Wendy McCracken	Co-optee 20/09/17
Hugh Carr	Appointed 20/09/17
Simon Roberts	Appointed 20/09/17
Ross Morris	Appointed 20/09/17
Alexander Rae	Appointed 20/09/17
Laura Murphy	Appointed 20/09/17
Terry Bardell	Co-optee 13/12/17
Grace Nichol	Resigned 20/09/17
Zoe Forster	Resigned 20/09/17
Edith Young	Deceased 21/02/18

EXECUTIVE OFFICERS

Jim Munro	Director & Secretary
Lynn Miller	Head of Customer Services
Barbara Spittal	Head of Finance (resigned 30/11/17)

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 2018

The Management Board presents its report and the Financial Statements for the year ended 31 March 2018.

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.

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 a 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 continues to be classified as "Low Engagement" with the Scottish Housing Regulator.

During 2017/18 the Management Board oversaw the continued transformation of the business implementing our Business Plan for the period 2017-2020. It sets out our Vision of Great Homes, Great People, Vibrant Communities supported by 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 supporting the communities we operate in. We have a large planned maintenance programme ensuring we continue to meet the requirements of the Scottish Housing Quality Standard, and the future Energy Efficiency Standard for Social Housing.

Great People-Ensuring we have the right human resources is the key ingredient in meeting our long-term strategic challenges. During 2017/18 we completed an Organisational Development Review continuing to build the capacity of our Management Board and Staff Team. The Association also started the process of a staff structure review to ensure we can meet our future strategic challenges. We received a re-accreditation for our Customer Services Excellence award from the Centre for Assessment during the year underlining our commitment to delivering high quality services to our tenants and customers. The Association achieved Investors in People Silver Accreditation, and Investors in Young People Silver Accreditation.

Vibrant Communities-2017/18 saw the Association increase its partnership working with a range of community organisations and stakeholders. Over the coming year we will develop our Wider Role Strategy to procure funding and resources that benefit our communities.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2018

Review of Business and Future Developments (Continued)

Financial Prudence and Value for Money

The Association undertook a review of our 30 year financial projections during 2017/18 to ensure that we have clear understanding of our business costs. This provided the Management Board with a clear strategic understanding of how to continue supporting our business objectives.

Value for money continues to be a key tenet of our Business Plan activities. During 2017/18 we developed a Value for Money Strategy which will continue to ensure that value for money is a key part of our business activities.

Service and Performance

Engaging with our tenants and customers we ensure that we are delivering the right service at the right costs. The Association continues to support and empower our Tenant Scrutiny Panel to allow it to review a range of service policies and procedures, holding us to account by driving service improvements.

Challenges

Income Recovery-This remains a challenge as changes resulting from the Welfare Reform agenda take place. Universal Credit has started to be fully implemented in our communities and will be present a significant challenge to our revenue collection.

Housing Need and Demand-East Ayrshire continues to experience over supply of larger homes and low demand in certain areas. We are continuing to review and develop our Asset Management Strategy to address these issues. The Association also provides support and welfare benefit advice to help tenancy sustainment.

Care and Repair-We continue to successfully deliver the East Ayrshire Care and Repair Service on behalf of the East Ayrshire Health and Social Care Partnership. The service has continued to expand and play an important role in meeting the health and social care agenda. During 2018/19 we will be participating in an innovative pilot programme to deliver wet floor shower adaptations to owner-occupiers.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2018

Management Board and Executive Officers

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

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

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

Statement of Management Board's Responsibilities

The Co-operative and Community Benefit Act 2014 require 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 2015. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Board must, in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Board are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The 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 2018

Statement on Internal Financial Control

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

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

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

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Management Board;
- the Management Board receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2018. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Management Board


JIM MUNRO

Secretary

27 June 2018

SHIRE HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the relevant Regulatory Standards 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
27 June 2018



Alexander Sloan
Accountants and Business Advisers

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 2018 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 2018 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 2015.

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

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

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.

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.

SHIRE HOUSING ASSOCIATION LIMITED

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

- 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
27 June 2018



Alexander Sloan
Accountants and Business Advisers

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	£	2018 £	£	2017 £
REVENUE	2		4,833,266		4,756,971
Operating Costs	2		<u>(3,316,080)</u>		<u>(3,166,139)</u>
OPERATING SURPLUS			1,517,186		1,590,832
Gain On Sale Of Housing Stock	7	127,081		328,564	
Interest Receivable and Other Income		35,915		49,094	
Interest Payable and Similar Charges	8	(849,538)		(880,347)	
Other Finance Income / (Charges)	10	<u>14,102</u>		<u>161,831</u>	
			<u>(672,440)</u>		<u>(340,858)</u>
SURPLUS FOR THE YEAR	9		844,746		1,249,974
Other Comprehensive Income			-		-
TOTAL COMPREHENSIVE INCOME			<u>844,746</u>		<u>1,249,974</u>

The notes on pages 14 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018		2017
		£	£	£
NON-CURRENT ASSETS				
Housing Properties - Depreciated Cost	11 (a)		25,085,363	25,429,759
Other Non-current Assets	11 (b)		1,011,059	1,010,767
			<u>26,096,422</u>	<u>26,440,526</u>
CURRENT ASSETS				
Receivables	14	438,995	116,463	
Bank short term deposits		4,705,085	3,706,754	
Cash at bank and in hand		724,200	2,427,889	
		<u>5,868,280</u>	<u>6,251,106</u>	
CREDITORS: Amounts falling due within one year	15	<u>(1,502,433)</u>	<u>(1,628,301)</u>	
NET CURRENT ASSETS			<u>4,365,847</u>	<u>4,622,805</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>30,462,269</u>	<u>31,063,331</u>
CREDITORS: Amounts falling due after more than one year	16		<u>(10,889,271)</u>	<u>(12,059,539)</u>
DEFERRED INCOME				
Social Housing Grants	18	(11,736,208)	(12,001,453)	
Other Grants	18	(228,527)	(238,814)	
			<u>(11,964,735)</u>	<u>(12,240,267)</u>
NET ASSETS			<u>7,608,263</u>	<u>6,763,525</u>
EQUITY				
Share Capital	19		101	109
Revenue Reserves			7,608,162	6,763,416
			<u>7,608,263</u>	<u>6,763,525</u>

The Financial Statements were approved by the Management Board and authorised for issue and signed on their behalf on 27 June 2018.

Chairperson



Board Member



Secretary



The notes on pages 14 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018	2017
		£	£
Net cash inflow from operating activities	17	1,547,492	2,330,353
Investing Activities			
Acquisition and Improvement of Properties	(589,052)	(586,953)	
Purchase of Other Fixed Assets	(24,960)	(11,197)	
Changes on short term deposits with banks	(998,331)	(929,948)	
Proceeds on Disposal of Properties	153,800	415,508	
Net cash outflow from investing activities		(1,458,543)	(1,112,590)
Financing Activities			
Interest Received on Cash and Cash Equivalents	35,915	49,094	
Interest Paid on Loans	(878,559)	(933,431)	
Loan Principal Repayments	(950,000)	-	
Share Capital Issued	6	7	
Net cash outflow from financing activities		(1,792,638)	(884,330)
(Decrease) / increase in cash		(1,703,689)	333,433
Opening Cash & Cash Equivalents		2,427,889	2,094,456
Closing Cash & Cash Equivalents		724,200	2,427,889
Cash and Cash equivalents as at 31 March			
Cash		724,200	2,427,889
		724,200	2,427,889

The notes on pages 14 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2018

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

The notes on pages 14 to 26 form part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2014, and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2015. A summary of the more important accounting policies is set out below.

Revenue

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

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

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and 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 Associations taken as a whole. The Association has moved from the Defined Benefit scheme to the Scottish Housing Association Defined Contribution Scheme.

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 2018 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 amortised to the Statement of Comprehensive Income over the life of the asset.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

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

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

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management 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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES

Leases/Leased Assets

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

Works to Existing Properties

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

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

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

c) Pension Liability

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

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

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

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

	Notes	2018			2017		
		Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
Affordable letting activities	3	4,502,115	2,997,948	1,504,167	4,416,766	2,866,140	1,550,626
Other Activities	4	331,151	318,132	13,019	340,205	299,999	40,206
Total		4,833,266	3,316,080	1,517,186	4,756,971	3,166,139	1,590,832

3. PARTICULARS OF INCOME & EXPENDITURE FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	2018 Total £	2017 Total £
Revenue from Lettings			
Rent receivable net of service charges	4,257,527	4,257,527	4,155,812
Service charges receiveable	7,847	7,847	-
Gross income from rent and service charges	4,265,374	4,265,374	4,155,812
Less: Rent losses from voids	81,398	81,398	62,989
Net Rents Receivable	4,183,976	4,183,976	4,092,823
Grants released from deferred income	275,532	275,532	275,532
Revenue grants from Scottish Ministers	42,607	42,607	46,000
Other revenue grants	-	-	2,411
Total turnover from affordable letting activities	4,502,115	4,502,115	4,416,766
Expenditure on affordable letting activities			
Management and maintenance administration costs	1,049,182	1,049,182	787,498
Service Costs	7,847	7,847	13,809
Planned and cyclical maintenance, including major repairs	379,185	379,185	449,097
Reactive maintenance costs	606,371	606,371	697,247
Bad Debts - rents and service charges	48,634	48,634	40,868
Depreciation of affordable let properties	906,729	906,729	877,621
Operating costs of affordable letting activities	2,997,948	2,997,948	2,866,140
Operating surplus on affordable letting activities	1,504,167	1,504,167	1,550,626
2017	1,550,626		

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
 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) 2018	Operating Surplus / (Deficit) 2017
	£	£	£	£	£	£	£
Care & Repair	316,314	-	316,314	-	302,532	13,782	40,500
Other activities	-	14,837	14,837	708	14,892	(763)	(294)
Total From Other Activities	316,314	14,837	331,151	708	317,424	13,019	40,206
2017	313,440	26,765	340,205	294	299,705	40,206	

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS

	2018	2017
	£	£
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>147,086</u>	<u>67,012</u>
Compensation payable to Officers for loss of office	<u>27,500</u>	<u>-</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>8,823</u>	<u>5,648</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>69,803</u>	<u>67,012</u>
Total Emoluments paid to key management personnel	<u>236,782</u>	<u>255,576</u>
The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-		
	Number	Number
£60,001 to £70,000	<u>1</u>	<u>1</u>
£70,001 to £80,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2018	2017
	No.	No.
The average monthly number of full time equivalent persons employed during the year was:	<u>18</u>	<u>20</u>
The average total number of Employees employed during the year was:	<u>18</u>	<u>21</u>
Staff Costs were:	£	£
Wages and Salaries	683,034	672,967
Social Security Costs	65,890	65,319
Other Pension Costs	53,725	48,075
	<u>802,649</u>	<u>786,361</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. GAIN ON SALE OF HOUSING STOCK

	2018	2017
	£	£
Sales Proceeds	153,800	415,508
Cost of Sales	26,719	86,944
Gain On Sale Of Housing Stock	<u>127,081</u>	<u>328,564</u>

8. INTEREST PAYABLE & SIMILAR CHARGES

	2018	2017
	£	£
Interest paid	878,559	906,889
Effective Interest Rate Adjustment	<u>(29,021)</u>	<u>(26,542)</u>
On Bank Loans & Overdrafts	<u>849,538</u>	<u>880,347</u>

9. SURPLUS FOR THE YEAR

	2018	2017
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - Tangible Owned Fixed Assets	931,397	919,306
Auditors' Remuneration - Audit Services	8,820	8,752
Auditors' Remuneration - Other Services	2,222	2,479
Operating Lease Rentals - Other	12,182	11,918
Gain on sale of fixed assets	<u>(127,081)</u>	<u>(328,564)</u>

10. OTHER FINANCE INCOME / CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities	(7,000)	(41,001)
Gain on Remeasurement of Pension Liability	21,102	202,832
	<u>14,102</u>	<u>161,831</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Total £
COST		
As at 1 April 2017	34,848,066	34,848,066
Additions	589,052	589,052
Disposals	(347,754)	(347,754)
As at 31 March 2018	<u>35,089,364</u>	<u>35,089,364</u>
DEPRECIATION		
As at 1 April 2017	9,418,307	9,418,307
Charge for Year	906,729	906,729
Disposals	(321,035)	(321,035)
As at 31 March 2018	<u>10,004,001</u>	<u>10,004,001</u>
NET BOOK VALUE		
As at 31 March 2018	<u>25,085,363</u>	<u>25,085,363</u>
As at 31 March 2017	<u>25,429,759</u>	<u>25,429,759</u>

Additions to housing properties include capitalised development administration costs of £Nil (2017 - £Nil) and capitalised major repair costs to existing properties of £589,052 (2017 - £586,953).

All land and housing properties are heritable.

Total expenditure on existing properties in the year amounted to £1,574,608 (2017 - £1,708,754). The amount capitalised is £589,052 (2017 - £586,953) with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £589,052 (2017 - £586,953) and improvement of £Nil (2017 - £Nil).

The Association's Lenders have standard securities over Housing Property with a carrying value of £19,397,907 (2017 - £19,673,074).

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018
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 2017	208,412	68,806	840,274	1,117,492
Additions	-	24,960	-	24,960
As at 31 March 2018	<u>208,412</u>	<u>93,766</u>	<u>840,274</u>	<u>1,142,452</u>
AGGREGATE DEPRECIATION				
As at 1 April 2017	62,992	43,733	-	106,725
Charge for year	6,337	18,331	-	24,668
As at 31 March 2018	<u>69,329</u>	<u>62,064</u>	<u>-</u>	<u>131,393</u>
NET BOOK VALUE				
As at 31 March 2018	<u>139,083</u>	<u>31,702</u>	<u>840,274</u>	<u>1,011,059</u>
As at 31 March 2017	<u>145,420</u>	<u>25,073</u>	<u>840,274</u>	<u>1,010,767</u>

12. CAPITAL COMMITMENTS

	2018 £	2017 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	-	<u>74,614</u>

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

13. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Other		
Not later than one year	7,338	10,056
Later than one year and not later than five years	<u>5,543</u>	<u>12,717</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. RECEIVABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Arrears of Rent & Service Charges	232,979	176,958
Less: Provision for Doubtful Debts	(152,000)	(117,500)
	<u>80,979</u>	<u>59,458</u>
Other Receivables	358,016	57,005
	<u>438,995</u>	<u>116,463</u>

15. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£	£
Housing Loans	1,000,000	950,000
Trade Payables	99,239	282,388
Rent Received in Advance	131,098	143,593
Other Taxation and Social Security	16,337	43,402
Other Payables	17,178	5,640
Liability for Past Service Contributions	131,204	131,440
Accruals and Deferred Income	107,377	71,838
	<u>1,502,433</u>	<u>1,628,301</u>

At the balance sheet date there were pension contributions outstanding of £Nil (2017 - £Nil).

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

	2018	2017
	£	£
Liability for Past Service Contributions	390,796	532,043
Housing Loans	10,498,475	11,527,496
	<u>10,889,271</u>	<u>12,059,539</u>
Housing Loans		
Amounts due within one year	1,000,000	950,000
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	6,498,475	7,527,496
	<u>11,498,475</u>	<u>12,477,496</u>
Less: Amount shown in Current Liabilities	1,000,000	950,000
	<u>10,498,475</u>	<u>11,527,496</u>
Liability for Past Service Contributions		
Amounts due within one year	131,204	131,440
Amounts due in one year or more but less than two years	135,140	135,383
Amounts due in two years or more but less than five years	255,656	396,660
Amounts due in more than five years	-	-
	<u>522,000</u>	<u>663,483</u>
Less: Amount shown in Current Liabilities	131,204	131,440
	<u>390,796</u>	<u>532,043</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
Cooperative Bank	Standard security over 745 properties	9.0%	2027/to 2037	Fixed

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

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A. The cash out flows have been discounted at a rate of 1.51% (2017 - 1.06%).

Due to lenders at the year end	12,350,000	13,300,000
Effective interest rate adjustment	(851,525)	(822,504)
Loans at amortised cost using the effective interest rate	<u>11,498,475</u>	<u>12,477,496</u>

The liability for the past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows have been discounted at a rate of 1.51% (2017 - 0.00%).

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. STATEMENT OF CASH FLOWS

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2018	2017
	£	£
Operating Surplus	1,517,186	1,590,832
Depreciation	931,397	901,631
Amortisation of Capital Grants	(275,532)	(275,532)
Change in debtors	(351,553)	1,889
Change in creditors	(317,115)	(76,826)
Unwinding of Discount on Pension Liability	14,102	161,831
Share Capital Written Off	(14)	(14)
	<u>1,547,492</u>	<u>2,330,353</u>
Net cash inflow from operating activities	<u>1,547,492</u>	<u>2,330,353</u>

18. DEFERRED INCOME

	Housing Properties Held for Letting £	Total £
Social Housing Grants		
As at 1 April 2017	14,096,421	14,096,421
As at 31 March 2018	<u>14,096,421</u>	<u>14,096,421</u>
Amortisation		
As at 1 April 2017	2,094,968	2,094,968
Eliminated on disposal	265,245	265,245
As at 31 March 2018	<u>2,360,213</u>	<u>2,360,213</u>
Net book value		
As at 31 March 2018	<u>11,736,208</u>	<u>11,736,208</u>
As at 31 March 2017	<u>12,001,453</u>	<u>12,001,453</u>
Other Grants		
As at 1 April 2017	514,346	514,346
As at 31 March 2018	<u>514,346</u>	<u>514,346</u>
Amortisation		
As at 1 April 2017	275,532	275,532
Eliminated on disposal	10,287	10,287
As at 31 March 2018	<u>285,819</u>	<u>285,819</u>
Net book value		
As at 31 March 2018	<u>228,527</u>	<u>228,527</u>
As at 31 March 2017	<u>238,814</u>	<u>238,814</u>
Total grants net book value as at 31 March 2018	<u>11,964,735</u>	<u>11,964,735</u>
Total grants net book value as at 31 March 2017	<u>12,240,267</u>	<u>12,240,267</u>

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

	2018	2017
	£	£
Amounts due within one year	265,245	275,532
Amounts due in one year or more	11,699,490	11,964,735
	<u>11,964,735</u>	<u>12,240,267</u>

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	2018 £	2017 £
As at 1 April 2017	109	116
Issued in year	6	7
Cancelled in year	(14)	(14)
At 31 March 2018	<u>101</u>	<u>109</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

20. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2018 No.	2017 No.
General Needs - Built by Association	194	194
General Needs - Purchased by Association	769	773
	<u>963</u>	<u>967</u>

21. RELATED PARTY TRANSACTIONS

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

Those members who are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Management Board cannot use their position to their advantage. 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:

	2018 £	2017 £
Rent received from tenants on the Management Board and their close family members	<u>5,909</u>	<u>8,876</u>

At the year end total rent arrears owed by the tenant members on the Management Board (and their close family) were £Nil (2017 - £Nil).

Members of the Management Board who were tenants during the year	2	2
Members of the Management Board who are local authority employees	2	0

22. DETAILS OF ASSOCIATION

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

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

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

23. MANAGEMENT BOARD MEMBER EMOLUMENTS

Management Board members received £4,299 (2017 - £4,534) 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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. INVESTMENTS

The Association participates in a shared equity arrangement. At 31 March 2018 the Association has expended £261,032 on shared equity properties which has been fully grant funded.

25. RETIREMENT BENEFIT OBLIGATIONS

General

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

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

During the accounting period Shire Housing Association Limited paid contributions at the rate of 8.45% of pensionable salaries. Member contributions were 4.7% .

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

The last valuation of the Scheme was performed as at 30th September 2015 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £612m. The valuation revealed a shortfall of assets compared with the value of liabilities of £198m (equivalent to a past service funding level of 76%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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

All employer's in the scheme have entered into an agreement to make additional contributions to fund the scheme's past service deficit. This obligation has been recognised in terms of Para 28.11A of Financial Reporting Standard 102. At the statement of financial position date the present value of this obligation was £522,000 (2017 - £663,483). This was calculated by reference to the terms of the agreement and discounting the liability using the yield rate of a high quality corporate bond with a similar term. This discount rate used was 1.51% (2017 - 0.00%).

The Association made pension deficit payments, outwith operating pension costs, totalling £127,380 (2017- £138,709) to the pension scheme during the year.