



Alexander Sloan
Accountants and Business Advisers

Shire Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2021

Registered Social Landlord No. HAL296

FCA Reference No. 2515R(S)

Scottish Charity No. SC038664

SHIRE HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

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SHIRE HOUSING ASSOCIATION LIMITED

MANAGEMENT BOARD, EXECUTIVE AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2021

MANAGEMENT BOARD

| | |
|--------------------|--|
| Lorne Campbell | Chairperson |
| Hugh Carr * | Vice Chairperson |
| Nick Allan * | Convenor of the Audit Committee |
| Shaun Lowrie | Did not stand for re-election – September 2020 |
| William Paterson | |
| Simon Roberts * | |
| Ross Morris* | Resigned 25 November 2020 |
| Alexander Rae * | |
| Laura Murphy * | Did not stand for re-election – September 2020 |
| Stuart Murray | Resigned 23 June 2020 |
| Alisha Malik | |
| Debra MacLeod | |
| Rachel Irvine | Appointed 23 September 2020 |
| William Gallacher* | Co-opted 16 December 2020 |

* 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 (resigned 16 July 2020) |
| Claire Donnelly | Head of Corporate Services |
| Julie Allison | Head of Housing (from 1 February 2021) |

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

Royal Bank of Scotland plc

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 2021

The Management Board presents its report and the financial statements for the year ended 31 March 2021.

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. HAL296) under the Housing (Scotland) Act 2010 and as is a registered Scottish Charity with the charity number SC038664.

Principal Activities

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

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

Review of Business and Future Developments

2020/21 was dominated by the Covid-19 pandemic, with the Association proactively working with a range of stakeholders to mitigate its economic, health and social impacts in East Ayrshire.

Governance

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. The Association continued to be viewed as “low risk” by the Scottish Housing Regulator during 2020/21. A key part of this process was the submission of our Assurance Statement, supported by a detailed Assurance Map, confirming our compliance with the 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 our operation.

Performance

Over the last year the Association embraced digital technology ensuring business continuity, with staff working remotely allowing us to continue delivering high quality services to our customers.

We continued to 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 2021 that were reported in the Scottish Housing Regulator’s Annual Return on the Charter:

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2021

Review of Business and Future Developments (Contd.)

| | 2021 | 2020 |
|--|------------|------------|
| Rent Collected as a percentage of rent due | 101.03% | 99.45% |
| Gross rent arrears as a percentage of annual rental income | 4.03% | 4.49% |
| Percentage of rent lost due to empty properties | 1.67% | 1.11% |
| Average time to complete non-emergency repairs | 5.92 days | 4.42 days |
| Average time to complete emergency repairs | 9.72 hours | 2.01 hours |

Achievements

In spite of the pandemic, the Association achieved a number of major milestones during 2020/21:

Community Anchor

Over the last year helping our communities mitigate the impact of the pandemic has been a key objective for the Association. During 2020/21 we secured £100,000 of Scottish Government grant funding from the Supporting Communities Fund, and Communities Recovery Fund. This has allowed us to work with over 30 community groups, supporting activities including community hubs and food delivery services for vulnerable residents. The grant funding is being spent over 2020/21 and 2021/22, and we will continue to enhance our role as a community anchor.

Loan Refinance

The Association successfully completed a refinancing of our loan portfolio, negotiating a new term loan of £8 million with the Royal Bank of Scotland, and a revolving credit facility that will support our future business aspirations. The new loan sees the number of properties secured reduce from 745 under the previous loan agreement with the Co-operative Bank to 453 now.

Investors in People, and Investors in Young People Accreditation

The Association was awarded Investors in People Gold Accreditation and retained Investors in Young People Silver Accreditation during 2020/21. The awards provide a framework for continued organisational development, supporting continuous improvement and strengthening our ability to meet our business objectives.

Business Plan

During 2020/21 we undertook a full review of our Business Plan, including reviewing our Vision Statement, Core Values and Strategic Objectives.

Our vision is:

- Great Homes - where people feel proud to live in high-quality, sustainable homes.
- Great People - where everyone has opportunities to achieve excellence; and
- Vibrant Communities - where people want to belong.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2021

Review of Business and Future Developments (Contd.)

Our Values are:

- Integrity - we are open and accountable in all we do.
- Inclusion - we value diversity.
- Diligence - we get things right.
- Caring - what matters to you matters to us.

Future Outlook

The Association faces a range of significant long-term challenges. However, our new Business Plan sets out our key strategic objectives for the next five years. These are:

1. Enhancing Community Wellbeing.

Our activities will include continuing support for our communities and stakeholders in mitigating the social and economic impacts of the Covid-19 pandemic. Our new office development will support community wellbeing, having facilities to meet local needs. We will strengthen collaboration with East Ayrshire Council and the East Ayrshire Health and Social Care Partnership to address housing, health, and social care integration, pursuing opportunities to develop new properties. Over the next five years, we will invest approximately £5.3 million to improve the quality of homes.

2. Empowering our Communities through engagement

We will be developing and implementing a new Community Engagement Strategy to strengthen our work with partners, stakeholders, and Community Led Action Plans. The Association will be increasing engagement with schools, colleges and universities through training opportunities, careers events and skills development.

3. Positive action on climate change

To help meet carbon reduction targets, the Association will be developing and implementing a Carbon Reduction Strategy and Energy Efficiency programme for our assets. We are also hoping to build new housing stock that exceeds future energy efficiency standards, reducing our carbon footprint.

4. Strengthening Internal Capabilities and Resilience.

The Association will be developing and implementing a new Asset Management Strategy to ensure it informs our future investment in our housing stock. We will also be implementing our new People and ICT Strategies, strengthening succession planning, and upskilling staff to embrace future digital services.

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2021

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 Societies Act 2014 requires the Management Board to prepare financial statements for each financial year that 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 a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- 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 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.

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

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2021

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 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 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 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 end 31 March 2021. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

Donations

During the year the Association made charitable donations of £11,350 (2020 - £2,259).

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 the auditors.

Auditor

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

SHIRE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT BOARD FOR THE YEAR ENDED 31 MARCH 2021

By order of the Management Board



JIM MUNRO
Secretary

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 X 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 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 reason given for non-compliance.

Opinion

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

Through enquiry of certain members of the Management Board and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Management Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
GLASGOW



SHIRE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021

Opinion

We have audited the financial statements of Shire Housing Association Limited (the 'Association') for the year ended 31 March 2021 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 2021 and of the 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 of 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 United Kingdom, including the Financial Reporting Council'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 audit opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Board use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Board with respect to going concern are described in the relevant sections of this report.

Other Information

The Management Board is responsible for the other information. The other information comprises the information contained 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.

SHIRE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

Other Information (Contd.)

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.

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 require 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 X, the Management Board is responsible for the preparation of the financial statements and for being satisfied that they give true and fair view, and for such internal control as the Management Board determines is necessary to enable the preparation of the 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 intend to liquidate the Association or to cease operations, or have 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

SHIRE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we gained an understanding of the legal and regulatory framework applicable to the Association through discussions with the Management Board and other management, and from our wider knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014 (and related regulations), the Housing (Scotland) Act 2010 and other laws and regulations applicable to a registered social housing provider in Scotland. We also considered the risks of non-compliance with the other requirements imposed by the Scottish Housing Regulator and we considered the extent to which non-compliance might have a material effect on the financial statements.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in Note 1 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reviewing the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims;
- reviewing the Association's Assurance Statement and associated supporting information; and
- reviewing correspondence with the Scottish Housing Regulator. HMRC and the Association's legal advisors.

SHIRE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHIRE HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2021 (continued)

The extent to which the audit was considered capable of detecting irregularities including fraud (Contd.)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Description of the 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 aggregate, they could reasonably be expected to influence the economic decisions of the 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: <http://www.frc.org.uk/auditorsresponsibilities>. The 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



SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 | | 2020 | |
|--|-------|-----------|-----------------------|-----------|-------------------------|
| | | £ | £ | £ | £ |
| Revenue | 2 | | 5,098,352 | | 5,003,483 |
| Operating costs | 2 | | 3,609,098 | | 3,336,048 |
| OPERATING SURPLUS | | | <u>1,489,254</u> | | <u>1,667,435</u> |
| Interest receivable and other income | | 5,224 | | 37,880 | |
| Interest payable and similar charges | 7 | (759,226) | | (303,464) | |
| Other Finance charges | 9 | (1,000) | | (19,000) | |
| | | | <u>(755,002)</u> | | <u>(284,584)</u> |
| SURPLUS FOR THE YEAR | | | 734,252 | | 1,382,851 |
| Adjustment relating to opening pension liability | 17 | | - | | - |
| Actuarial (losses)/gains on defined benefit pension plan | 17 | | (623,000) | | 689,000 |
| TOTAL COMPREHENSIVE INCOME | | | <u>111,252</u> | | <u>2,071,851</u> |

The results relate wholly to continuing activities.

The notes on pages 17 to 35 form an integral part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | Notes | 2021 | | 2020 | |
|--|-------|---------------------|--------------------------|---------------------|--------------------------|
| | | £ | £ | £ | £ |
| NON-CURRENT ASSETS | | | | | |
| Housing properties - depreciated cost | 10 | | 26,058,860 | | 25,777,033 |
| Other tangible assets | 10 | | 1,030,093 | | 1,024,260 |
| | | | <u>27,088,953</u> | | <u>26,801,293</u> |
| CURRENT ASSETS | | | | | |
| Receivables | 11 | 401,299 | | 357,774 | |
| Investments | 12 | 1,529,998 | | 3,025,389 | |
| Cash and cash equivalents | 13 | 1,805,622 | | 2,259,566 | |
| | | <u>3,736,919</u> | | <u>5,642,729</u> | |
| CREDITORS: Amounts falling due within one year | 14 | (1,083,980) | | (1,958,447) | |
| NET CURRENT ASSETS | | | <u>2,652,939</u> | | <u>3,684,282</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | | 29,741,892 | | 30,485,575 |
| CREDITORS: Amounts falling due after more than one year | 15 | | (7,565,611) | | (8,732,763) |
| PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES | | | | | |
| Scottish housing association pension scheme | 17 | (574,000) | | (98,000) | |
| | | | <u>(574,000)</u> | | <u>(98,000)</u> |
| DEFERRED INCOME | | | | | |
| Social housing grants | 18 | (10,993,294) | | (11,206,208) | |
| Other grants | 18 | (257,670) | | (208,527) | |
| | | <u>(11,250,964)</u> | | <u>(11,414,735)</u> | |
| NET ASSETS | | | <u>10,351,317</u> | | <u>10,240,077</u> |
| EQUITY | | | | | |
| Share capital | 19 | | 84 | | 96 |
| Revenue reserves | | | <u>10,351,233</u> | | <u>10,239,981</u> |
| | | | <u>10,351,317</u> | | <u>10,240,077</u> |

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



Board Member



Board Member



Secretary

The notes on pages 17 to 35 form an integral part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

| | Notes | 2021 | 2020 |
|---|-------|-------------------------|-------------------------|
| | | £ | £ |
| Surplus for the Year | | 734,252 | 1,382,851 |
| <i>Adjustments for non-cash items:</i> | | | |
| Depreciation of tangible fixed assets | 10 | 1,021,536 | 1,002,303 |
| Amortisation of capital grants | 18 | (276,207) | (275,000) |
| Loss on disposal of tangible fixed assets | | 4,311 | - |
| Adjustments to pension provisions | | (147,000) | (105,000) |
| Share capital written off | 19 | (15) | (10) |
| | | <u>602,625</u> | <u>622,293</u> |
| Interest receivable | | (5,224) | (37,880) |
| Interest payable | 7 | <u>759,226</u> | <u>303,464</u> |
| Operating cash flows before movements in working capital | | 2,090,879 | 2,270,728 |
| Change in debtors | | (43,525) | (105,051) |
| Change in creditors | | <u>225,524</u> | <u>26,456</u> |
| | | <u>181,999</u> | <u>(78,595)</u> |
| Net cash inflow from operating activities | | <u>2,272,878</u> | <u>2,192,133</u> |
| Investing Activities | | | |
| Acquisition and construction of properties | | (1,390,557) | (1,416,590) |
| Purchase of other fixed assets | | (42,790) | (24,760) |
| Social housing grant received | | 52,436 | - |
| Other grants received | | 60,000 | - |
| Changes on short term deposits with banks | | <u>1,495,391</u> | <u>(19,512)</u> |
| Net cash inflow / (outflow) from investing activities | | <u>174,480</u> | <u>(1,460,862)</u> |
| Financing Activities | | | |
| Loan Advances Received | | 8,000,000 | - |
| Interest received on cash and cash equivalents | | 5,224 | 38,028 |
| Interest paid on loans | | (148,645) | (117,381) |
| Loan principal repayments | | (10,600,000) | (750,000) |
| Loan fees paid | | (157,884) | - |
| Share capital issued | 19 | <u>3</u> | <u>7</u> |
| Net cash outflow from financing activities | | <u>(2,901,302)</u> | <u>(829,346)</u> |
| Decrease in cash | 20 | <u>(453,944)</u> | <u>(98,075)</u> |
| Opening cash & cash equivalents | | <u>2,259,566</u> | <u>2,357,641</u> |
| Closing cash & cash equivalents | | <u><u>1,805,622</u></u> | <u><u>2,259,566</u></u> |
| Cash and cash equivalents as at 31 March | | | |
| Cash | 20 | <u><u>1,805,622</u></u> | <u><u>2,259,566</u></u> |

The notes on pages 17 to 35 form an integral part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2021

| | Share Capital | Revenue Reserve | Total |
|------------------------------------|------------------|--------------------|-------------------|
| | £ | £ | £ |
| Balance as at 1 April 2019 | 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 |
| Balance as at 31 March 2020 | 96 | 10,239,981 | 10,240,077 |
| Balance as at 1 April 2020 | 96 | 10,239,981 | 10,240,077 |
| Issue of Shares | 3 | - | 3 |
| Cancellation of Shares | (15) | - | (15) |
| Other comprehensive income | - | (623,000) | (623,000) |
| Surplus for the year | - | 734,252 | 734,252 |
| Balance as at 31 March 2021 | 84 | 10,351,233 | 10,351,317 |

The notes on pages 17 to 35 form an integral part of these financial statements.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 2021 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 2021 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 2021 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 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

| | | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 |
|-------------------------------|-------|------------------|------------------|-------------------------------|------------------|------------------|-------------------------------|
| | Notes | Turnover | Operating costs | Operating surplus / (deficit) | Turnover | Operating costs | Operating surplus / (deficit) |
| | | £ | £ | £ | £ | £ | £ |
| Affordable letting activities | 3 | 4,712,837 | 3,234,082 | 1,478,755 | 4,666,717 | 3,022,610 | 1,644,107 |
| Other Activities | 4 | 385,515 | 375,016 | 10,499 | 336,766 | 313,438 | 23,328 |
| Total | | 5,098,352 | 3,609,098 | 1,489,254 | 5,003,483 | 3,336,048 | 1,667,435 |

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

| | 2021 General Housing £ | 2021 Total £ | 2020 Total £ |
|---|---------------------------------|--------------------|--------------------|
| Rent receivable net of service charges | 4,441,977 | 4,441,977 | 4,386,041 |
| Service charges receivable | 8,453 | 8,453 | 8,237 |
| Gross income from rent and service charges | 4,450,430 | 4,450,430 | 4,394,278 |
| Less: Rent losses from voids | 80,661 | 80,661 | 51,786 |
| Income from rents and service charges | 4,369,769 | 4,369,769 | 4,342,492 |
| Grants released from deferred income | 276,207 | 276,207 | 275,000 |
| Revenue grants from Scottish Ministers | 63,806 | 63,806 | 49,225 |
| Other revenue grants | 3,055 | 3,055 | - |
| Total turnover from affordable letting activities | 4,712,837 | 4,712,837 | 4,666,717 |
| Expenditure on affordable letting activities | | | |
| Management and maintenance administration costs | 1,216,922 | 1,216,922 | 1,106,955 |
| Service costs | 8,453 | 8,453 | 8,237 |
| Planned and cyclical maintenance, including major repairs | 360,925 | 360,925 | 241,919 |
| Reactive maintenance costs | 648,489 | 648,489 | 679,859 |
| Bad Debts - rents and service charges | 10,404 | 10,404 | 11,833 |
| Depreciation of affordable let properties | 988,889 | 988,889 | 973,807 |
| Operating costs of affordable letting activities | 3,234,082 | 3,234,082 | 3,022,610 |
| Operating surplus on affordable letting activities | 1,478,755 | 1,478,755 | 1,644,107 |
| 2020 | 1,644,107 | | |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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) 2021 | Operating surplus / (deficit) 2020 |
|------------------------------------|---|-----------------|-------------------|-----------------------------------|-----------------------------|---|---|
| | £ | £ | £ | £ | £ | £ | £ |
| Wider role activities | - | - | - | - | 14,330 | (14,330) | (7,757) |
| Care and repair | 276,374 | - | 276,374 | - | 251,701 | 24,673 | 32,112 |
| Factoring | - | 38,694 | 38,694 | 2,380 | 36,314 | - | (1,027) |
| Other activities | 70,291 | 156 | 70,447 | - | 70,291 | 156 | - |
| Total From Other Activities | 346,665 | 38,850 | 385,515 | 2,380 | 372,636 | 10,499 | 23,328 |
| 2020 | 311,325 | 25,441 | 336,766 | 670 | 312,768 | 23,328 | |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| 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) | 148,801 | 209,561 |
| Pension contributions made on behalf on Officers with emoluments greater than £60,000 | 10,629 | 6,018 |
| Emoluments payable to Director & Secretary (excluding pension contributions) | 84,564 | 83,235 |
| Pension contributions paid on behalf of the Director & Secretary | 6,030 | 6,018 |
| Total emoluments payable to the Director & Secretary | 90,594 | 89,253 |
| Total emoluments paid to key management personnel (excluding pension contributions) | 178,400 | 209,561 |

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 | 1 | 2 |
| £80,001 to £90,000 | - | 1 |
| £90,001 to £100,000 | 1 | - |

6. EMPLOYEE INFORMATION

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Average monthly number of full time equivalent persons employed during the year | 20 | 19 |
| Average total number of employees employed during the year | 21 | 20 |
| Staff costs were: | £ | £ |
| Wages and salaries | 746,679 | 725,580 |
| National insurance costs | 71,801 | 73,578 |
| Pension costs | 62,791 | 64,778 |
| Temporary, agency and seconded staff | 96,186 | - |
| | 977,457 | 863,936 |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2021 | 2020 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| On bank loans and overdrafts | 123,766 | 153,942 |
| Effective Interest Rate Adjustment | 617,237 | 149,522 |
| Bank fees expensed | 18,223 | - |
| | <u>759,226</u> | <u>303,464</u> |

8. SURPLUS FOR THE YEAR

| | 2021 | 2020 |
|--|----------------|-----------|
| | £ | £ |
| Surplus For The Year is stated after charging/(crediting): | | |
| Depreciation - non-current assets | 1,021,536 | 1,002,303 |
| Auditors' remuneration - audit services | 9,300 | 8,700 |
| Auditors' remuneration - other services | 660 | 630 |
| Operating lease rentals - other | 11,584 | 10,886 |
| Gain on sale of other non-current assets | <u>(4,311)</u> | <u>-</u> |

9. OTHER FINANCE INCOME / (CHARGES)

| | 2021 | 2020 |
|-------------------------------------|----------------|-----------------|
| | £ | £ |
| Net interest on pension obligations | <u>(1,000)</u> | <u>(19,000)</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
NOTES TO THE FINANCIAL STATEMENTS (continued)

10. NON-CURRENT ASSETS

| (a) Housing Properties | Housing Properties Held for Letting £ | Total £ |
|------------------------|--|-------------------|
| COST | | |
| At 1 April 2020 | 36,948,352 | 36,948,352 |
| Additions | 1,270,717 | 1,270,717 |
| Disposals | <u>(224,168)</u> | <u>(224,168)</u> |
| At 31 March 2021 | <u>37,994,901</u> | <u>37,994,901</u> |
| DEPRECIATION | | |
| At 1 April 2020 | 11,171,319 | 11,171,319 |
| Charge for Year | 988,890 | 988,890 |
| Disposals | <u>(224,168)</u> | <u>(224,168)</u> |
| At 31 March 2021 | <u>11,936,041</u> | <u>11,936,041</u> |
| NET BOOK VALUE | | |
| At 31 March 2021 | <u>26,058,860</u> | <u>26,058,860</u> |
| At 31 March 2020 | <u>25,777,033</u> | <u>25,777,033</u> |

| Expenditure on Existing Properties | 2021 | | 2020 | |
|--|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | <i>Component replacement</i> £ | <i>Improvement</i> £ | <i>Component replacement</i> £ | <i>Improvement</i> £ |
| Amounts capitalised | 1,189,059 | - | 1,536,430 | - |
| Amounts charged to the statement of comprehensive income | <u>-</u> | <u>843,421</u> | <u>-</u> | <u>787,037</u> |

All land and housing properties are heritable.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

10. NON CURRENT ASSETS (continued)

| (b) Other tangible assets | Office Premises £ | Furniture & Equipment £ | Land £ | Total £ |
|---------------------------|-------------------------|-------------------------------|----------------|------------------|
| COST | | | | |
| At 1 April 2020 | 208,412 | 126,661 | 840,274 | 1,175,347 |
| Additions | 19,944 | 22,846 | - | 42,790 |
| Eliminated on disposals | - | (18,399) | - | (18,399) |
| At 31 March 2021 | <u>228,356</u> | <u>131,108</u> | <u>840,274</u> | <u>1,199,738</u> |
| DEPRECIATION | | | | |
| At 1 April 2020 | 82,004 | 69,083 | - | 151,087 |
| Charge for year | 6,338 | 26,308 | - | 32,646 |
| Eliminated on disposals | - | (14,088) | - | (14,088) |
| At 31 March 2021 | <u>88,342</u> | <u>81,303</u> | <u>-</u> | <u>169,645</u> |
| NET BOOK VALUE | | | | |
| At 31 March 2021 | <u>140,014</u> | <u>49,805</u> | <u>840,274</u> | <u>1,030,093</u> |
| At 31 March 2020 | <u>126,408</u> | <u>57,578</u> | <u>840,274</u> | <u>1,024,260</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. RECEIVABLES

| | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Gross arrears of rent and service charges | 176,569 | 240,710 |
| Less: Provision for doubtful debts | (147,000) | (157,000) |
| <i>Net arrears of rent and service charges</i> | 29,569 | 83,710 |
| Other receivables | 371,730 | 274,064 |
| | <u>401,299</u> | <u>357,774</u> |

12. CURRENT ASSET INVESTMENTS

| | 2021 | 2020 |
|---------------------|------------------|------------------|
| | £ | £ |
| Short term deposits | <u>1,529,998</u> | <u>3,025,389</u> |

13. CASH AND CASH EQUIVALENTS

| | 2021 | 2020 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash at bank and in hand | <u>1,805,622</u> | <u>2,259,566</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Bank loans | 285,714 | 1,250,000 |
| Trade payables | 266,821 | 203,742 |
| Rent received in advance | 200,482 | 171,940 |
| Other taxation and social security | 20,640 | 18,981 |
| Other payables | 37,148 | 24,189 |
| Accruals and deferred income | 273,175 | 289,595 |
| | <u>1,083,980</u> | <u>1,958,447</u> |

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

| | 2021 | 2020 |
|------------|------------------|------------------|
| | £ | £ |
| Bank loans | 7,565,611 | 8,732,763 |
| | <u>7,565,611</u> | <u>8,732,763</u> |

16. DEBT ANALYSIS - BORROWINGS

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Bank Loans | | |
| Amounts due within one year | 285,714 | 1,250,000 |
| Amounts due in one year or more but less than two years | 571,428 | 1,000,000 |
| Amounts due in two years or more but less than five years | 1,714,284 | 3,000,000 |
| Amounts due in more than five years | 5,279,899 | 4,732,763 |
| | <u>7,851,325</u> | <u>9,982,763</u> |

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

| Lender | Number of Properties Secured | Interest Rate | Maturity Variable or (Year) Fixed |
|----------------------------|---|--------------------------|--|
| Royal Bank of Scotland plc | 453 | 1.7% | 2035 Fixed |

All the Association's bank borrowings are repayable on a quarterly basis from November 2021 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.

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Due to lenders | 8,000,000 | 10,600,000 |
| Effective interest rate adjustment | - | (617,237) |
| Unamortised loan fees | (148,675) | - |
| | <u>7,851,325</u> | <u>9,982,763</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 (liability) / asset

| | 2021 | 2020 |
|--|-----------|-----------|
| Fair value of plan assets | 5,160,000 | 4,680,000 |
| Present value of defined benefit obligation | 5,734,000 | 4,778,000 |
| (Deficit) in plan | (574,000) | (98,000) |
| Unrecognised surplus | - | - |
| Defined benefit (liability) to be recognised | (574,000) | (98,000) |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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

| | 2021 | 2020 |
|---|------------------|----------------|
| Expenses | 5,000 | 4,000 |
| Net interest expense | 1,000 | 19,000 |
| | <u>6,000</u> | <u>23,000</u> |
| | 2021 | 2020 |
| | £ | £ |
| Experience on plan assets (excluding amounts included in interest income) - gain | 367,000 | 337,000 |
| Experience gains and losses arising on plan liabilities - (loss) | (36,000) | (222,000) |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss) | - | 31,000 |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - (loss)/gain | (954,000) | 543,000 |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - (loss)/gain | (623,000) | 689,000 |
| Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in interest cost) - gain / (loss) | - | - |
| | <u>(623,000)</u> | <u>689,000</u> |
| Total amount recognised in other comprehensive income - (loss)/gain | <u>(623,000)</u> | <u>689,000</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021
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

| | 2021 | 2020 |
|--|------------------|------------------|
| | £ | £ |
| Defined benefit obligation at the start of period | 4,778,000 | 5,132,000 |
| Expenses | 5,000 | 4,000 |
| Interest expense | 112,000 | 117,000 |
| Actuarial losses (gains) due to scheme experience | 36,000 | 222,000 |
| Actuarial losses (gains) due to changes in demographic assumptions | - | (31,000) |
| Actuarial losses (gains) due to changes in financial assumptions | 954,000 | (543,000) |
| Benefits paid and expenses | (151,000) | (123,000) |
| Defined benefit obligation at the end of period | <u>5,734,000</u> | <u>4,778,000</u> |

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

| | 2021 | 2020 |
|---|------------------|------------------|
| | £ | £ |
| Fair value of plan assets at start of period | 4,680,000 | 4,240,000 |
| Interest income | 111,000 | 98,000 |
| Experience on plan assets (excluding amounts included in interest income) - gain (loss) | 367,000 | 337,000 |
| Contributions by the employer | 153,000 | 128,000 |
| Benefits paid and expenses | (151,000) | (123,000) |
| Fair value of plan assets at the end of period | <u>5,160,000</u> | <u>4,680,000</u> |

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2021 was £478,000

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

17. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets

| | 2021 | 2020 | 2019 |
|-------------------------------|------------------|------------------|------------------|
| | £ | £ | £ |
| Absolute Return | 254,000 | 287,000 | 359,000 |
| Alternative Risk Premia | 207,000 | 375,000 | 237,000 |
| Corporate Bond Fund | 389,000 | 342,000 | 297,000 |
| Credit Relative Value | 149,000 | 113,000 | 74,000 |
| Distressed Opportunities | 176,000 | 85,000 | 72,000 |
| Emerging Markets Debt | 208,000 | 166,000 | 136,000 |
| Fund of Hedge Funds | - | - | 12,000 |
| Global Equity | 798,000 | 644,000 | 682,000 |
| Infrastructure | 288,000 | 276,000 | 178,000 |
| Insurance-Linked Securities | 108,000 | 126,000 | 110,000 |
| Liability Driven Investment | 1,241,000 | 1,233,000 | 1,509,000 |
| Long Lease Property | 120,000 | 114,000 | 51,000 |
| Net Current Assets | 38,000 | 35,000 | 4,000 |
| Over 15 Year Gilts | 2,000 | 59,000 | 109,000 |
| Private Debt | 122,000 | 93,000 | 55,000 |
| Property | 93,000 | 87,000 | 84,000 |
| Risk Sharing | 184,000 | 148,000 | 123,000 |
| Secured Income | 284,000 | 260,000 | 148,000 |
| Opportunistic Illiquid Credit | 132,000 | 114,000 | - |
| Liquid Credit | 89,000 | 123,000 | - |
| High Yield | 135,000 | - | - |
| Opportunistic Credit | 141,000 | - | - |
| Cash | 2,000 | - | - |
| Total assets | <u>5,160,000</u> | <u>4,680,000</u> | <u>4,240,000</u> |

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

| | 2021 | 2020 | 2019 |
|-----------------|------|------|------|
| Discount Rate | 2.2% | 2.4% | 2.3% |
| Inflation (RPI) | 3.3% | 2.6% | 3.3% |
| Inflation (CPI) | 2.9% | 1.6% | 2.3% |
| Salary Growth | 3.9% | 2.6% | 3.3% |

Allowance for commutation of pension for cash at retirement 75% of maximum allowance

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies:

| | Life expectancy at age 65 years (years) |
|-------------------------|---|
| Male retiring in 2019 | 21.5 |
| Female retiring in 2019 | 23.4 |
| Male retiring in 2039 | 22.8 |
| Female retiring in 2039 | <u>25</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

18. DEFERRED INCOME

| | Social Housing Grants £ | Other Housing Grants £ | Total £ |
|--------------------------------|----------------------------------|---------------------------------|-------------------|
| Capital grants received | | | |
| At 1 April 2020 | 14,096,421 | 514,346 | 14,610,767 |
| Additions in the year | 52,436 | 60,000 | 112,436 |
| Eliminated on disposal | - | - | - |
| At 31 March 2021 | <u>14,148,857</u> | <u>574,346</u> | <u>14,723,203</u> |
| Amortisation | | | |
| At 1 April 2020 | 2,890,213 | 305,819 | 3,196,032 |
| Amortisation in year | 265,350 | 10,857 | 276,207 |
| At 31 March 2021 | <u>3,155,563</u> | <u>316,676</u> | <u>3,472,239</u> |
| Net book value | | | |
| At 31 March 2021 | <u>10,993,294</u> | <u>257,670</u> | <u>11,250,964</u> |
| At 31 March 2020 | <u>11,206,208</u> | <u>208,527</u> | <u>11,414,735</u> |

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

| | 2021 £ | 2020 £ |
|-----------------------------------|-------------------|-------------------|
| Amounts due within one year | 278,050 | 275,000 |
| Amounts due in more than one year | 10,972,914 | 11,139,735 |
| | <u>11,250,964</u> | <u>11,414,735</u> |

19. SHARE CAPITAL

| Shares of £1 each, issued and fully paid | 2021 £ | 2020 £ |
|--|-----------|-----------|
| At 1 April | 96 | 99 |
| Issued in year | 3 | 7 |
| Cancelled in year | (15) | (10) |
| At 31 March | <u>84</u> | <u>96</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.

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

| | £ | 2021 £ | £ | 2020 £ |
|--------------------------------------|-------------|--------------------|-----------|--------------------|
| Decrease in cash | (453,944) | | (98,075) | |
| Change in liquid resources | (1,495,391) | | 19,512 | |
| Cashflow from change in net debt | 2,757,884 | | 750,000 | |
| Other non cash changes | (626,446) | | (149,523) | |
| Movement in net debt during the year | | 182,103 | | 521,914 |
| Net debt at 1 April | | (4,697,808) | | (5,219,722) |
| Net debt at 31 March | | <u>(4,515,705)</u> | | <u>(4,697,808)</u> |

| | At 01 April 2020 £ | Cashflows £ | Other Changes £ | At 31 March 2021 £ |
|------------------------------|--------------------------|----------------|-----------------------|--------------------------|
| Cash and cash equivalents | 2,259,566 | (453,944) | - | 1,805,622 |
| Liquid resources | 3,025,389 | (1,495,391) | - | 1,529,998 |
| Debt: Due within one year | (1,250,000) | 2,757,884 | (1,793,598) | (285,714) |
| Due after more than one year | (8,732,763) | - | 1,167,152 | (7,565,611) |
| Net debt | <u>(4,697,808)</u> | <u>808,549</u> | <u>(626,446)</u> | <u>(4,515,705)</u> |

21. CAPITAL COMMITMENTS

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Capital Expenditure that has been contracted for but has not been provided for in the financial statements | 374,429 | 1,296,220 |

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

| | 2021 £ | 2020 £ |
|---|--------------|---------------|
| At the year end, the total minimum lease payments under non-cancellable operating leases were as follows: | | |
| Other | | |
| Expiring in the next year | 1,080 | - |
| Expiring later than one year and not later than five years | 11,556 | 3,240 |
| Expiring later than five years | <u>5,376</u> | <u>26,296</u> |

SHIRE HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021 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 £0 (2020 - £7,333) 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:- | 2021 No. | 2020 No. |
|--|-------------|-------------|
| General needs - Built by Association | 194 | 194 |
| General Needs - Purchased by Association | 770 | 768 |
| | <u>964</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:

| | 2021 £ | 2020 £ |
|---|--------------|--------------|
| Rent received from tenants on the Management Board and their close family members | <u>1,062</u> | <u>4,046</u> |

At the year end total rent arrears owed by the tenant members on the Management Board (and their close family) were £0 (2020 - £Nil).

| | | |
|---|---|---|
| Members of the Management Board who are tenants | - | 1 |
|---|---|---|