

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2005

DRAFT

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ADVISORS AND REGISTERED OFFICE
FOR THE PERIOD ENDED 31ST MARCH, 2005.

Auditors

Armstrongs, Chartered Accountants
142 West Nile Street
Glasgow, G1 2RQ

Bankers

The Royal Bank of Scotland plc
300 Bath Street
Glasgow, G2 4RS

Legal advisors

Henderson Boyd Jackson
19 Canning Street
Edinburgh, EH3 8EU

Drummond Miller
65 Bath Street
Glasgow, G2 2DD

Registered Office

119 Main Street
Ayr, KA8 8BX

Registration Particulars

Communities Scotland Registration Number : 304

Charity Number : SC027906

**REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2005.**

The Trustees present their report and the audited financial statements for the period ended 31st March, 2005.

Principal Activities

Ayrshire Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly the Company has no share capital. It is a registered charity and is registered with Communities Scotland as a Registered Social Landlord. The Company's principle activities are the provision, construction, improvement and management of rented and shared ownership accommodation.

Review of the Period

The financial results for the period are set out in the income and expenditure account. The surplus for the period is £395,101 (2004 - £435,334) and this will be transferred to our reserves as part of our overall risk management strategy. In addition, a transfer of £400,000 (2004 - £Nil) was made to a Designated Major Repair Reserve. During the year 70 new homes for rent were brought into management via our continuing development programme.

Changes in Fixed Assets

Details of changes in fixed assets are set out in Notes 7-8.

The Trustees and Executive Officer

The Trustees and Executive Officer of the Company are as follows:-

Executive Officer

. J. Whiston

Trustees

. M. Scott	(Chairperson)	. C. Williams	(Appointed 08.09.04)
. B. Bryan		. W. Russell	(Appointed 15.04.03)
. L. Aird		. C. Rodie	(Appointed 08.09.04)
. Cllr G. McKenzie		. G. Muir	(Appointed 23.02.05)
. Cllr J. McDowall		. A. Robinson	(Appointed 03.09.03)
. Cllr W. Sloan	(Reappointed 01.03.04)	. W. Wingate	(Resigned 08.09.04)
. P. Boyd	(Reappointed 08.09.04)	. C. Collins	(Resigned 08.09.04)
. J. McKerchar	(Reappointed 09.08.04)	. A. Bontke	(Resigned 08.09.04)
. C. Donnelly	(Reappointed 08.09.04)	. I. Gillespie	(Resigned 15.10.04)
. G. McGeechan	(Appointed 15.04.03)	. J. Clarke	(Resigned 08.09.04)

REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

Insurance

The Company has purchased insurance against liabilities in relation to the Company arising from the actions of Trustees and other officers of the Company.

Statement of Trustees' Responsibilities

The Trustees are responsible for the Company's system of internal financial control which is designed to provide reasonable, but not absolute, assurance regarding:-

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

Key procedures that have been established, and are designed to provide effective internal financial control, are:-

Control environment – the Company has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Company's Standing Orders and Policy and Procedure Manuals. The Company has complied with the Communities Scotland Code of Audit Practice (SHGN 97/06).

Information systems – the Company has a comprehensive system of financial reporting. The annual budget and thirty year projections are approved by the Trustees. Quarterly actual results are reported against budget and any significant adverse variances are examined by management and remedial action taken. There are quarterly and thirty year cashflow projections and revised budget forecasts are considered as at 30th September each year.

Control procedures – policies and procedures are maintained for all areas of operations. In particular, there are clearly defined policies for development projects and capital expenditure. Large or unusual capital expenditure projects require Trustees' approval.

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable it to ensure that the financial statements comply with the requirements of the Industrial and Provident Societies Acts 1965-2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. It is also responsible for safeguarding the assets of the Trust and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Related Party Transactions

Some of the members of the Trustees are tenants. Their tenancies are on the Company's normal tenancy terms, and they cannot use their position to their advantage.

Corporate Governance

The Company has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Trustees in 1992 on the Financial Aspects of Corporate Governance.

In accordance with the requirements of Communities Scotland, the auditors have confirmed that they consider this statement appropriately reflects the Company's compliance with those paragraphs of the Code of Best Practice required to be revised by them. The auditors have also confirmed that, in their opinion, with regard to the Trustees' Statement on Internal Financial Control on page five the Trustees have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Trustees and such a statement is not inconsistent with the information of which they are aware from their audit work on the financial statements.

Auditors

A resolution to appoint the auditors, Messrs. Armstrongs, will be proposed at the Annual General Meeting.

By order of the Board

Secretary

Dated :

**TRUSTEES STATEMENT ON THE COMPANY'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE PERIOD ENDED 31ST MARCH, 2005**

The Trustees acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Trustees' 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 include ensuring that:

- . Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- . Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- . Forecasts and budgets are prepared regularly which allow the Trustees and staff to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term;
- . Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- . All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Trustee members and others;
- . The Trustees review reports from management, from directors, staff and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Company;
- . Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Trustees have reviewed the effectiveness of the system of internal financial control in existence in the Company for the year ended 31st March 2005 and until the below date. No weaknesses were found in 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.

Taxation Status

The Company has charitable status and as a result it is not liable to corporation tax.

By order of the Board

Secretary

Dated :

REPORT OF THE AUDITORS ON THE TRUSTEES

STATEMENT ON THE COMPANY'S SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE PERIOD ENDED 31ST MARCH, 2005

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Trustees' statement on page three concerning the Company's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to the Bulletin "Disclosures Relating to Corporate Governance" issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Company'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 three has provided the disclosures required by the section on internal financial control within SFHA's publication "Raising Standards in Housing" 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 Trustee members, directors and officers of the Company, and examination of relevant documents, we have satisfied ourselves that the Trustees' Statement on Internal Financial Control appropriately reflects the Company's compliance with the information required by the section on internal financial control within SFHA's publication "Raising Standards in Housing".

Armstrongs,
Registered Auditors,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated :

**REPORT OF THE INDEPENDENT AUDITORS TO
THE MEMBERS OF AYRSHIRE HOUSING**

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We have audited the financial statements on pages seven to seventeen, which have been prepared under the historical cost convention and the accounting policies set out in pages eleven to twelve.

This report is made solely to the Company's members, as a body, in accordance with Industrial and Provident Societies Act 1965. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described on page two the Company's Trustees are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the relevant legislation. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

It is our opinion that the financial statements give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the income and expenditure for the period then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999.

Armstrongs,
Registered Auditors,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated :

AYRSHIRE HOUSING

DRAFT

INCOME AND EXPENDITURE ACCOUNT

FOR THE PERIOD ENDED 31ST MARCH, 2005

	Notes	2005 £	2004 £
Turnover	2	2,806,556	2,527,923
Operating Costs	2	(1,511,347)	(1,530,801)
Operating Surplus	2	1,295,209	997,122
Gain on Disposal of Housing Property	4	272,092	164,533
Interest Receivable and Other Income	7	93,548	54,250
Interest Payable and Similar Charges	8	(865,748)	(780,571)
Surplus on ordinary activities before taxation		<u>795,101</u>	<u>435,334</u>
Taxation on Surplus on ordinary activities	10	-	-
Transfer to Designated Reserve		400,000	-
Surplus on ordinary activities after taxation		<u>395,101</u>	<u>435,334</u>
Revenue Reserve brought forward		2,466,982	2,031,648
Revenue Reserve carried forward		<u><u>2,826,083</u></u>	<u><u>2,466,982</u></u>

The results for the period relate wholly to continuing activities.

AYRSHIRE HOUSING

DRAFT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST MARCH, 2005

	2005	2004
	£	£
Surplus/(Deficit) for the period	795,101	435,334
Unrealised surplus/(deficit) on revaluation of Housing Properties	-	3,758,296
Revenue Reserve carried forward	<u>795,101</u>	<u>4,193,630</u>

AYRSHIRE HOUSING

NOTE OF HISTORICAL SURPLUSES AND DEFICITS

FOR THE YEAR ENDED 31ST MARCH 2005

	2005	2004
	£	£
Reported surplus/(deficit) on ordinary activities before taxation	795,101	435,334
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	38,412	-
Historical cost surplus/(deficit) on ordinary activities before taxation	<u>833,513</u>	<u>435,334</u>
Historical cost surplus/(deficit) on ordinary activities after taxation	<u>833,513</u>	<u>435,334</u>

AYRSHIRE HOUSING

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BALANCE SHEET

AS AT 31ST MARCH, 2005

	Notes	2005	2004
		£	£
Tangible Fixed Assets			
Housing Properties (net of depreciation)	11	22,982,583	21,020,672
Other	12	<u>384,586</u>	<u>374,304</u>
		<u>23,367,169</u>	<u>21,394,976</u>
Current Assets			
Investments	13	1	1
Debtors	14	840,162	1,069,997
Cash at Bank and in Hand		<u>2,116,230</u>	<u>2,359,254</u>
		2,956,393	3,425,952
Creditors : amounts falling due within one year	15	3,375,036	3,364,203
Net Current Assets/(Liabilities)		<u>(418,643)</u>	<u>65,049</u>
Total Assets less Current Liabilities		22,948,526	21,460,025
Creditors : amounts falling due after more than one year	16	(15,928,147)	(15,234,747)
Net Assets		<u><u>7,020,379</u></u>	<u><u>6,225,278</u></u>
Capital and Reserves			
Designated Reserve	17	400,000	-
Revaluation Reserves	18	3,719,884	3,758,296
Revenue Reserve	20	<u>2,900,495</u>	<u>2,466,982</u>
		<u>7,020,379</u>	<u>6,225,278</u>

These financial statements were approved by the Trustees on

and signed on their behalf by:

..... Chairperson

..... Trustee

..... Secretary

AYRSHIRE HOUSING

DRAFT

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2005

	2005	2004
	£	£
Net Cash inflow from operating activities	<u>1,807,841</u>	<u>832,063</u>
Returns on investments and servicing of Finance		
Interest Received	93,548	54,250
Interest Paid	(865,748)	(780,571)
	<u>(772,200)</u>	<u>(726,321)</u>
Taxation		
Corporation Tax Paid	-	(52,247)
S.54 Grant Received	-	86,492
	<u>-</u>	<u>34,245</u>
Capital Expenditure and Financial Investment		
Payments to acquire and develop housing properties	(7,498,000)	(4,485,489)
Payments to acquire other fixed assets	(64,308)	(48,705)
Payments to acquire investments	-	(1)
Grants Received	4,641,065	3,582,746
Proceeds of disposal of housing property	617,725	419,517
	<u>(2,303,518)</u>	<u>(531,932)</u>
Net cash inflow (outflow) before financing	<u>(1,267,877)</u>	<u>(391,945)</u>
Financing		
Loans - Received	704,377	606,243
- Repaid	-	-
	<u>704,377</u>	<u>606,243</u>
Increase/(Decrease) in cash	<u>(563,500)</u>	<u>214,298</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	(563,500)	214,298
Cash inflow/(outflow) from increase/(decrease) in loan finance	(704,377)	(606,243)
Decrease/(Increase) in net debt resulting from cash flow	(1,267,877)	(391,745)
Net debt at 01.04.04	(14,849,056)	(14,457,111)
Net debt at 31.03.05	<u>(16,116,933)</u>	<u>(14,849,056)</u>

AYRSHIRE HOUSING

DRAFT

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2005

	2005	2004
	£	£
1. Reconciliation of surplus for the year to net cashflow from operating activities		
Operating Surplus	1,295,209	997,122
Depreciation	381,641	333,826
(Increase)/Decrease in Debtors	272,400	(534,280)
Increase/(Decrease) in Creditors	(141,409)	35,395
	<u>1,807,841</u>	<u>832,063</u>

2. Analysis of changes in net debt

	2005	Cash Flow	2004
	£	£	£
Cash in hand and at bank	2,116,230	(243,024)	2,359,254
Overdraft	(1,794,358)	(320,476)	(1,473,882)
Debt due after one Year	(510,658)	(10,977)	(499,681)
Debt due within one Year	(15,928,147)	(693,400)	(15,234,747)
	<u>(16,116,933)</u>	<u>(1,267,877)</u>	<u>(14,849,056)</u>

	2004	Cash Flow	2003
	£	£	£
Cash in hand and at bank	2,359,254	501,909	1,857,345
Overdraft	(1,473,882)	(287,611)	(1,186,271)
Debt due after one Year	(499,681)	(298,595)	(201,086)
Debt due within one Year	(15,234,747)	(307,648)	(14,927,099)
	<u>(14,849,056)</u>	<u>(391,945)</u>	<u>(14,457,111)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005

1. Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting for Registered Social Landlords (update 2002), and on the historical cost basis as modified by revaluation of housing property on the transfer of engagement. No adjustments have been made in the accounts to reflect the effects of other inflationary factors. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental income and profit on sales of houses. Sales of houses are recognised on the date of completion.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or the fair value of assets transferred on the transfer of engagements less accumulated depreciation. Depreciation is charged on a straight line basis to write off the cost less any estimated residual value over the expected economic useful lives of the assets.

Housing Properties	- 2% straight line
Freehold Property	- 2% straight line
Furniture and Equipment	- 20% straight line
IT Systems	- 20% straight line
Let properties – Furniture	- 20% straight line

Housing properties are developed or modernised and maintained to such a standard that they are expected to have a remaining useful economic life of fifty years. Therefore all properties (excluding land) at 1st April 2000 have been depreciated from that point forward. Depreciation on assets acquired during the year is apportioned over the period the assets were put to use. Depreciation on assets disposed of during the year is charged up to the date of disposal.

Work to Existing Housing Properties

Expenditure on improvements to existing property, which adds to the value of the property or extends its useful life, is capitalised as part of the cost of the property. All other maintenance expenditure is written off the income and expenditure account in the year in which it is incurred.

Pension Costs

Pension contributions are charged to the income and expenditure account on a systematic basis so as to spread the cost of pensions over the estimated remaining working lives of employees.

Leases

Assets held under operating leases are not capitalised. The lease rentals are expensed to the income and expenditure account in the year in which they are incurred.

Grants

The Company has received grants from Communities Scotland and South Ayrshire Council.

Capitalisation of Interest

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

3. Particulars of Income and Expenditure from Lettings

	Housing Accomm. £	Shared Ownership £	Total 2005 £	2004 £
Income from Lettings				
Rent Receivable net of Identifiable Serv Chrgs	2,637,160	31,991	2,669,151	2,407,183
Service Charges receivable	129,056	-	129,056	116,415
Gross Rents Receivable	<u>2,766,216</u>	<u>31,991</u>	<u>2,798,207</u>	<u>2,523,598</u>
Less: Rent Losses from Voids	(15,606)	-	(15,606)	(35,165)
Total Income from Lettings	<u>2,750,610</u>	<u>31,991</u>	<u>2,782,601</u>	<u>2,488,433</u>
Expenditure on Letting Activities				
Management	651,905	7,597	659,502	655,764
Routine Repairs and Maintenance	370,026	-	370,026	391,941
Rent Losses from Bad Debts	27,368	-	27,368	-
Annual and Cyclical Maintenance	80,835	-	80,835	31,259
Environmental Costs	44,316	-	44,316	39,528
Depreciation on Housing Properties	323,080	4,535	327,615	295,561
Adjudication Costs	1,685	-	1,685	116,748
Total Expenditure on Lettings	<u>1,499,215</u>	<u>12,132</u>	<u>1,511,347</u>	<u>1,530,801</u>
Operating Surplus on Letting Activities	<u>1,251,395</u>	<u>19,859</u>	<u>1,271,254</u>	<u>957,632</u>

The amount of service charges receivable on housing accommodation not eligible for housing benefit is £Nil.

4. Profit on Disposal of Fixed Assets

	2005 £	2004 £
Proceeds from sale of fixed assets	<u>630,818</u>	<u>428,901</u>
Less: Cost of Sales		
Historical Cost	361,615	267,759
HAG Received	(51,096)	(14,913)
Accumulated Depreciation	(15,982)	(12,775)
HAG Repayable	51,096	14,413
Legal and Valuation Costs	13,093	9,364
	<u>358,726</u>	<u>264,348</u>
	<u>272,092</u>	<u>164,553</u>

5. Directors Emoluments

The remuneration paid to the directors (defined as the Board of Trustees and Chief Executive of Ayrshire Housing) was:-

	2005 £	2004 £
Total Emoluments (including pension contributions and benefits in kind)	<u>38,398</u>	<u>36,105</u>
Total Emoluments (excluding pension contributions) to the highest paid director amounted to	<u>43,364</u>	<u>40,774</u>

The Company is managed by voluntary Trustees who act as directors of the Company. No emoluments were paid to any Trustee during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

	2005 £	2004 £
6. Employee Information		
The average weekly number of persons (excluding Executive Trustees) employed during the period was :-	<u>17</u>	<u>16</u>
Wages and Salaries	399,579	318,836
Social Security Costs	35,706	23,405
Pension Contributions	<u>47,413</u>	<u>40,455</u>
	<u>482,698</u>	<u>382,696</u>
There were no employees with emoluments over £50,000. The Trustees did not receive any emoluments.		
7. Interest Receivable and Other Income		
Bank Interest Receivable	<u>93,548</u>	<u>54,250</u>
8. Interest Payable and Similar Charges		
Bank Interest	-	-
Loan Interest	<u>942,625</u>	<u>831,633</u>
	942,625	831,633
Interest Capitalised on Housing Properties	(76,877)	(51,062)
	<u>865,748</u>	<u>780,571</u>
9. Operating Surplus		
Operating surplus is stated after charging/(crediting):-		
Depreciation - Property	327,615	295,561
- Other Assets	54,026	38,265
Auditor's Remuneration	5,581	5,581
Leasing	11,436	6,869
Gain on Disposal of Properties	(272,092)	(164,533)
Bad Debts	<u>27,368</u>	<u>-</u>
10. Taxation		
The Company is not liable to corporation tax on its income.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

11. Tangible Fixed Assets - Housing Properties

	Heritable Housing Prop. Held For Letting £	Rented Accommod. Under Construction £	Shared Ownership Held For Letting £	Total £
Cost/Valuation				
At 01.04.04	20,181,969	5,336,020	880,269	26,398,258
Additions	-	7,267,693	-	7,267,693
Disposals	(233,313)	-	(128,302)	(361,615)
Transfers	6,387,989	(6,387,989)	-	-
At 31.03.05	<u>26,336,645</u>	<u>6,215,724</u>	<u>751,967</u>	<u>33,304,336</u>
Grants				
At 01.04.04	-	4,688,191	618,287	5,306,478
Received	-	4,489,726	-	4,489,726
Repaid	-	-	(51,096)	(51,096)
Transfers	4,028,540	(4,028,540)	-	-
At 31.03.05	<u>4,028,540</u>	<u>5,149,377</u>	<u>567,191</u>	<u>9,745,108</u>
Other Grants				
At 01.04.04	-	65,738	-	65,738
Received	-	193,904	-	193,904
Transfers	259,642	(259,642)	-	-
At 31.03.05	<u>259,642</u>	<u>-</u>	<u>-</u>	<u>259,642</u>
Depreciation				
At 01.04.04	-	-	5,370	5,370
Charge for Year	327,615	-	-	327,615
Disposals	(15,052)	-	(930)	(15,982)
At 31.03.05	<u>312,563</u>	<u>-</u>	<u>4,440</u>	<u>317,003</u>
Net book value at 31.03.05	<u>21,735,900</u>	<u>1,066,347</u>	<u>180,336</u>	<u>22,982,583</u>
Net book value at 31.03.04	<u>20,181,969</u>	<u>582,091</u>	<u>256,612</u>	<u>21,020,672</u>

Development Administration cost capitalised amounted to £64,033 for which grants of £30,942 were received in the year.

Housing properties were revalued on the basis of existing use for social housing on 4th May 2004 for the properties formerly held by South Ayrshire Homes and on 2nd June 2004 for the properties formerly held by Carrick Housing Association Limited. The valuations were carried out by DTZ Pida Consulting on the dates as stated.

	2005	2004
Cost of Properties	50,212,330	43,306,252
Less: Social Housing and Other Grants	<u>29,962,374</u>	<u>25,329,840</u>
	20,249,956	17,976,412
Less: Depreciation	1,025,670	714,037
	<u>19,224,286</u>	<u>17,262,375</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2005/Cont...

12. **Tangible Fixed Assets - Other Fixed Assets**

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
Cost					
As at 01.04.04	245,825	91,284	64,190	91,625	492,924
Additions	688	411	37,532	25,677	64,308
As at 31.03.05	<u>246,513</u>	<u>91,695</u>	<u>101,722</u>	<u>117,302</u>	<u>557,232</u>
Depreciation					
As at 01.04.04	4,916	56,649	26,636	30,419	118,620
Charge for Year	4,930	8,741	16,895	23,460	54,026
As at 31.03.05	<u>9,846</u>	<u>65,390</u>	<u>43,531</u>	<u>53,879</u>	<u>172,646</u>
Net Book Value as at 31.03.05	<u>236,667</u>	<u>26,305</u>	<u>58,191</u>	<u>63,423</u>	<u>384,586</u>
Net Book Value as at 01.04.04	<u>240,909</u>	<u>34,635</u>	<u>37,554</u>	<u>61,206</u>	<u>374,304</u>

13. **Investment**

Ayrshire Housing holds the one issued share of Ayrshire Initiatives Limited, a company registered in Scotland.

The principal activity of Ayrshire Initiatives Limited is the provision of services to existing and emergency public service, voluntary and not for profit organisations.

	2005 £	2004 £
14. Debtors		
Rental Debtors	283,812	222,913
Provision for Doubtful Debts	(10,000)	(10,000)
Connected Undertaking	139,024	-
Other Debtors	<u>427,326</u>	<u>857,084</u>
	<u>840,162</u>	<u>1,069,997</u>
15. Creditors due within one year		
Housing Loans	510,658	499,681
Trade Creditors	44,424	52,950
Development Creditors	819,081	928,406
Other Creditors	51,096	120,982
Connected Undertaking	-	65,745
Accruals	21,692	53,329
Development Overdrafts	1,794,358	1,473,882
Prepaid Rents	<u>133,727</u>	<u>169,228</u>
	<u>3,375,036</u>	<u>3,364,203</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

	2005 £	2004 £
16. Creditors due after more than one year		
Loans	<u>15,928,147</u>	<u>15,234,747</u>
Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 4.75% to 6.39% (2004 – 5.25% to 7.59%) which will mature over a period of 21 to 30 years as follows:-		
	2005 £	2004 £
Between one and two years	539,540	500,550
Between two and five years	1,691,237	1,599,616
In five years or more	<u>13,697,370</u>	<u>13,134,581</u>
	<u>15,928,147</u>	<u>15,234,747</u>
17. Designated Reserves		
	Major Repair Reserve £	
Balance at 01.04.04	-	
Transfers from Income & Expenditure Account	400,000	
Balance at 31.03.05	<u>400,000</u>	
18. Revaluation Reserve		
	2005 £	2004 £
Balance at 15.04.04	3,758,296	-
Surplus for the year	-	3,758,296
Depreciation Adjustment	38,412	-
Balance at 31.03.05	<u>3,719,884</u>	<u>3,758,296</u>

19. **Pensions**

The Company is a member of two pension funds in order to provide benefits for its employees.

Firstly, the Company is a member of the Strathclyde Pension Fund which is a defined benefit pension scheme providing benefits to participating employees based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary using the projected unit method and are charged to the income and expenditure account so as to spread the cost of pensions over the expected remaining service lives of the employees and trustees.

It is not possible to identify each institution's share of the underlying assets and liabilities of the scheme hence the contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised within the surplus/(deficit) for the period in the income and expenditure account being equal to the contributions payable to the scheme of the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

19. Pensions/Cont...

The fund is actuarially valued by a qualified actuary on a triennial basis with the most recent valuation being at 31st March 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in salaries and pensions and dividend growth. It was assumed that salary increases would average 4.1% per annum, that present and future pensions would increase at the rate of 2.6% per annum. At valuation date the market value of the scheme was £6,050m and the value of the past services liabilities was £5,593.6m leaving a surplus of assets of £456.4m. The assets therefore were sufficient to cover 108% of the benefits which had accrued to members after allowing for expected future increases in earnings. The actuary recommended future employer contributions for the year to 31st March 2004 of 13.8% of total pensionable pay, with contributions to be increased to 14.4% and 15.0% respectively for years to 31st March 2004 and 2006. Employees' contributions are 6% of total pensionable pay.

Surpluses/(deficits) which arise at future valuations may impact on the institutions future contribution commitment. The next formal actuarial valuation is due at 31st March 2004.

The total pension cost for the Company was £11,404 (2004 - £10,462). The contribution rate payable by the Company was 13.8% of pensionable salary.

Secondly, the Company participates in the SFHA Pension Scheme. SFHA is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The latest formal valuation of that scheme was performed at 30th September, 2000 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £129million. The valuation showed a shortfall of assets compared to liabilities of £24million (equivalent to a past service funding level of 80%).

The Company paid contributions at the rate of 12.2% during the accounting period. Member contributions were 6.0%.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers.

Due to the nature of the scheme, the profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

The Company has subsequently been notified of the preliminary results of the triennial valuation carried out as at 30th September 2003. This indicates an increase in the assets of the scheme to £143million and an increase in the shortfall of assets compared with liabilities to £37million (equivalent to a past service funding level of 80%).

This valuation, and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be made known in September 2004, and any consequent changes to contribution rates applied from 1st April 2004.

The financial assumptions underlying that valuation were as follows:

- | | |
|---|---|
| a. rate of return on future contributions | - 6.60% per annum; |
| b. rate of return on accumulated assets | - 5.17% per annum; |
| c. rate of salary increases | - 4.50% per annum; |
| d. rate of pension increases | - Leavers before 1.10.93 - 5% per annum
- all other members - 2.50% per annum. |
| e. rate of price inflation | - 2.5% per annum; |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

19. Pensions/Cont...

The accumulated assets of the scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £24million (equivalent to a past service funding level of 84%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.0% of pensionable salaries. In view of the past service shortfall most employers (including the Company) are required to contribute at the rate of 12.2% of pensionable salaries in order to bring the value of assets and liabilities into balance. A small number of employers that have closed the scheme to new members are required to contribute at the rate of 15.7% to reflect the higher costs of a closed management. Member contributions were increased from 5.0% to 6.0% from April 2002. On the basis of the valuation assumptions this pattern of contributions will be sufficient to eliminate the past service deficit by 30th September 2016.

The next valuation will be as at 30th September, 2003 and the results will be available in September 2004.

The total pension cost for the Company was £36,009 (2004 : £29,144) of which £4,057 (2004 : £2,680) was unpaid and is included in creditors.

20. Revenue Reserves

	2005 £	2004 £
Balance at 01.04.04	2,466,982	2,031,648
Surplus for the year	833,513	435,334
Transfer to Designated Reserve	(400,000)	-
Balance at 31.03.05	<u>2,900,495</u>	<u>2,466,982</u>

21. Related Parties

During the period five tenants of the Company acted as Trustees. In total they paid rent of £13,652 (2004 : £10,530), which is at arm's length.

22. Financial Commitments

At 31st March 2005 the amounts due in future years under operating leases were as follows :-

Expiring within one year	6,116	4,152
Expiring between one and two years	4,040	2,076
Expiring between two and five years	3,271	-
	<u>13,427</u>	<u>6,228</u>

23. Housing Stock

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

	2005	2004
General Needs	991	957
Shared Ownership	20	24
	<u>1,011</u>	<u>981</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2005/Cont...

24. Annual Tenancy Rents

	2005 £	2004 £
Average annual tenancy rent for housing accommodation	<u>2,758</u>	<u>2,544</u>
Number of Units	<u>1,011</u>	<u>981</u>

25. Capital Commitments

	2005 £	2004 £
Expenditure authorised and contracted	<u>2,222,165</u>	<u>1,012,468</u>
Expenditure authorised by Board of Management not contracted	<u>6,914,561</u>	<u>3,641,715</u>

The Board of Management expect that expenditure they have authorised to be fully funded by Communities Scotland, Local Authorities, banks and building societies.

Expenditure not yet contracted, on a scheme by scheme basis, is subject to formal Trustee approval procedures.

26. Contingent Liabilities

At 31st March 2004, the Company had £Nil contingent liabilities (2004 - £Nil).

27. Group Structure

Ayrshire Housing is a housing company registered in Scotland and forms part of a group. The other member of which is Ayrshire Initiatives Limited, a company registered in Scotland. The main activities of this company are that of provider of housing and other social services to existing and emerging public sector voluntary and not for profit organisations.

Ayrshire Housing is considered to be the ultimate parent undertaking of the group. Separate group accounts are not prepared as the Trustees are of the opinion that the group is exempt from this requirement.