

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2004

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AYRSHIRE HOUSING
ADVISORS AND REGISTERED OFFICE
FOR THE PERIOD ENDED 31ST MARCH, 2004.

Auditors

Armstrongs, Chartered Accountants

Bankers

The Royal Bank of Scotland plc

Legal advisors

Henderson Boyd Jackson
Drummond Miller

Registered Office

119 Main Street
Ayr
KA8 8BX

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2004.

The Trustees present their report and the audited financial statements for the period ended 31st March, 2004.

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 £435,334 and this will be transferred to our reserves as part of our overall risk management strategy. On the 15th April 2003 Carrick Housing Association Limited transferred its engagements to South Ayrshire Homes. On 16th April 2003 operations formally commenced under the new name of Ayrshire Housing. The results of the new organisation are shown under the merger accounting convention; all comparative figures have been restated.

At 16th April 2003 a new Company was formed, Ayrshire Initiatives, which is a wholly owned subsidiary of Ayrshire Housing. These two companies together form Ayrshire Housing Group.

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. Collins	(Appointed 15.04.03)
. B. Bryan		. W. Russell	(Appointed 15.04.03)
. L. Aird		. W. Wingate	(Appointed 15.04.03)
. Cllr G. McKenzie	(Appointed 01.12.03)	. P. Boyd	(Appointed 15.04.03)
. Cllr J. McDowall	(Appointed 06.05.03)	. A. Robinson	(Appointed 03.09.03)
. I. Gillespie	(Appointed 02.07.03)	. Cllr P. Torrance	(Resigned 27.11.03)
. A. Bontke	(Appointed 15.04.03)	. K. Hamilton	(Resigned 09.05.03)
. J. McKerchar	(Appointed 15.04.03)	. E. B. Coughtrie	(Resigned 03.09.03)
. C. Donnelly	(Appointed 15.04.03)	. Cllr R. Miller	(Resigned 02.07.03)
. G. McGeechan	(Appointed 15.04.03)	. Cllr W. Sloan	(Resigned 02.07.03)
. J. Clarke	(Appointed 15.04.03)		(Reappointed 01.03.04)

REPORT OF THE TRUSTEES
FOR THE PERIOD ENDED 31ST MARCH, 2004/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 Committee's 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 relevant legislation. It is also responsible 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 :

AYRSHIRE HOUSING

**TRUSTEES STATEMENT ON THE COMPANY'S
SYSTEM OF INTERNAL FINANCIAL CONTROL
FOR THE PERIOD ENDED 31ST MARCH, 2004**

Introduction

The Trustees takes an active interest in all internal control and corporate governance matters and aims to meet the highest standards. The Trustees are responsible for the Company's system of internal financial control which is designed to provide reasonable, but not absolute assurance regarding:-

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

Statement

The Trustees acknowledge that one of its main responsibilities is maintaining the Company's system of internal financial control and places considerable importance on maintaining a strong control environment. However, such a system can only provide reasonable, and never absolute, assurance against material misstatement or loss.

The Trustees have established key procedures designed to provide effective internal financial control. These are the high level procedures and processes by which the Trustees reviews the effectiveness of the system of internal financial control. The procedures operated throughout the period and there have been no significant changes since 15th April 2003.

The Trustees have written policies and procedures. These cover the matters necessary to comply fully with the Communities Scotland Code of Audit Practice.

Financial risks are identified and appraised through the annual process of preparing business plans and budgets, and through close monitoring of operations.

The Trustees consider annually the adequacy, reliability and effectiveness of the internal control system, covering internal financial control, housing policies, etc. and, specifically, the external auditors' management letter and any Communities Scotland Performance Review evaluation issued.

During the period under review there were no weaknesses in internal financial control that have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or the auditors' 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 :

AYRSHIRE HOUSING

REPORT OF THE AUDITORS ON THE TRUSTEES

STATEMENT ON THE COMPANY'S SYSTEM OF INTERNAL FINANCIAL CONTROL

FOR THE PERIOD ENDED 31ST MARCH, 2004

In addition to our audit of the financial statements, we have separately reviewed the Trustees statement on page four about the Company's system of internal financial control for the period ended 31st March 2004. This review has been confined to internal financial control, as defined by the Trustees. We have not reviewed the Company's statements on any of the wider issues of corporate governance covered by the Cadbury Code.

Basis of Opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures Relating to Corporate Governance", issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's system of internal financial control.

Opinion

With respect to the Trustees's statement on internal financial control on page four, in our opinion:

- i. the Trustees have provided the disclosures required by Communities Scotland Guidance Notes 97/02, and
- ii. the Trustees' comments are not inconsistent with the information of which we are aware from our audit work on the financial statements and the limited additional procedures carried out by us in accordance with the Bulletin 1995/1.

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**

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 2004 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
INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31ST MARCH, 2004

	Notes	2004 £	2003 £
Turnover	2	2,692,456	2,631,650
Operating Costs	2	(1,530,801)	(1,476,022)
Operating Surplus	2	1,161,655	1,155,628
Interest Receivable and Other Income	2	54,250	121,302
Interest Payable and Similar Charges	2	(780,571)	(731,604)
Surplus on ordinary activities before taxation		<u>435,334</u>	<u>545,326</u>
Taxation on Surplus on ordinary activities	7	-	-
Surplus on ordinary activities after taxation		<u>435,334</u>	<u>545,326</u>
Revenue Reserve brought forward		2,031,648	1,486,322
Revenue Reserve carried forward		<u><u>2,466,982</u></u>	<u><u>2,031,648</u></u>

The results for the period relate wholly to continuing activities.

STATEMENT OF RECOGNISED SURPLUSES AND DEFICITS

	2004 £	2003 £
Surplus/(Deficit) for the period	435,334	545,326
Unrealised surplus/(deficit) on revaluation of Housing Properties	3,758,296	-
Revenue Reserve carried forward	<u><u>4,193,630</u></u>	<u><u>545,326</u></u>

AYRSHIRE HOUSING

BALANCE SHEET

AS AT 31ST MARCH, 2004

	Notes	2004	2003
		£	£
Tangible Fixed Assets			
Housing Properties (net of depreciation)	7	21,020,672	16,327,709
Other	8	<u>374,304</u>	<u>363,864</u>
		<u>21,394,976</u>	<u>16,691,573</u>
Current Assets			
Investments	9	1	-
Debtors	10	1,069,997	537,660
Cash at Bank and in Hand		<u>2,359,254</u>	<u>1,857,345</u>
		3,425,952	2,395,005
Creditors : amounts falling due within one year	11	3,364,203	2,127,831
Net Current Assets/(Liabilities)		<u>65,049</u>	<u>267,174</u>
Total Assets less Current Liabilities		21,460,025	16,958,747
Creditors : amounts falling due after more than one year	12	(15,234,747)	(14,927,099)
Net Assets		<u><u>6,225,278</u></u>	<u><u>2,031,648</u></u>
Capital and Reserves			
Revenue Reserves	13	2,466,982	2,031,648
Revaluation Reserve	14	<u>3,758,296</u>	-
		<u><u>6,225,278</u></u>	<u><u>2,031,648</u></u>

..... Chairperson

..... Trustee

..... Secretary

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2004

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. Under FRS1 the Company is exempt from presenting a cashflow. 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.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2004/Cont...

3. Particulars of Income and Expenditure from Lettings

	Housing Accomm. £	Shared Ownership £	Total 2004 £	2003 £
Income from Lettings				
Rent Receivable net of Identifiable Serv Chrgs	2,370,943	36,240	2,407,183	2,348,761
Service Charges receivable	<u>116,415</u>	<u>-</u>	<u>116,415</u>	<u>-</u>
Gross Rents Receivable	2,487,358	36,240	2,523,598	2,348,761
Less: Rent Losses from Voids	(35,165)	-	(35,165)	(17,777)
Total Income from Lettings	<u>2,452,193</u>	<u>36,240</u>	<u>2,488,433</u>	<u>2,330,984</u>
 Expenditure on Letting Activities				
Management	646,374	9,390	655,764	519,605
Routine Repairs and Maintenance	391,941	-	391,941	387,347
Rent Losses from Bad Debts	-	-	-	35,695
Annual and Cyclical Maintenance	31,259	-	31,259	26,426
Environmental Costs	39,528	-	39,528	38,114
Depreciation on Housing Properties	290,191	5,370	295,561	163,899
Adjudication Costs	116,748	-	116,748	-
Total Expenditure on Lettings	<u>1,516,041</u>	<u>14,760</u>	<u>1,530,801</u>	<u>1,171,086</u>
Operating Surplus on Letting Activities	<u>936,152</u>	<u>21,480</u>	<u>957,632</u>	<u>1,159,898</u>

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

	2004 £	2003 £
4. Employee Information		
The average weekly number of persons (excluding Executive Trustees) employed during the period was :-	<u>16</u>	<u>15</u>
Wages and Salaries	318,836	364,989
Social Security Costs	23,405	31,080
Pension Contributions	<u>40,455</u>	<u>41,834</u>
	<u>382,696</u>	<u>437,903</u>

There were no employees with emoluments over £50,000. The Trustees did not receive any emoluments.

5. Operating Surplus

Operating surplus is stated after charging:-

Depreciation	333,826	207,475
Auditor's Remuneration	5,581	16,645
Leasing	<u>6,869</u>	<u>4,409</u>

6. Taxation

The Company is not liable to corporation tax on its income.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2004/Cont...

7. Tangible Fixed Assets - Housing Properties

	Heritable Housing Prop. Held For Letting £	Rented Accommod. Under Construction £	Shared Ownership Held For Letting £	Total £
Cost				
At 15.04.03	34,758,592	2,775,247	905,325	38,439,164
Additions	868,273	4,266,574	-	5,134,847
Disposals	(242,703)	-	(25,056)	(267,759)
Transfers	1,705,801	(1,705,801)	-	-
Revaluation	3,758,297	-	-	3,758,297
At 31.03.04	<u>40,848,260</u>	<u>5,336,020</u>	<u>880,269</u>	<u>47,064,549</u>
Grants				
At 15.04.03	17,528,340	2,447,554	632,700	20,608,594
Received	7,671	3,406,145	-	3,413,816
Repaid	-	-	(14,413)	(14,413)
Transfers	1,165,508	(1,165,508)	-	-
At 31.03.04	<u>18,701,519</u>	<u>4,688,191</u>	<u>618,287</u>	<u>24,007,997</u>
Other Grants				
At 15.04.03	1,071,610	-	-	1,071,610
Received	184,495	65,738	-	250,233
At 31.03.04	<u>1,256,105</u>	<u>65,738</u>	<u>-</u>	<u>1,321,843</u>
Depreciation				
At 15.04.03	431,251	-	-	431,251
Charge for Year	290,191	-	5,370	295,561
Disposals	(12,775)	-	-	(12,775)
At 31.03.04	<u>708,667</u>	<u>-</u>	<u>5,370</u>	<u>714,037</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>
Net book value at 15.04.03	<u>15,727,391</u>	<u>327,693</u>	<u>272,625</u>	<u>16,327,709</u>

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 Pidea Consulting on the dates as stated.

	2004	2003
Cost of Properties	43,306,252	38,439,164
Less: Social Housing and Other Grants	<u>25,329,840</u>	<u>21,680,204</u>
	17,976,412	16,758,960
Less: Depreciation	714,037	431,251
	<u>17,262,375</u>	<u>16,327,709</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2004/Cont...

8. **Tangible Fixed Assets - Other Fixed Assets**

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
Cost					
As at 15.04.03	245,191	73,114	22,576	75,588	444,219
Additions	634	12,190	19,844	16,037	48,705
As at 31.03.04	<u>245,825</u>	<u>91,284</u>	<u>64,190</u>	<u>91,625</u>	<u>492,924</u>
Depreciation					
As at 15.04.03	-	47,990	17,247	15,118	80,355
Charge for Year	4,916	8,659	9,389	15,301	38,265
As at 31.03.04	<u>4,916</u>	<u>56,649</u>	<u>26,636</u>	<u>30,419</u>	<u>118,620</u>
Net Book Value as at 31.03.04	<u>240,909</u>	<u>34,635</u>	<u>37,554</u>	<u>61,206</u>	<u>374,304</u>
Net Book Value as at 15.04.03	<u>245,191</u>	<u>31,104</u>	<u>27,099</u>	<u>60,470</u>	<u>363,864</u>

9. **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 emerging public service, voluntary and not for profit organisations.

	2004 £	2003 £
10. Debtors		
Rental Debtors	222,913	191,688
Provision for Doubtful Debts	(10,000)	(10,000)
Other Debtors	<u>857,084</u>	<u>355,972</u>
	<u>1,069,997</u>	<u>537,660</u>
11. Creditors due within one year		
Housing Loans	499,681	201,086
Trade Creditors	52,950	3,657
Development Creditors	928,406	150,443
Other Creditors	120,982	248,115
Connected Undertaking	65,745	-
Accruals	53,329	249,586
Development Overdrafts	1,473,882	1,186,271
Prepaid Rents	<u>169,228</u>	<u>88,672</u>
	<u>3,364,203</u>	<u>2,127,831</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31ST MARCH, 2004/Cont...

	2004	2003
	£	£
12. Creditors due after more than one year		
Loans	<u>15,234,747</u>	<u>14,927,099</u>

Loans are secured by specific charges on the Company's properties and are repayable at varying rates of interest in instalments due as follows:-

	2004	2003
	£	£
Between one and two years	500,550	205,028
Between two and five years	1,599,616	1,195,966
In five years or more	<u>13,134,581</u>	<u>13,526,105</u>
	<u><u>15,234,747</u></u>	<u><u>14,927,099</u></u>

13. Revenue Reserves		
	2004	2003
	£	£
Balance at 15.04.03	2,031,648	1,486,322
Surplus for the year	435,334	545,326
Balance at 31.03.04	<u><u>2,466,982</u></u>	<u><u>2,031,648</u></u>

14. Revaluation Reserve		
	2004	2003
	£	£
Balance at 15.04.03	-	-
Surplus for the year	3,758,296	-
Balance at 31.03.04	<u><u>3,758,296</u></u>	<u><u>-</u></u>

15. Financial Commitments

At 31st March 2004 the amounts due in future years under operating leases were as follows :-

Expiring within one year	4,152	-
Expiring between one and two years	2,076	3,519
Expiring between two and five years	<u>-</u>	<u>4,376</u>
	<u><u>6,228</u></u>	<u><u>7,895</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2004/Cont...

16. 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.

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 2005 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 2005.

The total pension cost for the Company was £10,462 (2003 - £17,542). 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%).

/Cont...

16. **Pensions/Cont...**

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 2005.

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;

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 £29,144 (2003 : £21,164) of which £2,680 (2003 : £2,034) was unpaid and is included in creditors.

17. **Related Parties**

During the period five tenants of the Company acted as Trustees. In total they paid rent of £10,530 (2003 : £10,100), which is at arm's length.

18. **Housing Stock**

	2004	2003
The number of units of accommodation in management at the period end was :-		
General Needs - New Build	501	478
- Unimproved Habitable	456	469
Shared Ownership	24	24
	<u>981</u>	<u>971</u>

19. Annual Tenancy Rents	2004	2003
	£	£
Average annual tenancy rent for housing accommodation	<u>2,544</u>	<u>2,423</u>
Number of Units	<u>981</u>	<u>971</u>
20. Capital Commitments	2004	2003
	£	£
Expenditure authorised and contracted	<u>1,012,468</u>	<u>4,607,970</u>
Expenditure authorised by Board of Management not contracted	<u>3,641,715</u>	<u>-</u>

AYRSHIRE HOUSING

ALLOCATION OF MANAGEMENT EXPENSES

	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2003 £
Employee Costs								
Salaries and NIC	137,939	49,038	25,430	-	-	131,238	343,644	323,527
Pensions	16,239	5,773	2,994	-	-	15,450	40,455	37,644
Other Staff Costs	12,599	4,410	2,205	-	-	11,941	31,154	27,504
	<u>166,776</u>	<u>59,220</u>	<u>30,628</u>	<u>-</u>	<u>-</u>	<u>158,628</u>	<u>415,253</u>	<u>388,675</u>
Estate Costs								
Repairs & Maintenance	-	341,085	-	-	-	-	341,085	310,495
Cyclical Repairs & Maintenance	-	-	-	-	31,259	-	31,259	41,879
Tenant Participation	6,519	-	-	-	-	-	6,519	-
Environmental Costs	-	-	-	39,528	-	-	39,528	38,114
Legal Fees	33,419	-	-	-	-	-	33,419	37,144
Service Costs	50,856	-	-	-	-	-	50,856	57,366
Depreciation – Housing Properties	295,561	-	-	-	-	-	295,561	163,899
	<u>386,355</u>	<u>341,085</u>	<u>-</u>	<u>39,528</u>	<u>31,259</u>	<u>-</u>	<u>747,371</u>	<u>648,897</u>
Office Overheads								
Rent, Rates and Insurance	-	-	-	-	-	65,786	65,786	78,262
Heating, Lighting and Cleaning	-	-	-	-	-	2,187	2,187	8,168
Committee Costs	-	-	-	-	-	1,817	1,817	4,444
Computer Training and Consultancy	-	-	-	-	-	28,653	28,653	28,405
Subscriptions and Affiliations	-	-	-	-	-	24,730	24,730	28,523
Consultancy Fees	-	-	-	-	-	7,416	7,416	134,316
Professional Fees	-	-	-	-	-	5,061	5,061	6,847
Postage, Stationery and Advertising	-	-	-	-	-	25,566	25,566	36,478
Telephone	-	-	-	-	-	11,007	11,007	14,652
Office Repairs and Equipment Maintenance	-	-	-	-	-	9,050	9,050	11,942
Depreciation - Office Furniture and Equipment	-	-	-	-	-	38,265	38,265	43,575
Bad Debts Written Off	-	-	-	-	-	339	339	35,695
Abortive Development Costs	-	-	-	-	-	20,378	20,378	43,423
Sundry Expenses	-	-	-	-	-	15,913	15,913	6,529
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,168</u>	<u>256,168</u>	<u>481,259</u>
c/fwd	553,131	400,305	30,628	39,528	31,259	414,796	1,418,792	1,518,831

AYRSHIRE HOUSING

ALLOCATION OF MANAGEMENT EXPENSES

	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2003 £
b/fwd	<u>553,131</u>	<u>400,305</u>	<u>30,628</u>	<u>39,528</u>	<u>31,259</u>	<u>414,796</u>	<u>1,418,792</u>	<u>1,518,831</u>
Other Costs								
Audit Fees	-	-	-	-	-	5,581	5,581	13,315
Bank Charges	-	-	-	-	-	1,790	1,790	3,051
	-	-	-	-	-	116,748	116,748	-
	-	-	-	-	-	<u>124,119</u>	<u>124,119</u>	<u>16,366</u>
Total Costs	553,131	400,305	30,628	39,528	31,259	538,915	1,542,911	1,535,197
Allocation of Finance & Administration Costs	214,126	154,965	169,825	-	-	(538,915)	-	-
Total Expenditure 2003/04	<u><u>767,257</u></u>	<u><u>555,270</u></u>	<u><u>200,453</u></u>	<u><u>39,528</u></u>	<u><u>31,259</u></u>	<u><u>-</u></u>	<u><u>1,542,911</u></u>	<u><u>1,535,197</u></u>