

**AYRSHIRE HOUSING**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

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**AYRSHIRE HOUSING**  
**ADVISORS AND REGISTERED OFFICE**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

**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**

HBJ Gateley Wareing  
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

**AYRSHIRE HOUSING**  
**REPORT OF THE TRUSTEES**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

The Trustees present their report and the audited financial statements for the year ended 31<sup>st</sup> March, 2007.

**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 year are set out in the income and expenditure account. The surplus for the year is £626,568 (2006 - £552,631) and this will be transferred to our reserves as part of our overall risk management strategy. During the year 91 new homes for rent were brought into management via our continuing development programme and our involvement with the national Mortgage to Rent Scheme.

**Changes in Fixed Assets**

Details of changes in fixed assets are set out in Notes 11-12.

**The Trustees and Executive Officer**

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

Executive Officer

. J. Whiston

Trustees

. J. Ledgerwood	(Chairperson)	. P. Boyd	(Re-appointed 27.09.06)
. G. Muir		. J. McKerchar	(Re-appointed 27.09.06)
. J. Scott		. L. Allison	(Appointed 27.09.06)
. G. McDines		. C. Gilmour	(Appointed 27.09.06)
. Cllr J. McDowall		. L. Laurie	(Appointed 27.09.06)
. Cllr W. Sloan		. S. Douglas	(Resigned 22.07.06)
. N. Larkin		. M. Graham	(Resigned 31.01.07)
. Cllr A. Spurling		. C. Donnelly	(Resigned 27.09.06)
. G. McGeehan		. C. Rodie	(Resigned 27.09.06)

## AYRSHIRE HOUSING

### REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31ST MARCH, 2007/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**

Housing Association legislation requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the income and expenditure of the Company for the year ended on that date. In preparing these financial statements, the Trustees are 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 Company will continue in business;
- . prepare a statement on internal financial control.

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 30<sup>th</sup> 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.

**REPORT OF THE TRUSTEES**  
**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**Statement as to Disclosure of Information to Auditors**

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware, and each Trustee has taken all the steps that he or she ought to have taken as a Trustee in order to make himself or herself aware of any relevant audit information and to establish the the Company's auditors are aware of that information.

**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 YEAR ENDED 31ST MARCH, 2007**

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 31<sup>st</sup> March 2007 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.

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 YEAR ENDED 31ST MARCH, 2007**

**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**

We have audited the financial statements on pages eight to twenty two, which have been prepared under the historical cost convention and the accounting policies set out in page thirteen.

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**

The Trustees' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Trustees' responsibilities on page three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. We also report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained if the Company has not kept proper accounting records, or if we have not received all the information and explanation we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the information contained in the Report of the Trustees and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 misstatement, 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**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Company's affairs as at 31<sup>st</sup> March 2007 and of its surplus for the year then ended;
- and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 1, 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 YEAR ENDED 31ST MARCH, 2007**

	Notes	2007 £	2006 £
Turnover	2	3,359,692	3,073,238
Operating Costs	2	( 1,999,709)	( 1,877,966)
Operating Surplus	2	1,359,983	1,195,272
Gain on Disposal of Housing Property	4	198,991	251,639
Interest Receivable and Other Income	7	76,098	81,775
Interest Payable and Similar Charges	8	( 1,008,503)	( 976,055)
Surplus for the year		<u>626,569</u>	<u>552,631</u>

The results for the year relate wholly to continuing activities.

**AYRSHIRE HOUSING**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

	<b>2007</b>	<b>2006</b>
	£	£
Surplus/(Deficit) for the year	626,569	552,631
Unrealised surplus/(deficit) on revaluation of properties	2,745,925	-
Total recognised gains and losses relating to the year	<u>3,372,494</u>	<u>552,631</u>

**AYRSHIRE HOUSING**  
**NOTE OF HISTORICAL SURPLUSES AND DEFICITS**  
**FOR THE YEAR ENDED 31ST MARCH 2007**

	<b>2007</b>	<b>2006</b>
	£	£
Reported surplus/(deficit) on ordinary activities before taxation	626,569	552,631
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	36,718	46,433
Realisation of property revaluation gains of previous years	22,145	27,504
Historical cost surplus/(deficit) on ordinary activities	<u>685,432</u>	<u>626,568</u>
Historical cost surplus/(deficit) on ordinary activities	<u>685,432</u>	<u>626,568</u>

**AYRSHIRE HOUSING**

**BALANCE SHEET**

**AS AT 31ST MARCH, 2007**

	<b>Notes</b>	<b>2007</b>	<b>2006</b>
		£	£
<b>Tangible Fixed Assets</b>			
Housing Properties (net of depreciation)	11	29,253,614	24,572,520
Other	12	<u>341,523</u>	<u>350,606</u>
		<u>29,595,137</u>	<u>24,923,126</u>
<b>Current Assets</b>			
Investments	13	1	1
Debtors	14	578,868	1,003,065
Cash at Bank and in Hand		<u>3,217,731</u>	<u>2,463,984</u>
		3,796,600	3,467,050
<b>Creditors</b> : amounts falling due within one year	15	5,089,505	3,127,596
Net Current Assets/(Liabilities)		<u>( 1,292,905)</u>	<u>339,454</u>
Total Assets less Current Liabilities		28,302,232	25,262,580
<b>Creditors</b> : amounts falling due after more than one year	16	( 17,356,728)	( 17,689,570)
Net Assets		<u><u>10,945,504</u></u>	<u><u>7,573,010</u></u>
<b>Capital and Reserves</b>			
Designated Reserve	17	400,000	400,000
Revaluation Reserves	18	6,303,269	3,616,207
Revenue Reserve	20	<u>4,242,235</u>	<u>3,556,803</u>
		<u>10,945,504</u>	<u>7,573,010</u>

These financial statements were approved by the Trustees on

and signed on their behalf by:

..... Chairperson

..... Trustee

..... Secretary

**AYRSHIRE HOUSING**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

	<b>2007</b>	<b>2006</b>
	£	£
<b>Net Cash inflow from operating activities</b>	<u>1,768,356</u>	<u>1,832,071</u>
<b>Returns on investments and servicing of Finance</b>		
Interest Received	76,097	81,775
Interest Paid	( 1,008,503)	( 976,055)
	<u>( 932,406)</u>	<u>( 894,280)</u>
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire and develop housing properties	( 9,349,015)	( 6,499,570)
Payments to acquire other fixed assets	( 61,366)	( 25,058)
Grants Received	6,956,137	4,343,145
Proceeds of disposal of housing property	363,910	423,900
	<u>( 2,090,334)</u>	<u>( 1,757,583)</u>
<b>Net cash inflow (outflow) before financing</b>	<u>( 1,254,384)</u>	<u>( 819,792)</u>
<b>Financing</b>		
Loans - Received	-	2,250,093
- Repaid	( 308,355)	( 472,189)
	<u>( 308,355)</u>	<u>1,777,904</u>
<b>Increase/(Decrease) in cash</b>	<u>( 1,562,739)</u>	<u>958,112</u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase/(Decrease) in cash in the year	( 1,562,739)	958,112
Cash inflow/(outflow) from increase/(decrease) in loan finance	<u>( 308,355)</u>	<u>( 1,777,904)</u>
Decrease/(Increase) in net debt resulting from cash flow	( 1,254,384)	( 819,792)
Net debt at 01.04.06	( 16,936,725)	( 16,116,933)
Net debt at 31.03.07	<u>( 18,191,109)</u>	<u>( 16,936,725)</u>

**NOTES TO THE CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH, 2007**

	<b>2007</b>		<b>2006</b>
	£		£
<b>1. Reconciliation of surplus for the year to net cashflow from operating activities</b>			
Operating Surplus	1,359,983		1,195,272
Depreciation	435,449		389,038
(Increase)/Decrease in Debtors	( 114,723)		113,404
Increase/(Decrease) in Creditors	87,647		134,357
	<u>1,768,356</u>		<u>1,832,071</u>
<b>2. Analysis of changes in net debt</b>			
	2007	Cash Flow	2006
	£	£	£
Cash in hand and at bank	3,217,731	753,747	2,463,984
Development Overdraft	( 3,500,486)	( 2,316,486)	( 1,184,000)
Debt due after one Year	( 551,626)	( 24,487)	( 527,139)
Debt due within one Year	(17,356,738)	332,842	(17,689,570)
	<u>(18,191,109)</u>	<u>( 1,254,384)</u>	<u>(16,936,725)</u>
	2006	Cash Flow	2005
	£	£	£
Cash in hand and at bank	2,463,984	347,754	2,116,230
Development Overdraft	( 1,184,000)	610,358	( 1,794,358)
Debt due after one Year	( 527,139)	( 16,481)	( 510,658)
Debt due within one Year	(17,689,570)	(1,761,423)	(15,928,147)
	<u>(16,936,725)</u>	<u>( 819,792)</u>	<u>(16,116,933)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 2007**

**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 relates to the income from letting of properties at affordable rents, and the supply of feuing services, together with revenue grants from Communities Scotland, local authorities and other organisations.

**Housing Properties**

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Completed housing properties are professionally valued on an existing use basis. Surpluses and deficits are reflected in the revaluation reserve. Permanent diminutions in value of housing property are eliminated first against any revaluation reserve in respect of that property with any excess being charged in the income and expenditure account. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%.

**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.

**Sale of Housing Properties**

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

**Other Fixed Assets**

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing with the year of acquisition at rates estimated to write off costs less any residual value over the expected economic useful lives at annual rates :-

Furniture and Fittings	- 20% reducing balance
IT Systems	- 20% straight line
Offices	- 2% straight line
Let Properties	- 20% straight line

**Social Housing Grant and Other Grants**

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments have been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the notes to the financial statements.

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

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

/Cont...



**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**3. Particulars of Income and Expenditure from Lettings**

	<b>Housing Accomm. £</b>	<b>Shared Ownership £</b>	<b>Total 2006 £</b>	<b>2006 £</b>
<b>Income from Lettings</b>				
Rent Receivable net of Identifiable Serv Chrgs	3,127,982	35,683	3,163,665	2,916,590
Service Charges receivable	153,082	-	153,082	141,127
<b>Gross Rents Receivable</b>	<u>3,281,064</u>	<u>35,683</u>	<u>3,316,747</u>	<u>3,057,717</u>
Less: Rent Losses from Voids	( 30,101)	-	( 30,101)	( 31,338)
<b>Total Income from Lettings</b>	<u>3,250,963</u>	<u>35,683</u>	<u>3,286,646</u>	<u>3,026,379</u>
<b>Expenditure on Letting Activities</b>				
Management	493,942	8,595	502,537	487,268
Routine Repairs and Maintenance	821,426	-	821,426	714,660
Rent Losses from Bad Debts	21,075	-	21,075	91,895
Annual and Cyclical Maintenance	197,982	-	197,982	182,238
Environmental Costs	83,664	-	83,664	70,652
Depreciation on Housing Properties	365,000	-	365,000	330,000
Adjudication Costs	8,025	-	8,025	1,253
<b>Total Expenditure on Lettings</b>	<u>1,991,114</u>	<u>8,595</u>	<u>1,999,709</u>	<u>1,877,966</u>
<b>Operating Surplus on Letting Activities</b>	<u>1,259,849</u>	<u>27,088</u>	<u>1,286,937</u>	<u>1,148,413</u>

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

**4. Profit on Disposal of Fixed Assets**

	<b>2007 £</b>	<b>2006 £</b>
Proceeds from sale of fixed assets	<u>363,910</u>	<u>444,968</u>
<b>Less: Cost of Sales</b>		
Value of Property	166,392	177,555
HAG Received	( 11,134)	( 14,414)
Accumulated Depreciation	( 8,180)	( 5,294)
HAG Repayable	11,134	14,414
Legal and Valuation Costs	6,707	21,068
	<u>164,919</u>	<u>193,329</u>
	<u>198,991</u>	<u>251,639</u>

**5. Directors Emoluments**

The directors are defined as the members of the Trustees, the Chief Executive Officer and any other person reporting directly to the directors or the Trustees whose total emoluments exceed £40,000 per year.

	<b>2007 £</b>	<b>2006 £</b>
Total Emoluments (including pension contributions and benefits in kind)	<u>148,873</u>	<u>141,479</u>
Total Emoluments (excluding pension contributions) to the highest paid director amounted to	<u>49,193</u>	<u>46,889</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>141</u>	<u>1,142</u>

None of the Trustees received any remuneration during the year.

**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

	<b>2007</b>	<b>2006</b>
	£	£
<b>6. Employee Information</b>		
The average weekly number of persons (excluding Executive Trustees) employed during the period was :-	<u>18</u>	<u>18</u>
Wages and Salaries	511,306	443,786
Social Security Costs	41,215	35,625
Pension Contributions	<u>68,688</u>	<u>59,375</u>
	<u><u>621,209</u></u>	<u><u>538,786</u></u>
<b>7. Interest Receivable and Other Income</b>		
Bank Interest Receivable	<u>76,098</u>	<u>81,775</u>
<b>8. Interest Payable and Similar Charges</b>		
Loan Interest	1,091,701	1,108,842
Interest Capitalised on Housing Properties	( 83,198)	( 132,787)
	<u><u>1,008,503</u></u>	<u><u>976,055</u></u>
<b>9. Operating Surplus</b>		
Operating surplus is stated after charging/(crediting):-		
Depreciation - Property	365,000	330,000
- Other Assets	70,449	59,038
Auditor's Remuneration	11,560	5,904
Leasing	8,190	7,783
Gain on Disposal of Properties	( 198,991)	( 251,639)
Bad Debts	<u>21,075</u>	<u>91,895</u>
<b>10. Taxation</b>		

The organisation was granted charitable status on 5th May 1998 and as such is no longer subject to taxation.

**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**11. Tangible Fixed Assets - Housing Properties**

	Heritable Housing Prop. Held For Letting £	Rented Accommod. Under Construction £	Shared Ownership Held For Letting £	Total £
<b>Cost/Valuation</b>				
At 01.04.06	28,477,230	10,660,182	737,341	39,874,753
Revaluation in year	( 11,270,242)	-	( 227,204)	( 11,497,446)
Additions	269,236	8,599,794	-	8,869,030
Disposals	( 148,347)	-	( 23,137)	( 171,484)
Transfers	9,677,423	( 9,677,423)	-	-
At 31.03.07	<u>27,005,300</u>	<u>9,582,553</u>	<u>487,000</u>	<u>37,074,853</u>
<b>Grants</b>				
At 01.04.06	5,087,401	8,594,550	552,777	14,234,728
Received	-	6,235,631	-	6,235,631
Repaid	-	-	( 11,134)	( 11,134)
Transfers	7,008,942	( 7,008,942)	-	-
Transfer on revaluation	( 12,096,343)	-	( 541,643)	( 12,637,986)
At 31.03.07	<u>-</u>	<u>7,821,239</u>	<u>-</u>	<u>7,821,239</u>
<b>Other Grants</b>				
At 01.04.06	425,796	-	-	425,796
Received	181,586	-	-	181,586
Transfer on revaluation	( 607,382)	-	-	( 607,382)
At 31.03.07	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Depreciation</b>				
At 01.04.06	637,853	-	3,856	641,709
Charge for Year	365,000	-	-	365,000
Disposals	( 8,180)	-	( 526)	( 8,706)
Transfer on revaluation	( 994,673)	-	( 3,330)	( 998,003)
At 31.03.07	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value at 31.03.07</b>	<u>27,005,300</u>	<u>1,761,314</u>	<u>487,000</u>	<u>29,253,614</u>
<b>Net book value at 31.03.06</b>	<u>22,326,180</u>	<u>2,065,632</u>	<u>180,708</u>	<u>24,572,520</u>

Development Administration cost capitalised amounted to £131,637 (2006 - £99,280) for which grants of £107,066 (2006 - £135,166) were received in the year. Interest capitalised in the year amounted to £83,198 (2006 - £132,787).

Completed housing properties were revalued on the basis of existing use value for social housing at 14<sup>th</sup> June 2007 by DTZ Debenham Tie Leung, Chartered Surveyors. The valuation report has been made in accordance with the RICS Appraisal and Valuation Manual. The Trustees do not believe that the values would have been materially different at the balance sheet date.

All housing properties are freehold.

**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**11. Tangible Fixed Assets - Housing Properties/Cont...**

	<b>2007</b>	<b>2006</b>
Cost of Properties	65,508,643	56,811,096
Less: Social Housing and Other Grants	<u>40,868,553</u>	<u>34,632,922</u>
	24,640,090	22,178,174
Less: Depreciation	( 1,395,936)	( 1,067,654)
	<u><u>23,244,154</u></u>	<u><u>21,110,520</u></u>

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

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
<b>Cost</b>					
As at 01.04.06	246,513	92,100	112,797	130,880	582,290
Additions	4,790	-	51,151	5,425	61,366
As at 31.03.07	<u>251,303</u>	<u>92,100</u>	<u>163,948</u>	<u>136,305</u>	<u>643,656</u>
<b>Depreciation</b>					
As at 01.04.06	14,776	74,212	62,641	80,055	231,684
Charge for Year	5,026	8,822	29,340	27,261	70,449
As at 31.03.07	<u>19,802</u>	<u>83,034</u>	<u>91,981</u>	<u>107,316</u>	<u>302,133</u>
<b>Net Book Value as at 31.03.07</b>	<u><u>231,501</u></u>	<u><u>9,066</u></u>	<u><u>71,967</u></u>	<u><u>28,989</u></u>	<u><u>341,523</u></u>
<b>Net Book Value as at 01.04.06</b>	<u><u>231,737</u></u>	<u><u>17,888</u></u>	<u><u>50,156</u></u>	<u><u>50,825</u></u>	<u><u>350,606</u></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 emerging public service, voluntary and not for profit organisations.

	<b>2007</b>	<b>2006</b>
	£	£
<b>14. Debtors</b>		
Rental Debtors	185,689	200,481
Provision for Doubtful Debts	( 10,000)	( 10,000)
Connected Undertaking	260,296	158,852
Other Debtors	142,883	653,732
	<u><u>578,868</u></u>	<u><u>1,003,065</u></u>

**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**15. Creditors due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Housing Loans	551,626	527,139
Trade Creditors	51,941	60,101
Development Creditors	589,999	848,317
Other Creditors	24,316	238,728
Accruals	200,544	121,108
Development Overdrafts	3,500,486	1,184,000
Prepaid Rents	170,593	148,203
	<u>5,089,505</u>	<u>3,127,596</u>

Creditors due within one year include development guarantees totalling £3,500,486 (2006 - £1,184,000) for which agreement in principal has been received for conversion into long term finance.

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>16. Creditors due after more than one year</b>		
Loans	<u>17,356,728</u>	<u>17,689,570</u>

Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 4.95% to 6.74% (2006 – 4.95% to 6.39%) which will mature over a period of 17 to 30 years as follows:-

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Between one and two years	544,977	541,728
Between two and five years	1,689,393	1,654,495
In five years or more	15,122,358	15,493,347
	<u>17,356,728</u>	<u>17,689,570</u>

**17. Designated Reserves**

	<b>Major Repair Reserve</b>	
	<b>£</b>	
Balance at 01.04.06	400,000	
Transfers from Income & Expenditure Account	-	
Balance at 31.03.07	<u>400,000</u>	

**18. Revaluation Reserve**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Balance at 01.04.06	3,616,207	3,690,144
Transfer on Disposal of Properties	( 22,145)	( 27,504)
Depreciation Adjustment	( 36,718)	( 46,433)
Transfer on revaluation of property	2,745,925	-
Balance at 31.03.07	<u>6,303,269</u>	<u>3,616,207</u>

**19. Pensions**

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

## AYRSHIRE HOUSING

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...

##### 19. Pensions/Cont...

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 31<sup>st</sup> 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 31<sup>st</sup> March 2004 of 13.8% of total pensionable pay, with contributions to be increased to 14.4% and 15.0% respectively for years to 31<sup>st</sup> March 2004 and 2005. 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 31<sup>st</sup> March 2004.

The total pension cost for the Company was £18,529 (2006 - £15,375). 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 Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required so that the scheme can meet its pension obligations as they fall due. The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last formal valuation of the scheme was performed as at 30<sup>th</sup> September 2003 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £143million. The valuation revealed a shortfall of assets compared to liabilities of £37million, equivalent to a past service funding level of 80%.

During the accounting period the Company paid contributions at the rate of 14%. Member contributions were 7%.

As at the balance sheet date there were 13 active members of the scheme employed by the Company. The Company continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Company has subsequently been notified of the provisional results of the triennial valuation carried out at 30<sup>th</sup> September 2006. This indicates an increase in the assets of the scheme to £268million and an increase in the shortfall of assets compared with liabilities to £54million, equivalent to a past service funding level of 83%. It is expected that the September 2006 actuarial valuation will be finalised in July 2007. The following notes therefore relate to the actuarial valuation as at 30<sup>th</sup> September 2003.

**AYRSHIRE HOUSING**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**19. Pensions/Cont...**

The financial assumptions underlying the valuation as at 30<sup>th</sup> September 2003 were as follows:

- a. rate of investment return pre retirement - 7.80% per annum;
- b. rate of investment return post retirement - 5.2% per annum;
- c. rate of salary increases - 4.0% per annum;
- d. rate of pension increases - Leavers before 1.10.93 - 5% per annum  
- all other members - 2.5% per annum.
- e. rate of price inflation - 2.5% per annum;

The valuation revealed a shortfall of assets compared with the value of liabilities of £37million (equivalent to a past service funding level of 80%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was assessed as 9.3% of pensionable salaries. Following consideration of the results of the actuarial valuation it was agreed that with effect from 1<sup>st</sup> April 2005 the standard employer contribution rate would be increased from 12.2% to 14.0% of pensionable salaries, and member contributions would be increased from 6.0% to 7.0% of pensionable salaries. A small number of employers that have closed the scheme to new members are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement. If the valuation assumptions are borne out in practice of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 30<sup>th</sup> September 2015.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the scheme. The debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up. The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the scheme. If the liabilities exceed assets there is a buyout debt. The leaving employer's share of the buyout debt is the proportion of the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buyout market. The amounts of debt can therefore be volatile over time.

The Company has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA scheme based on the financial position of the scheme as at 30<sup>th</sup> September 2006. As of that date the estimated employer debt for the Company was £386,303.

The Company understands that the scheme actuary will calculate potential employer debt figures, as at 30<sup>th</sup> September 2006, for each employer participating in the SFHA Pension Scheme as part of the next actuarial valuation process.

The total pension cost for the Company was £50,159 (2006 : £44,001) of which £5,789 (2006 : £5,598) was unpaid and is included in creditors.

**20. Revenue Reserves**

	<b>2007</b>	<b>2006</b>
	£	£
Balance at 01.04.06	3,556,803	2,930,235
Surplus for the year	685,432	626,568
Balance at 31.03.07	<u>4,242,235</u>	<u>3,556,803</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH, 2007/Cont...**

**21. Related Parties**

During the period five tenants of the Company acted as Trustees. In total they paid rent of £12,699 (2006 : £12,008), which is at arm's length.

Ayrshire Housing was owed £242,477 (2006 - £158,852) by Ayrshire Initiatives Limited, a subsidiary.

During the year Ayrshire Housing was in receipt of management charges from Ayrshire Initiatives Limited in the sum of £48,000 (2006 - £24,276).

**22. Financial Commitments**

At 31<sup>st</sup> March 2007 the amounts due in future years under operating leases were as follows :-

	£	£
Expiring within one year	6,341	5,384
Expiring between one and two years	6,341	5,384
Expiring between two and five years	<u>11,085</u>	<u>14,484</u>
	<u>23,767</u>	<u>25,253</u>

**23. Housing Stock**

**2007**                      **2006**

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

General Needs	1,115	1,031
Shared Ownership	<u>19</u>	<u>20</u>
	<u>1,134</u>	<u>1,051</u>

**24. Annual Tenancy Rents**

**2007**                      **2006**  
£                                      £

Average annual tenancy rent for housing accommodation	<u>3,049</u>	<u>2,947</u>
Number of Units	<u>1,134</u>	<u>1,051</u>

**25. Capital Commitments**

**2007**                      **2006**  
£                                      £

Expenditure authorised and contracted	<u>3,709,939</u>	<u>7,021,176</u>
Expenditure authorised by Board of Management not contracted	<u>22,323,375</u>	<u>3,282,677</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 31<sup>st</sup> March 2007, the Company had £Nil contingent liabilities (2006 - £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.

## AYRSHIRE HOUSING

## ALLOCATION OF MANAGEMENT EXPENSES

	Adjudication Cost £	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2006 £
<b>Employee Costs</b>									
Salaries and NIC	-	228,909	62,732	115,499	-	-	150,661	557,801	480,768
Pensions	-	28,329	8,364	16,138	-	-	15,857	68,688	59,375
Other Staff Costs	-	-	-	-	-	-	36,218	36,218	33,743
	<u>-</u>	<u>257,238</u>	<u>71,096</u>	<u>131,637</u>	<u>-</u>	<u>-</u>	<u>202,736</u>	<u>662,707</u>	<u>573,886</u>
<b>Estate Costs</b>									
Repairs & Maintenance	-	-	486,842	-	-	-	-	486,842	414,223
Cyclical Repairs & Maintenance	-	-	-	-	-	187,765	-	187,765	171,923
Tenant Participation	-	210	-	-	-	-	-	210	4,349
Environmental Costs	-	-	-	-	76,571	-	-	76,571	66,653
Legal Fees	-	-	-	-	-	-	-	-	21,483
Service Costs	-	-	61,728	-	-	-	-	61,728	47,350
Depreciation – Housing Properties	-	365,000	-	-	-	-	-	365,000	330,000
	<u>-</u>	<u>365,210</u>	<u>548,570</u>	<u>-</u>	<u>76,571</u>	<u>187,765</u>	<u>-</u>	<u>1,178,116</u>	<u>1,055,981</u>
<b>Office Overheads</b>									
Rent, Rates and Insurance	-	26,828	-	-	-	-	14,794	41,622	43,289
Heating, Lighting and Cleaning	-	-	-	-	-	-	3,416	3,416	6,283
Computer Training and Consultancy	-	-	-	-	-	-	28,750	28,750	27,951
Subscriptions and Affiliations	-	-	-	-	-	-	15,795	15,795	15,175
Consultancy Fees	-	-	-	-	7,093	10,217	867	18,177	19,190
Professional Fees	-	-	-	-	-	-	14,448	14,448	1,139
Postage, Stationery and Advertising	-	-	-	-	-	-	20,533	20,533	16,087
Telephone	-	-	-	-	-	-	8,642	8,642	7,727
Office Repairs and Equipment Maintenance	-	-	-	-	-	-	8,190	8,190	8,378
Depreciation - Office Furniture and Equipment	-	-	-	-	-	-	70,449	70,449	59,038
Bad Debts Written Off	-	21,075	-	-	-	-	-	21,075	91,895
Abortive Development Costs	402	-	-	-	-	-	-	402	12,975
Sundry Expenses	-	-	-	-	-	-	10,405	10,405	9,648
	<u>402</u>	<u>47,903</u>	<u>-</u>	<u>-</u>	<u>7,093</u>	<u>10,217</u>	<u>196,289</u>	<u>261,904</u>	<u>318,775</u>
c/fwd	402	670,351	619,666	131,637	83,664	197,982	399,025	2,102,727	1,948,642

## AYRSHIRE HOUSING

## ALLOCATION OF MANAGEMENT EXPENSES

	Adjudication Cost £	Housing Management £	Day to Day Maintenance £	Development Admin. £	Environment Costs £	Cyclical £	Finance & Admin £	Total £	2006 £
b/fwd	<u>402</u>	<u>670,351</u>	<u>619,666</u>	<u>131,637</u>	<u>83,664</u>	<u>197,982</u>	<u>399,025</u>	<u>2,102,727</u>	<u>1,948,642</u>
<b>Other Costs</b>									
Internal and External Audit Fees	-	-	-	-	-	-	11,560	11,560	10,146
Bank Charges	-	-	-	-	-	-	9,436	9,436	17,205
Adjudication Fees	7,623	-	-	-	-	-	-	7,623	1,253
	<u>7,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,996</u>	<u>28,619</u>	<u>28,604</u>
Total Costs	8,025	670,351	619,666	131,637	83,664	197,982	420,021	2,131,346	1,977,246
Allocation of Finance & Administration Costs	-	218,261	201,760	-	-	-	( 420,021)	-	-
<b>Total Expenditure 2006/07</b>	<u><u>8,025</u></u>	<u><u>888,612</u></u>	<u><u>821,426</u></u>	<u><u>131,637</u></u>	<u><u>83,664</u></u>	<u><u>197,982</u></u>	<u><u>-</u></u>	<u><u>2,131,346</u></u>	<u><u>1,977,246</u></u>

Ayrshire Housing

Covenant Information Year ended 31 March 2007

<b>Royal Bank of Scotland:</b>			
Covenant: The ratio of Operating Surplus to Debt Service Liability will not be less than 1:1			
Result:	Operating Surplus	£	1,795,432
	Debt Service Liability	£	1,098,042
	Ratio		1.64 :1

<b>Bank of Scotland</b>			
Covenants:			
a)	Asset cover based on EUV-SH - 100% of loans		
	EUV-SH	£	29,253,614
	Loans - all	£	17,356,728
	Ratio		1.69 :1
b)	Interest Cover - 110% cover expected		
	Operating Surplus	£	1,795,432
	Debt Service Liability	£	1,098,042
	Ratio		1.64 :1

<b>Britannia</b>			
Covenants:			
a)	For each financial year, total income will not be less than 200% of total interest for the year		
	Total Income	£	3,359,692
	Total Interest	£	1,098,042
	Ratio		306%
b)	The borrower undertakes to ensure that at all times:		
	i) The value of the charged properties shall not be less than 125% of the loan		
	EUV-SH	£	29,253,614
	Loans - all	£	17,356,728
	Ratio		169%
	ii) the Annual Income in respect of the charged properties shall amount to at least 100% of the projected Gross Annual Debt Service Costs		
	Annual Income	£	1,108,572
	Projected Gross Annual Debt Service Costs	£	467,903
	Ratio		237%

<b>Dunfermline</b>			
No specific financial covenants - however they monitor the following:			
a)	Interest Cover >110% (as per above)		169%
b)	Net Arrears <=5%		0.50%
c)	Quick Ratio 1:1		
	Cash	£	3,217,731
	Current Liabilities	£	1,589,019
	Ratio		202%
d)	Net Surplus	£	1,359,983

JV 14140



Our Ref: JS/SJM/155/01

22nd August 2007

The Trustees,  
Ayrshire Housing,  
119 Main Street,  
Ayr,  
Ayrshire, KA8 8BX.

AYRSHIRE  
22 AUG 2007  
HOUSING

Victoria Chambers  
142 West Nile Street  
Glasgow G1 2RQ

Tel: 0141 353 6600

Fax: 0141 353 6611

Email: [contact@armstrongs.uk.com](mailto:contact@armstrongs.uk.com)

Dear Sirs,

We are writing to draw your attention to various matters which arose during the course of our audit for the company's financial statements for the year ended 31<sup>st</sup> March 2007. We would point out that the weaknesses covered in this letter were discovered during our normal audit work, such work being undertaken primarily for the purpose of expressing our opinion on the financial statements of your company. Our audit work did not include a detailed review of all aspects of your company's systems and, for that reason, the contents of this letter do not necessarily include all weaknesses which might exist in your accounting systems.

We would confirm that no matters arose in the course of our audit that we would consider worthy of bringing to your attention.

**Expected modifications to the audit report**

There are no expected modifications to the audit report.

**Unadjusted misstatements**

There are no unadjusted misstatements in the financial statements, other than those which we consider to be immaterial.

**Qualitative aspects of the accounting practices and financial reporting**

We have no comments to make regarding these matters.

**Other matters required by auditing standards to be communicated**

There are no other matters that we are required by auditing standards to communicate to you.

This letter has been prepared for your private use. It should not be disclosed to a third party without our written consent, nor will we accept any responsibility whatsoever in respect of its contents to any other person.

/Cont...

Principal: Adam I Armstrong F.T.B., C.A., F.P.C.

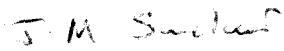
Associate: Linda M Innes B.Com., C.A.

Registered to carry on audit work by the Institute of Chartered Accountants of Scotland and authorised and regulated by the Financial Services Authority for Investment Business.

/Cont...

Should you require clarification on any matter please do not hesitate to contact us. May we take this opportunity to thank you and your staff for their assistance and cooperation during the conduct of our audit.

Yours faithfully

A handwritten signature in dark ink, appearing to read "J. M. Sinclair". The signature is written in a cursive style with some loops and flourishes.

**Jim Sinclair**