

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2008

INDEX

1. Advisors and Registered Office

- 2 - 4. Report of the Trustees

5. Trustees Statement on the Company's System of Internal Financial Control

6. Report of the Auditors on the Trustees Statement on the Company's System of Internal Financial Control

7. Report of the Independent Auditors

8. Income and Expenditure Account

9. Statement of Total Recognised Gains and Losses
Note of Historical Surpluses and Deficits

10. Balance Sheet

11. Cash Flow Statement

12. Notes to the Cash Flow Statement

- 13 - 23. Notes to the Financial Statements

Appendix

- . Allocation of Management Expenses

AYRSHIRE HOUSING
ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 31ST MARCH, 2008

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

Scottish Charity Number : SC027906

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH, 2008

The Trustees present their report and the audited financial statements for the year ended 31st March, 2008.

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 Year

The financial results for the year are set out in the income and expenditure account. The surplus for the year is £593,052 (2007 - £626,569) and this will be transferred to our reserves as part of our overall risk management strategy. During the year 57 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 12-13.

The Trustees and Executive Officer

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

Executive Officer

. J. Whiston

Trustees

. J. Ledgerwood	(Chairperson) (Reappointed 26.09.07)	. Cllr J. Hampton	(Appointed 21.05.07)
. G. Muir		. Cllr T. Slider	(Appointed 21.05.07)
. J. Scott	(Reappointed 26.09.07)	. P. Torrance	(Appointed 26.09.07)
. G. McDines	(Reappointed 26.09.07)	. T. McLean	(Appointed 26.09.07)
. Cllr J. McDowall		. C. Gilmour	(Resigned 26.09.07)
. P. Boyd		. Cllr A. Spurling	(Resigned 21.05.07)
. N. Larkin		. Cllr W.Sloan	(Resigned 21.05.07)
. L. Allison		. G. McGeehan	(Resigned 26.09.07)
. L. Laurie		. J. McKerchar	(Resigned 26.09.07)
. D. Kiltie	(Appointed 26.09.07)		

AYRSHIRE HOUSING

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31ST MARCH, 2008/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 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 Social Landlords (Accounting Requirements) (Scotland) Order 2007. 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, 2008/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, 2008**

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 2008 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, 2008

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 three, 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 Social Landlords (Accounting Requirements) (Scotland) Order 2007. 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 31st March 2008 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 Social Landlords (Accounting Requirements) (Scotland) Order 2007.

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, 2008

	Notes	2008 £	2007 £
Turnover	2	3,685,995	3,359,692
Operating Costs	2	(2,257,520)	(1,999,709)
Operating Surplus	2	1,428,475	1,359,983
Gain on Disposal of Housing Property	5	322,352	198,991
Interest Receivable and Other Income	8	139,608	76,098
Interest Payable and Similar Charges	9	(1,297,383)	(1,008,503)
Surplus for the year		<u>593,052</u>	<u>626,569</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, 2008

	2008	2007
	£	£
Surplus/(Deficit) for the year	593,052	626,569
Unrealised surplus/(deficit) on revaluation of properties	-	2,745,925
Total recognised gains and losses relating to the year	<u>593,052</u>	<u>3,372,494</u>

AYRSHIRE HOUSING
NOTE OF HISTORICAL SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31ST MARCH 2008

	2008	2007
	£	£
Reported surplus/(deficit) on ordinary activities before taxation	593,052	626,569
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	36,718	36,718
Realisation of property revaluation gains of previous years	41,788	22,145
Historical cost surplus/(deficit) on ordinary activities	<u>671,558</u>	<u>685,432</u>
Historical cost surplus/(deficit) on ordinary activities	<u>671,558</u>	<u>685,432</u>

AYRSHIRE HOUSING

BALANCE SHEET

AS AT 31ST MARCH, 2008

	Notes	2008	2007
		£	£
Tangible Fixed Assets			
Housing Properties (net of depreciation)	12	31,187,327	29,253,614
Other	13	<u>314,606</u>	<u>341,523</u>
		<u>31,501,933</u>	<u>29,595,137</u>
Current Assets			
Investments	14	1	1
Debtors	15	1,422,598	578,868
Cash at Bank and in Hand		<u>2,299,058</u>	<u>3,217,731</u>
		<u>3,721,657</u>	<u>3,796,600</u>
Creditors : amounts falling due within one year	16	3,456,040	5,089,505
Net Current Assets/(Liabilities)		<u>265,617</u>	<u>(1,292,905)</u>
Total Assets less Current Liabilities		31,767,550	28,302,232
Creditors : amounts falling due after more than one year	17	(20,228,994)	(17,356,728)
Net Assets		<u><u>11,538,556</u></u>	<u><u>10,945,504</u></u>
Capital and Reserves			
Designated Reserve	18	400,000	400,000
Revaluation Reserves	19	6,224,743	6,303,269
Revenue Reserve	21	<u>4,913,813</u>	<u>4,242,235</u>
		<u>11,538,556</u>	<u>10,945,504</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, 2008

	2008	2007
	£	£
Net Cash inflow from operating activities	<u>1,493,125</u>	<u>1,768,356</u>
Returns on investments and servicing of Finance		
Interest Received	139,608	76,097
Interest Paid	(1,297,383)	(1,008,503)
	<u>(1,157,775)</u>	<u>(932,406)</u>
Capital Expenditure and Financial Investment		
Payments to acquire and develop housing properties	(5,682,057)	(9,353,581)
Payments to acquire other fixed assets	(36,693)	(61,366)
Grants Received	3,202,516	6,956,137
Proceeds of disposal of housing property	503,180	368,476
	<u>(2,013,054)</u>	<u>(2,090,334)</u>
Net cash inflow (outflow) before financing	<u>(1,677,704)</u>	<u>(1,254,384)</u>
Financing		
Loans - Received	3,431,321	-
- Repaid	(431,629)	(308,355)
	<u>2,999,692</u>	<u>(308,355)</u>
Increase/(Decrease) in cash	<u>1,321,988</u>	<u>(1,562,739)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	1,321,988	(1,562,739)
Cash (inflow)/outflow from (increase)/decrease in loan finance	(2,999,692)	308,355
	<u>(1,677,704)</u>	<u>(1,254,384)</u>
Decrease/(Increase) in net debt resulting from cash flow	(1,677,704)	(1,254,384)
Net debt at 01.04.07	(18,191,109)	(16,936,725)
Net debt at 31.03.08	<u>(19,868,813)</u>	<u>(18,191,109)</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH, 2008

	2008 £		2007 £
1. Reconciliation of surplus for the year to net cashflow from operating activities			
Operating Surplus	1,428,475		1,359,983
Depreciation	428,610		435,449
(Increase)/Decrease in Debtors	(843,730)		(114,723)
Increase/(Decrease) in Creditors	479,770		87,647
	<u>1,493,125</u>		<u>1,768,356</u>
2. Analysis of changes in net debt			
	2008 £	Cash Flow £	2007 £
Cash in hand and at bank	2,299,058	(918,673)	3,217,731
Development Overdraft	(1,259,825)	2,240,661	(3,500,486)
Debt due within one Year	(679,052)	(127,426)	(551,626)
Debt due after one Year	(20,228,994)	(2,872,266)	(17,356,728)
	<u>(19,868,813)</u>	<u>1,677,704</u>	<u>(18,191,109)</u>
	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 within one Year	(551,626)	(24,487)	(527,139)
Debt due after one Year	(17,356,728)	332,842	(17,689,570)
	<u>(18,191,109)</u>	<u>(1,254,384)</u>	<u>(16,936,725)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2008

1. Principal Accounting Policies

The Company is incorporated under the Industrial and Provident Societies Act 1965.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of housing property for the transfer of engagement, and in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords and applicable Accounting Standards. 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 the Scottish Housing Regulator, 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.

/Cont...

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

1. Principal Accounting Policies/Cont...

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.

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.

Capitalisation of Interest

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

2. Lettings and other related information

Particulars of turnover, operating costs and operating surplus by class of business

		2008		
	Notes	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	3,660,848	2,257,520	1,403,328
Other Activities	4	25,147	-	25,147
Total		<u>3,685,995</u>	<u>2,257,520</u>	<u>1,428,475</u>
		2007		
	Notes	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	3,295,235	1,999,709	1,295,526
Other Activities	4	64,457	-	64,457
Total		<u>3,359,692</u>	<u>1,999,709</u>	<u>1,359,983</u>

None of the income or expenditure from lettings related to special needs.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

3. Particulars of Income and Expenditure from Lettings

	Housing Accomm. £	Shared Ownership £	Total 2008 £	2007 £
Income from Lettings				
Rent receivable net of identifiable service chrgs	3,482,964	36,654	3,519,618	3,163,665
Service charges receivable	170,455	-	170,455	153,082
Gross income from rents and service charges	3,653,419	36,654	3,690,073	3,316,747
Less: voids	(29,225)	-	(29,225)	(30,101)
Total turnover from social lettings activities	3,624,194	36,654	3,660,848	3,286,646
Expenditure on Lettings				
Management and maintenance admin costs	791,386	8,829	800,215	502,537
Routine repairs and maintenance	551,617	-	551,617	821,426
Bad debts – rents and service charges	8,751	-	8,751	21,075
Planned and cyclical maint incl major repairs	419,334	-	419,334	197,982
Environmental costs	93,716	-	93,716	83,664
Depreciation of social housing	365,000	-	365,000	365,000
Adjudication costs	18,887	-	18,887	8,025
Total expenditure on lettings	2,248,691	8,829	2,257,520	1,999,709
Operating surplus for social lettings for 2008	1,375,503	27,825	1,403,328	1,286,937
Operating surplus for social lettings for 2007	1,259,849	27,088	1,286,937	

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

4. Particulars of Turnover, Operating Costs and Surpluses from Other Activities

	Other Income £	Operating Costs £	Total 2008 £	Total 2007 £
Commercial Rent	8,949	-	8,949	-
Owners Recoveries	16,198	-	16,198	16,250
Management Fee	-	-	-	48,000
Other	-	-	-	207
Total for other activities for 2008	25,147	-	25,147	64,457
Total for other activities for 2007	64,457	-	64,457	

5. Profit on Disposal of Fixed Assets

	2008 £	2007 £
Proceeds from sale of fixed assets	503,180	368,476
Less: Cost of Sales		
Value of Property	180,828	171,484
HAG Received	(7,207)	(11,134)
Accumulated Depreciation	-	(8,706)
HAG Repayable	7,207	11,134
Legal and Valuation Costs	-	6,707
	180,828	169,485
	322,352	198,991

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

6. 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 £60,000 per year.

	2008	2007
	£	£
Total Emoluments (including pension contributions and benefits in kind)	<u>60,436</u>	<u>56,578</u>
Total Emoluments (excluding pension contributions) to the highest paid director amounted to	<u>52,549</u>	<u>49,193</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>Nil</u>	<u>141</u>

None of the Trustees received any remuneration during the year.

7. Employee Information

The monthly average number of full time equivalent employees (excluding Executive Trustees) during the year was :-

	2008	2007
	£	£
The monthly average number of full time equivalent employees (excluding Executive Trustees) during the year was :-	<u>21</u>	<u>18</u>
Wages and Salaries	533,541	516,586
Social Security Costs	42,256	41,215
Pension Contributions	<u>71,757</u>	<u>68,688</u>
	<u>647,554</u>	<u>626,489</u>

8. Interest Receivable and Other Income

Bank Interest Receivable	<u>139,608</u>	<u>76,098</u>
--------------------------	----------------	---------------

9. Interest Payable and Similar Charges

Loan Interest	1,316,785	1,091,701
Interest Capitalised on Housing Properties	(19,402)	(83,198)
	<u>1,297,383</u>	<u>1,008,503</u>

10. Operating Surplus

Operating surplus is stated after charging/(crediting):-

Depreciation - Property	365,000	365,000
- Other Assets	63,610	70,449
Auditor's Remuneration	6,280	11,560
Leasing	6,276	8,190
Bad Debts	<u>8,751</u>	<u>21,075</u>

11. Taxation

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, 2008/Cont...

12. Tangible Fixed Assets - Housing Properties

	Heritable Housing Prop. Held For Letting £	Rented Accommod. Under Construction £	Shared Ownership Held For Letting £	Total £
Cost/Valuation				
At 01.04.07	27,005,300	9,582,553	487,000	37,074,853
Additions	514,300	5,167,757	-	5,682,057
Disposals	(177,313)	-	(3,515)	(180,828)
Transfers	5,223,948	(5,223,948)	-	-
At 31.03.08	<u>32,566,235</u>	<u>9,526,362</u>	<u>483,485</u>	<u>42,576,082</u>
Grants				
At 01.04.07	-	7,821,239	-	7,821,239
Received	-	2,957,260	-	2,957,260
Transfers	3,871,677	(3,871,677)	-	-
At 31.03.08	<u>3,871,677</u>	<u>6,906,822</u>	<u>-</u>	<u>10,778,499</u>
Other Grants				
At 01.04.07	-	-	-	-
Received	-	245,256	-	245,256
At 31.03.08	<u>-</u>	<u>245,256</u>	<u>-</u>	<u>245,256</u>
Depreciation				
At 01.04.07	-	-	-	-
Charge for Year	365,000	-	-	365,000
At 31.03.08	<u>365,000</u>	<u>-</u>	<u>-</u>	<u>365,000</u>
Net book value at 31.03.08	<u>28,334,558</u>	<u>2,374,284</u>	<u>483,485</u>	<u>31,187,327</u>
Net book value at 31.03.07	<u>27,005,300</u>	<u>1,761,314</u>	<u>487,000</u>	<u>29,253,614</u>

Development Administration cost capitalised amounted to £154,320 (2007 - £131,637) for which grants of £131,004 (2007 - £107,066) were received in the year. Interest capitalised in the year amounted to £19,402 (2007 - £83,198).

Completed housing properties were revalued on the basis of existing use value for social housing at 14th 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, 2008/Cont...

12. Tangible Fixed Assets - Housing Properties/Cont...

	2008	2007
Cost of Properties	71,009,872	65,508,643
Less: Social Housing and Other Grants	<u>44,071,069</u>	<u>40,868,553</u>
	26,938,803	24,640,090
Less: Depreciation	(1,724,218)	(1,395,936)
	<u><u>25,214,585</u></u>	<u><u>23,244,154</u></u>

13. Tangible Fixed Assets - Other Fixed Assets

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
Cost					
As at 01.04.07	251,303	92,100	163,948	136,305	643,656
Additions	13,178	587	22,928	-	36,693
As at 31.03.08	<u>264,481</u>	<u>92,687</u>	<u>186,876</u>	<u>136,305</u>	<u>680,349</u>
Depreciation					
As at 01.04.07	19,802	83,034	91,981	107,316	302,133
Charge for Year	5,290	8,939	33,926	15,455	63,610
As at 31.03.08	<u>25,092</u>	<u>91,973</u>	<u>125,907</u>	<u>122,771</u>	<u>365,743</u>
Net Book Value as at 31.03.08	<u><u>239,389</u></u>	<u><u>714</u></u>	<u><u>60,969</u></u>	<u><u>13,534</u></u>	<u><u>314,606</u></u>
Net Book Value as at 01.04.07	<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>

14. Investment

Ayrshire Housing holds the one issued share of Ayrshire Homestake Limited (previously known as Ayrshire Initiatives Limited), a company registered in Scotland.

On 3rd January 2008 the company resolved to transfer its whole engagements and undertakings to a new company limited by guarantee which was incorporated on 3rd January 2008 as Ayrshire Initiatives Limited. Ayrshire Homestake Limited ceased to trade on that date. Its principal activity in the period to 3rd January 2008 was, and remains, the provision of services to existing and emerging public service, voluntary and not for profit organisations.

	2008	2007
	£	£
15. Debtors		
Rental Debtors	193,948	185,689
Provision for Doubtful Debts	(10,000)	(10,000)
Connected Undertaking	300,505	260,296
Other Debtors	<u>938,145</u>	<u>142,883</u>
	<u><u>1,422,598</u></u>	<u><u>578,868</u></u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

16. Creditors due within one year		2008	2007
		£	£
Housing Loans		679,052	551,626
Trade Creditors		31,093	51,941
Development Creditors		1,044,419	589,999
Other Creditors		24,350	24,316
Accruals		245,120	200,544
Development Overdrafts		1,259,825	3,500,486
Prepaid Rents		<u>172,181</u>	<u>170,593</u>
		<u><u>3,456,040</u></u>	<u><u>5,089,505</u></u>

Creditors due within one year include development guarantees totalling £1,259,825 (2007 - £3,500,486) for which agreement in principal has been received for conversion into long term finance.

		2007	2006
		£	£
17. Creditors due after more than one year			
Loans		<u>20,228,994</u>	<u>17,356,728</u>

Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 5.20% to 6.74% (2007 – 4.95% to 6.74%) which will mature over a period of 16 to 30 years as follows:-

		2008	2007
		£	£
Between one and two years		663,885	544,977
Between two and five years		1,366,971	1,689,393
In five years or more		<u>18,198,138</u>	<u>15,122,358</u>
		<u><u>20,228,994</u></u>	<u><u>17,356,728</u></u>

18. Designated Reserves		Major Repair Reserve	
		£	
Balance at 01.04.07		400,000	
Transfers from Income & Expenditure Account		-	
Balance at 31.03.08		<u>400,000</u>	

19. Revaluation Reserve		2008	2007
		£	£
Balance at 01.04.07		6,303,249	3,616,207
Transfer on Disposal of Properties		(41,788)	(22,145)
Depreciation Adjustment		(36,718)	(36,718)
Transfer on revaluation of property		-	2,745,905
Balance at 31.03.08		<u><u>6,224,743</u></u>	<u><u>6,303,249</u></u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

20. 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. 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 with the most recent valuation being at 31st March 2008. 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 5.10% per annum, that present and future pensions would increase at the rate of 3.6% per annum. At valuation date the market value of the scheme was £7,005m and the value of the past services liabilities was £7,235m leaving a deficit of assets of £230m. The assets therefore were sufficient to cover 97% of the benefits which had accrued to members after allowing for expected future increases in earnings. The actuary recommended future employer contribution rates of 260%, 270% and 280% of employee contributions for the years to 31st March 2010, 2011 and 2012 respectively. The next formal valuation is due at 31st March 2009 when these rates will be reviewed. At the date of signing these accounts the actuarial valuation referred to was unavailable.

The total pension cost for the Company was £23,657 (2007 - £18,529). The contribution rate payable by the Company was 13.8% of pensionable salary.

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

The scheme currently operates with a single benefit structure, final salary with a 1/60th accrual rate. From April 2008 there are three benefit structures available namely (a) final salary with a 1/60th accrual rate, (b) career average revalued earnings with a 1/60th accrual rate and (c) career average revalued earnings with a 1/70th accrual rate. An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join. The Company has elected to operate the final salary with a 1/60th accrual rate benefit structure for all members.

The Trustee commissions an actuarial valuation 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 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.

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 twelve active members of the scheme employed by the Company. The annual pensionable payroll in respect of these members was £330,617. The Company continues to offer membership of the scheme to its employees.

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

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

20. Pensions/Cont...

The last formal valuation of the scheme was performed as at 30th September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £268million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54million (equivalent to a past service funding level of 83.4%).

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30th September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the scheme to £310million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £28million, equivalent to a past service funding level of 91.8%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However, they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30th September 2006.

The financial assumptions underlying the valuation as at 30th September 2006 were as follows:

- a. rate of investment return pre retirement - 7.2% per annum;
- b. rate of investment return post retirement - 4.9% per annum;
- c. rate of salary increases - 4.6% per annum;
- d. rate of pension increases - Leavers before 1.10.93 - 5.0% per annum
- members accrued pre 6.04.05 - 2.6% per annum.
- members accrued from 6.04.05 - 2.25% per annum.
- e. rate of price inflation - 2.6% per annum;

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners, whose assumed life expectancy in years at age 65 was 21.6 for men and 24.4 for women, and PA92C2013 short cohort mortality table for pensioners, whose assumed life expectancy in years at age 65 was 20.7 for men and 23.6 for women. The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were 17.8% for final salary 60ths, 14.6% for career average 60ths and 12.6% for career average 70ths. If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1st April 2008. It is the scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1st April 2008 for each of the benefit structures will be:

Final salary 60ths	-	23.1% of pensionable salaries per annum comprising contributions from employers of 15.4% and members of 7.7%
Career average 60ths	-	19.9% of pensionable salaries per annum comprising contributions from employers of 13.3% and members of 6.6%
Career average 70ths	-	17.9% of pensionable salaries per annum comprising contributions from employers of 11.9% and members of 6%

A small number of employers that have closed the scheme to new members are required to pay an additional employer contribution of 3.5% to reflect the higher costs of a closed arrangement. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31st March 2020.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

20. **Pensions/Cont...**

A copy of this recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SFHA Pension Scheme and confirmed that, in respect of the September 2006 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30th September 2009. An actuarial report will be prepared as at 30th September 2008 in line with statutory regulations.

As a result of pension scheme legislation 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 buy-out 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 buy-out debt.

The leaving employer's share of the buy-out 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 performances, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out 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 30th September 2006. As of that date the estimated employer debt for the Company was £386,303.

The total pension cost for the Company was £48,100 (2007: £50,159) of which £6,072 (2007: £5,789) was unpaid and is included in creditors.

21. **Revenue Reserves**

	2008	2007
	£	£
Balance at 01.04.07	4,242,235	3,556,803
Surplus for the year	<u>671,578</u>	<u>685,432</u>
Balance at 31.03.08	<u>4,913,813</u>	<u>4,242,235</u>

22. **Related Parties**

During the period five tenants of the Company acted as Trustees. In total they paid rent of £12,775 (2007 : £12,699), which is at arm's length.

Ayrshire Housing was owed £Nil (2007 - £260,296) by Ayrshire Homestake Limited.

During the year Ayrshire Housing was in receipt of management charges from Ayrshire Homestake Limited (previously Ayrshire Initiatives Limited) in the sum of £Nil (2007 - £48,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2008/Cont...

23. Financial Commitments

At 31st March 2008 the amounts due in future years under operating leases were as follows :-

	£	£
Expiring within one year	8,259	6,341
Expiring between one and two years	8,259	6,341
Expiring between two and five years	22,418	11,085
	38,936	23,767

24. Housing Stock

2008 **2007**

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

General Needs	1,164	1,115
Shared Ownership	17	19
	1,181	1,134

25. Capital Commitments

2008 **2007**
£ £

Expenditure authorised and contracted	3,865,971	3,709,939
---------------------------------------	-----------	-----------

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 2008, the Company had £Nil contingent liabilities (2007 - £Nil).

27. Group Structure

Ayrshire Housing is a housing company registered in Scotland and forms part of a group. The other member is Ayrshire Homestake Limited and the company is registered in Scotland. The main activity of Ayrshire Homestake Limited is the administration of the supply of low cost home ownership. Ayrshire Housing is considered to be the ultimate parent. Separate group accounts are not prepared as the Trustees are of the opinion that the group is exempt from this requirement.