

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH, 2010

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AYRSHIRE HOUSING
OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31ST MARCH, 2010

Background

Activities

Ayrshire Housing Group consists of Ayrshire Housing (parent) a registered social landlord with charitable status and Ayrshire Homestake Limited, our one subsidiary company retained as a vehicle to pursue potentially non-charitable activities. The subsidiary company has not yet traded.

The Group Head Office is in Ayr and Ayrshire Housing has properties throughout Ayrshire. Ayrshire Housing is now one of Ayrshire's leading housing associations with a stock of over 1,400 houses and an active development programme predominantly but not exclusively in South Ayrshire.

Mission Statement

We aim to enhance the well being of our tenants and the wider communities of Ayrshire through high quality housing and related services.

We aim to do this by:

- Increasing the supply of high quality affordable housing.
- Creating and maintaining attractive neighbourhoods that provide a positive environment for residents to live in – now and in the future.
- Supporting socially useful economic activity and regeneration strategies beyond our immediate tenant base through work with the voluntary sector and others agencies.
- Constantly demonstrating that our services surpass the needs and aspirations of their users.
- Supporting tenants and other service users to lead independent and fulfilling lives.
- Ensuring that our properties are maintained to the highest standards over the long-term.
- Demonstrating quality and genuine value for money in all that we do.
- Engaging with our service users, the wider community and key partners to give them a real stake in the development of the Ayrshire Housing group.

Our Corporate Plan, reviewed by the Board annually, sets out how we will work to deliver the Mission Statement by analysing the external environment; identifying key objectives at an operational level; setting performance indicators and setting strategy for the association's promotion and engagement with stakeholders. The corporate plan also provides for the review and further development of the thirty year financial plan; the annual budget and the agreed work plan of the Director.

External Influences

Four main issues came to the fore in the previous year which continue to impact and influence our business:

- The impact of restrictions on the Scottish Government's budget for affordable housing as it affects Ayrshire Housing's area of operation. This uncertainty is compounded by the forthcoming Comprehensive Spending Review (CSR).
- The collapse of private house building and with it real uncertainty regarding the bringing forward of Section 75 sites.
- The continuing uncertainty regarding the outcome of the Government's *Investing in Affordable Housing* consultation and the recently launched discussion document *Housing: Fresh Thinking, New Ideas*.
- The further strengthening of the role of the Councils in the planning and delivery of affordable housing investment.

/Cont...

AYRSHIRE HOUSING
OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31ST MARCH, 2010

External Influences/Cont...

For the foreseeable future, the main focus for housing development as opposed to wider activities is likely to be the South Ayrshire Council area. The investment context is provided by that Council's Local Housing Strategy (LHS) and Strategic Housing Investment Plan (SHIP). Whilst there is a demand for affordable housing in all areas, these documents suggest prioritising investment towards areas of highest demand, for example Ayr and Prestwick linked increasingly to access to Section 75 sites. The current problems in the private housebuilding industry point towards a much more pragmatic and outcome focused approach to investment planning, in particular in terms of the programming of locations with different housing needs prioritisation.

Ayrshire Housing is therefore fortunate with its local knowledge and commitment that it can respond with speed and flexibility to shifts in site availability. On the other hand, the association faces competition from national and regional associations for what are limited grant budgets.

Increasingly, Ayrshire Housing's development activity is likely to be complemented by South Ayrshire Council's return to housebuilding. This provides a clear spur to joint working to maximise local investment opportunities and to maximise the effective delivery of new housing. An early example of such co-operation is our appointment as project manager for South Ayrshire Council's first new housing development.

Key Business Issues

Maintaining Independence

Ayrshire Housing is committed to maintaining its independence. It is tenant and community led with a clear area of operation and is well regarded, both nationally and locally.

Ayrshire Housing will however seek to form new relationships with local authorities and other housing associations where these are appropriate to realise mutually beneficial objectives. It has already established with the other Ayrshire associations fora to discuss responses to the Government's procurement proposals and to lobby on issues of common concern. Ayrshire Housing will also seek collaborative arrangements with local authorities that decide to resume house building. In this regard, the further strengthening of the partnership with South Ayrshire Council will be a key focus for the Board and the Director.

Housing Association Grant Funded Development

Maintaining a programme of new building remains important to Ayrshire Housing. We will focus, therefore, on identifying new opportunities, cementing key relationships and finding creative ways to meet Government efficiency demands without compromising our obligations to tenants.

The likely absence of significant new funding from the Government over the coming period is a major challenge. We await for example the outcome of the Scottish Government's CSR scheduled for the end of 2010. In the interim, we will focus on developing innovative funding packages with key partners, e.g. South Ayrshire Council and house builders, to endeavour to maintain some momentum.

We will seek to augment traditional development activity with acquisitions through the Mortgage to Rent scheme. This is proving to be a useful vehicle for steady stock growth as well as bringing real social benefits to individual households.

Financial Capacity

Ayrshire Housing is presently financially strong with a solid asset base, and a fundable stock maintenance and improvement plan. The challenge over the coming period will be to utilise this strength to support continued business development. At the same time, the Board will need to establish robust financial checks to ensure that it can weigh the benefits of continued growth against any negative effects on rent levels, service standards and long-term viability.

Diversification

Diversification into new areas of activity will continue to be pursued which support our Mission Statement. Such activities will also help to foster new collaborations with key partners and project the geographic impact of Ayrshire Housing. Working with other parties, this will focus on regeneration, training, and support services to individuals. However, the general prospects for these areas of activity are likely to be modest in the short term.

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AYRSHIRE HOUSING

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 31ST MARCH, 2010

Tenant Engagement

As it meets future challenges, Ayrshire Housing will continue to ensure that its obligations to potential and existing tenants are to the fore. New forms of engagement with our tenants and applicants will be needed to support Board consideration of business developments which will have an impact on rent levels, service standards or access to housing.

Performance Management

At each meeting, Ayrshire Housing's Board receives reports underpinned where appropriate by key performance indicators (KPIs) around the following activity areas to demonstrate progress in delivering the above corporate objectives:

- ▲ Housing Management
- ▲ Property Maintenance
- ▲ Development Activity
- ▲ Wider Action Activity
- ▲ Financial Matters
- ▲ Marketing and Public Relations
- ▲ General Operational Matters

Key Performance Indicators

Complementing the narrative reports and where applicable, critical activities are measured against the following key performance indicators (KPIs). Generally, these are consistent with those set out in previous Internal Management and Corporate Plans following comparison with national benchmarks where these were available. In all relevant cases, performance is intended to exceed that of the median housing association in Scotland. The targets are also reviewed against actual prior year performance.

Housing Management	2009/10 Target	2009/10 Actual
Current non-technical arrears	1.1% of total gross rent	0.96%
Long-term arrears	No more than 3.5% of tenants over 13 weeks in arrears and owing over £250	2.38%
Former tenant non-technical arrears	No more than 1.8% of total rent due	0.82%
Void rent loss	No more than 0.8% of total rent due	0.70%
Housing application processing	Within 10 days	7 days

Property Management	2009/10 Target	2009/10 Actual
Emergency repairs performance	99% attendance within 4 hours	99%
Other repairs	96% completed on time	94%
Gas safety certificates	100% compliance aimed for and never below external benchmark of 93%	100%
Satisfaction with repairs service	At least 70% satisfied	96%

Development Activity	2009/10 Target	2009/10 Actual
Stock growth target	168 subject to Government support	170
Pipeline	Minimum of 50 plots	37
Energy efficiency	Minimum of SAP (2007) of 85	100%
Brownfield development	At least 40% of units 2008-2011	19% 2008-2011
Building elements rated at "A" per BRE Green Guide to Housing Specification	100%	100%

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AYRSHIRE HOUSING
OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31ST MARCH, 2010

Key Performance Indicators/Cont...

Financial Matters	2009/10 Target	2009/10 Actual
Staff costs	Less than 21% of turnover	20.1%
Administration cost/tenancy	Less than £660 per tenancy	£622
Liquidity – current assets:current liabilities (adjusted for development overdrafts)	1.10:1	4.96:1
Liquidity – cash:current liabilities (adjusted for development overdrafts)	1:1	4.06:1
<i>Interest cover – operating surplus;interest payable (adjusted for depreciation)</i>	1.52:1	3.96:1
Debt per unit	Maximum of £20,000 (as adjusted to reflect new HAG assumptions)	£20,384

General Operational Matters	2009/10 Target	2009/10 Actual
Board meetings quorate per session (AGM to AGM)	100%	100%
Board attendance per session	Average of 75%	68%

Performance in the year ended 31 March 2010

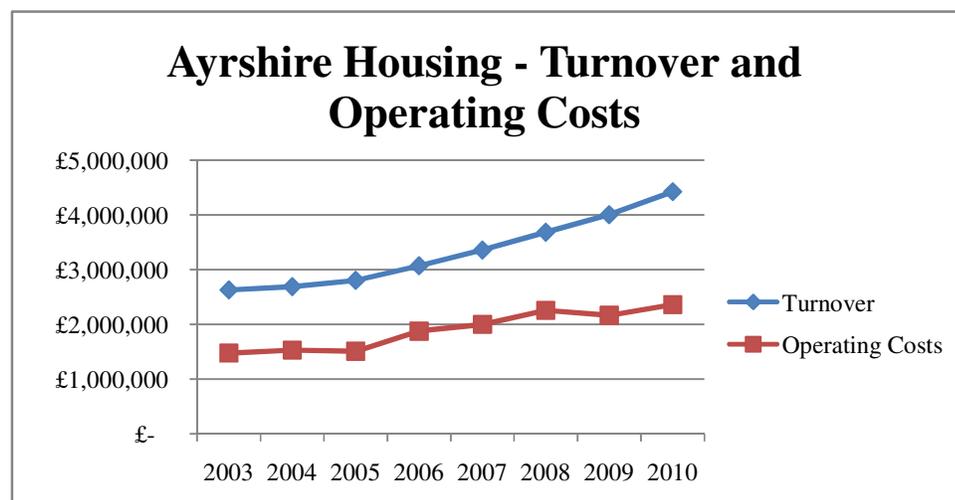
Turnover

Turnover has increased by £418,645 to £4,425,396 reflecting the increase in stock numbers and the annual rent increase. Rents accounted for almost 100% of our turnover with a very small percentage (0.4%) relating to recoveries made from owners for landscape maintenance.

Operating Costs

Operating costs represent 53% of turnover which is 1% lower than the previous year.

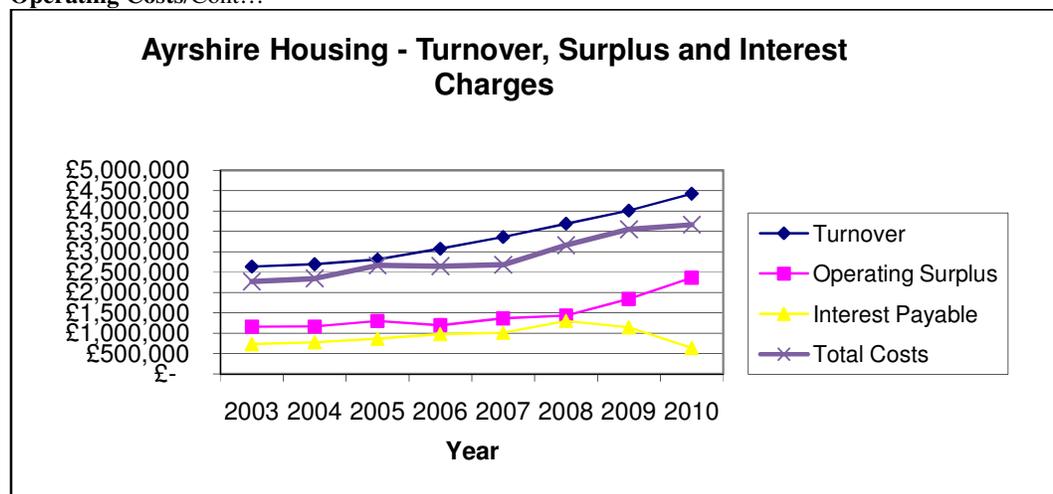
The trends in both the above since the formation of Ayrshire Housing in 2003 is illustrated below:



AYRSHIRE HOUSING
OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31ST MARCH, 2010

The growth in turnover can be further illustrated against operating surplus and interest payable for the seven years since the formation of Ayrshire Homes.

Operating Costs/Cont...



Interest

Sterling base rates remained low in the year to 31 March 2010 and this had a positive effect on the variable rate loans within our portfolio. For our development programme we minimised our borrowing requirements as far as possible by utilising surplus cash holdings prior to drawing on agreed facilities.

Surplus for the Year

Surplus on ordinary activities for the year was £1,431,967 compared to £868,679 for 2008/9. This exceeded budgeted projections due largely to the reduction in interest payable on our variable rate based borrowings.

Reserves

Financial reserves, consisting of revenue reserves set aside to manage the general risks faced by the association and designated reserves set aside to contribute to the funding of future major repairs, stood at £7.5M. This represents an increase of 21% over the same reserves at 31 March 2009.

Cash flow

Positive cash flows of £7M were generated from our operating activities. Interest payable was £638K offset slightly by interest receivable of £7K. We used cash holdings to minimise interest costs for some project expenditure prior to drawing on their agreed facilities. We spent almost £9M on our capital programme which was funded by grants and private finance. We also repaid capital of £657K on our housing loans as per the individual loan agreements.

Capital Structure and Treasury Policy

Borrowings at the year end were £25M million. This debt is borrowed wholly from banks and building societies in the UK.

The Board recognises that the association's level of debt makes it important to consider its treasury policy. The treasury function operates within a framework of clearly defined Board approved policies, procedures and delegated authorities. The association borrows on a conventional basis with loans typically repayable over 30 years. These loans are secured over the properties being financed.

AYRSHIRE HOUSING

OPERATING AND FINANCIAL REVIEW

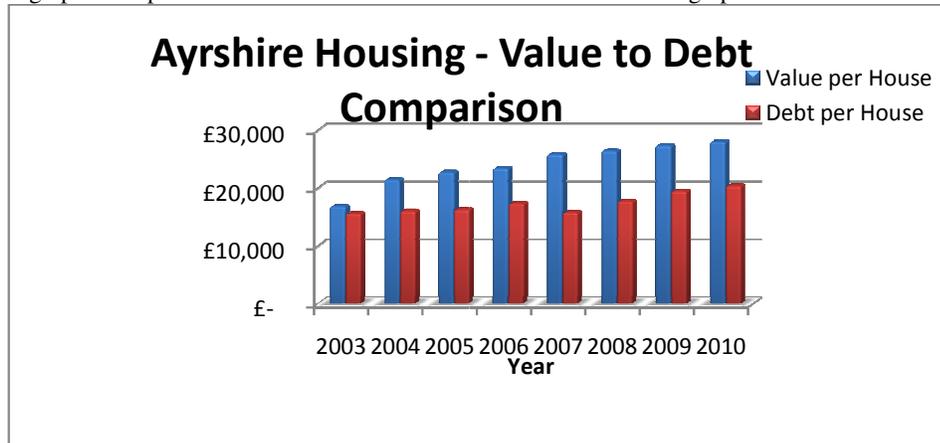
FOR THE YEAR ENDED 31ST MARCH, 2010

Maturity profile: the following table provides an analysis of when the debt falls due for repayment.

Between one and two years	£ 1,724,235
Between three and five years	£ 1,785,684
In five years or more	£21,440,000
Total	£24,949,919

Capital Structure and Treasury Policy/Cont...

A graphical representation of our Loan to Value can be found in the graph below:



Future Prospects:

The association's financial position is sound and a trend of improvement in its financial and operational performance has been maintained over many years. We comply with all of our lenders covenants which, based on our financial projections, will continue into the future.

We will continue to manage our finances in a prudent manner and will also deliver value for money to our tenants and other private owners.

We will achieve this by:

- Setting rents at levels which are affordable to our tenants;
- Providing a quality service and
- Tight cost control.

We have a well motivated and competent workforce of over 20 employees with a relatively low turnover. We are full members of the Federation of Employers in Voluntary Housing which provides us with support in managing and developing our staff to foster a culture of continuous improvement.

The association is following a number of strategies which we expect will contribute and inform the above actions.

The association continues to invest in housing through its development and refurbishment programme. However, new build opportunities may be lost through the reduced amount of grant assistance currently available from government. We will look towards innovative approaches in generating finance to allow much needed new houses to be delivered.

Our major repair programme remains a key element of our strategy to provide good quality homes for all of our tenants. Our financial projections demonstrate that we will be able to meet our obligations under the Scottish Housing Quality Standards.

We are aware of the possible impact that a continued economic recession may have on our tenants. Our housing officers work closely with all our tenants identifying issues as early as possible to ensure that the tenant is aware of the different types of assistance available to them. In this way it is hoped to minimise rent arrears and bad debt write off and other costs associated with rent arrears.

AYRSHIRE HOUSING
ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 31ST MARCH, 2010

Auditors

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

Bankers

The Royal Bank of Scotland plc
Corporate Banking
139 St Vincent Street
Glasgow, G2 5JF

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, 2010

The Trustees present their report and the audited financial statements for the year ended 31st March, 2010.

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 the Housing Regulator 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 £1,431,967 (2009 - £868,679) and this will be transferred to our reserves as part of our overall risk management strategy. In addition, a transfer of £225,000 (2009 - £Nil) was made to a Designated Major Repair Reserve. During the year 170 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

. P. Torrance	(Chairperson)	. J. Mitchell	
. P. Boyd	(Vice Chairperson)	. R. Smith	
. G. McDines		. R. Leith	(Appointed 23.09.09)
. Cllr J. McDowall		. A. MacLeod	(Resigned 23.09.09)
. J. Scott		. A. Shilliday	(Resigned 17.06.09)
. L. Allison			
. A. Cassidy			
. Cllr W. Grant			
. Cllr M. Low			
. M. Imrie			

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31ST MARCH, 2010/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 gave 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 Scottish Housing Regulator 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.

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 the Scottish Housing Regulator, 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.

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH, 2010/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 418 of the Companies Act 2006) 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, 2010**

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 2010 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, 2010

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Trustees' statement 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,
Statutory Auditor,
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 of Ayrshire Housing for the year ended 31st March 2010 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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.

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 relevant legislation. 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 2010 and of its surplus for the year then ended;
- 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;
And
- the information given in the Report of the Trustees is consistent with the financial statements.

Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow.
G1 2RQ.

Dated :

AYRSHIRE HOUSING
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2010

	Notes	2010 £	2009 £
Turnover	2	4,425,396	4,006,751
Operating Costs	2	(2,361,711)	(2,167,347)
Operating Surplus	2	2,063,685	1,839,404
Gain on Disposal of Housing Property	5	-	99,496
Interest Receivable and Other Income	8	6,735	73,920
Interest Payable and Similar Charges	9	(638,453)	(1,144,141)
Surplus for the year		<u>1,431,967</u>	<u>868,679</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, 2010

	2010 £	2009 £
Surplus/(Deficit) for the year	1,431,967	868,679
Actuarial loss on pension scheme	(328,000)	(23,000)
Unrealised Surplus/(Deficit) on Revaluation of Properties	457,858	-
Total recognised gains and losses relating to the year	<u>1,561,825</u>	<u>845,679</u>

AYRSHIRE HOUSING
NOTE OF HISTORICAL SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 31ST MARCH 2010

	2010 £	2009 £
Reported surplus/(deficit) on ordinary activities before taxation	1,561,825	845,679
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	47,282	37,725
Realisation of property revaluation gains of previous years	-	16,678
Historical cost surplus/(deficit) on ordinary activities	<u>1,609,107</u>	<u>900,082</u>
Historical cost surplus/(deficit) on ordinary activities	<u>1,609,107</u>	<u>900,082</u>

AYRSHIRE HOUSING

BALANCE SHEET

AS AT 31ST MARCH, 2010

	Notes	2010 £	2009 £
Tangible Fixed Assets			
Housing Properties (net of depreciation)	12	39,071,412	33,227,011
Other	13	<u>276,514</u>	<u>290,477</u>
		<u>39,347,926</u>	<u>33,517,488</u>
Current Assets			
Investments	14	1	1
Debtors	15	910,654	4,014,435
Cash at Bank and in Hand		<u>4,116,193</u>	<u>2,460,499</u>
		5,026,848	6,474,935
Creditors : amounts falling due within one year	16	5,983,421	4,591,797
Net Current Assets/(Liabilities)		<u>(956,573)</u>	<u>1,883,138</u>
Total Assets less Current Liabilities		38,391,353	35,400,626
Creditors : amounts falling due after more than one year	17	(24,094,273)	(22,993,371)
pension liability	20	(351,000)	(23,000)
Net Assets		<u>13,946,080</u>	<u>12,384,255</u>
Capital and Reserves			
Designated Reserve	18	625,000	400,000
Revaluation Reserves	19	6,580,936	6,170,360
Revenue Reserve	21	<u>6,740,144</u>	<u>5,813,895</u>
		<u>13,946,080</u>	<u>12,384,255</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, 2010

	2010	2009
	£	£
Net Cash inflow from operating activities	<u>2,483,879</u>	<u>2,637,612</u>
Returns on investments and servicing of Finance		
Interest Received	6,735	73,920
Interest Paid	(638,453)	(1,144,141)
	<u>(631,718)</u>	<u>(1,070,221)</u>
Capital Expenditure and Financial Investment		
Payments to acquire and develop housing properties	(8,694,229)	(11,919,436)
Payments to acquire other fixed assets	(19,712)	(18,254)
Grants Received	6,073,054	6,006,733
Proceeds of disposal of housing property	-	170,991
	<u>(2,640,887)</u>	<u>(5,759,966)</u>
Net cash inflow (outflow) before financing	<u>(788,726)</u>	<u>(4,192,575)</u>
Financing		
Loans - Received	1,940,055	3,321,108
- Repaid	(657,048)	(562,243)
	<u>1,283,007</u>	<u>2,758,865</u>
Increase/(Decrease) in cash	<u>494,281</u>	<u>(1,433,710)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(Decrease) in cash in the year	494,281	(1,433,710)
Cash (inflow)/outflow from (increase)/decrease in loan finance	(1,283,007)	(2,758,865)
Decrease/(Increase) in net debt resulting from cash flow	(788,726)	(4,192,575)
Net debt at 01.04.09	(24,061,388)	(19,868,813)
Net debt at 31.03.10	<u>(24,850,114)</u>	<u>(24,061,388)</u>

AYRSHIRE HOUSING

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MARCH, 2010

	2010	2009
	£	£
1. Reconciliation of surplus for the year to net cashflow from operating activities		
Operating Surplus	2,063,685	1,839,404
Depreciation	503,675	417,383
(Increase)/Decrease in Debtors	(23,057)	392,937
Increase/(Decrease) in Creditors	(61,424)	(12,112)
	<u>2,483,879</u>	<u>2,637,612</u>

2. Analysis of changes in net debt

	2010	Cash Flow	2009
	£	£	£
Cash in hand and at bank	4,116,193	1,655,694	2,460,499
Development Overdraft	(4,016,389)	(1,161,413)	(2,854,976)
Debt due within one Year	(855,645)	(182,105)	(673,540)
Debt due after one Year	(24,094,273)	(1,100,902)	(22,993,371)
	<u>(24,850,114)</u>	<u>(788,726)</u>	<u>24,061,388</u>

	2009	Cash Flow	2008
	£	£	£
Cash in hand and at bank	2,460,499	161,441	2,299,058
Development Overdraft	(2,854,976)	(1,595,151)	(1,259,825)
Debt due within one Year	(673,540)	5,512	(679,052)
Debt due after one Year	(22,993,371)	(2,764,377)	(20,228,994)
	<u>24,061,388</u>	<u>(4,192,575)</u>	<u>(19,868,813)</u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010

1. Principal Accounting Policies

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of housing properties and in compliance with the Registered Social Landlords (Accounting Requirements) (Scotland) Order 2007, the Statement of Recommended Practice (SORP) 2008 and applicable Accounting Standards. 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. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 2%.

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties, which fail to meet the above criteria, are charged to the Income and Expenditure Account.

Reviews for impairment of housing properties are carried out regularly and any impairment in an income-generating unit is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. Impairment of assets would be recognised in the Income and Expenditure Account.

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.

The Statement of Recommended Practice 2008 states that the disposal of shared-ownership properties first tranche sales be included in turnover at completion with the balance being classified as fixed assets. Due to the Company's last shared-ownership scheme being off-site in 2000 and records only being required to be held for six years, this exercise has not been carried out.

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% straight line
IT Systems	- 20% straight line
Offices	- 2% straight line
Let Properties	- 20% straight line

/Cont...

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

1. Principal Accounting Policies/Cont...

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.

Pension Costs

The Organisation participates in the centralised SFHA defined benefit pension scheme and retirement benefits to employees of the Organisation are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Members taken as a whole.

The expected costs to the Organisation of pension is charged to the income and expenditure accounts so as to spread the cost of pensions over the service lives of employees.

The Organisation participates in the centralised Strathclyde Pensions Trust defined benefits pension scheme and retirement benefits to employees of the Organisation are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating employers taken as a whole.

The expected cost to the Organisation of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The Organisation has fully adopted accounting standard FRS17 'Retirement Benefits' during the year. The impact of this standard has been reflected throughout the financial statements. Prior year comparatives have been restated where appropriate.

The difference between the fair value of the assets held in the Organisation's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Organisation's balance sheet as a pension scheme liability.

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.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

2. Lettings and other related information

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

			2010	
	Notes	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	4,398,490	2,361,711	2,036,779
Other Activities	4	26,906	-	26,906
Total		<u>4,425,396</u>	<u>2,361,711</u>	<u>2,063,685</u>
			2009	
	Notes	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	3,979,387	2,167,347	1,812,040
Other Activities	4	27,364	-	27,364
Total		<u>4,006,751</u>	<u>2,167,347</u>	<u>1,839,404</u>

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

3. Particulars of Income and Expenditure from Lettings

	General Needs £	Shared Ownership £	Total 2010 £	2009 £
Income from Lettings				
Rent receivable net of identifiable service chrgs	4,184,796	39,604	4,224,400	3,816,584
Service charges receivable	204,665	-	204,665	184,908
Gross income from rents and service charges	<u>4,389,461</u>	<u>39,604</u>	<u>4,429,065</u>	<u>4,001,492</u>
Less: voids	(30,575)	-	(30,575)	(22,105)
Total turnover from social letting activities	<u>4,358,886</u>	<u>39,604</u>	<u>4,398,490</u>	<u>3,979,387</u>
Expenditure on Lettings				
Management and maintenance admin costs	910,910	10,160	921,070	891,632
Reactive repairs and maintenance	626,425	-	626,425	576,748
Bad debts – rents and service charges	24,247	-	24,247	31,805
Planned and cyclical maint incl major repairs	319,969	-	319,969	292,162
Depreciation of social housing	463,232	6,768	470,000	375,000
Operating costs for social letting activities	<u>2,344,783</u>	<u>16,928</u>	<u>2,361,711</u>	<u>2,167,347</u>
Operating surplus for social lettings for 2010	<u>2,014,103</u>	<u>22,676</u>	<u>2,036,779</u>	<u>1,812,040</u>
Operating surplus for social lettings for 2009	<u>1,783,576</u>	<u>28,464</u>	<u>1,812,040</u>	

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

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

4. Particulars of Turnover, Operating Costs & Operating Surpluses or Deficits from Other Activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supportin g People Income £	Other Income £	Total Turnover £	Operating Costs- Bad Debt £	Other Operating Costs £	Operating Surplus/ Deficit for 2010 £	Operating Surplus/ Deficit for 2009 £
Wider Action Role	-	-	-	-	-	-	-	-	-
Care & Repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	17,168	17,168	-	-	17,168	17,946
Development Activities	-	-	-	-	-	-	-	-	-
Support Activities	-	-	-	-	-	-	-	-	-
Care Activities	-	-	-	-	-	-	-	-	-
Other Management Services	-	-	-	-	-	-	-	-	-
Aids & Adaptations	-	-	-	-	-	-	-	-	-
Other Activities	-	-	-	-	-	-	-	-	-
Commercial Rent	-	-	-	9,738	9,738	-	-	9,738	9,418
Total from Other Activities 2010	-	-	-	26,906	26,906	-	-	26,906	27,364
Total from Other Activities 2009	-	-	-	27,364	27,364	-	-	-	27,364

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

5. Profit on Disposal of Fixed Assets

	2010	2009
	£	£
Proceeds from sale of fixed assets	-	170,991
	<u> </u>	<u> </u>
Less: Cost of Sales		
Value of property	-	70,886
HAG received	-	-
HAG repaid	-	-
Legal and valuation costs	-	609
	<u> </u>	<u> </u>
	-	71,495
	<u> </u>	<u> </u>
	-	99,496
	<u> </u>	<u> </u>

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.

	2010	2009
	£	£
Total Emoluments (including pension contributions and benefits in kind)	<u>64,316</u>	<u>63,262</u>
Total Emoluments (excluding pension contributions) to the highest paid director amounted to	<u>55,135</u>	<u>54,240</u>
Total expenses reimbursed to the Committee in so far as not chargeable to United Kingdom income tax	<u>278</u>	<u>178</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 :-

	2010	2009
	£	£
The monthly average number of full time equivalent employees (excluding Executive Trustees) during the year was :-	<u>21</u>	<u>21</u>
Wages and Salaries	579,638	581,088
Social Security Costs	45,768	44,983
Pension Contributions	80,001	82,472
	<u>705,407</u>	<u>708,543</u>

8. Interest Receivable and Other Income

Bank Interest Receivable	<u>6,735</u>	<u>73,920</u>
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9. Interest Payable and Similar Charges

Loan Interest	709,027	1,225,446
Interest Capitalised on Housing Properties	(70,574)	(81,305)
	<u>638,453</u>	<u>1,144,141</u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

10. Operating Surplus

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

Depreciation - Property	470,000	375,000
- Other Assets	33,675	42,383
Auditor's Remuneration	6,362	6,672
Leasing	9,266	9,156
Bad Debts	<u>24,247</u>	<u>31,805</u>

11. Taxation

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

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 01.04.09	36,093,893	17,404,875	483,485	53,982,253
Additions	755,509	8,048,250	-	8,803,759
Transfer on completion	25,155,563	(25,155,563)	-	-
Transfer on revaluation	(23,654,965)	-	(3,485)	(23,658,450)
At 31.03.10	<u>38,350,000</u>	<u>297,562</u>	<u>480,000</u>	<u>39,127,562</u>
Grants				
At 01.04.09	5,761,761	13,764,839	-	19,526,600
Received	487,696	2,437,796	-	2,925,492
Transfer on completion	16,146,485	(16,146,485)	-	-
Transfer on revaluation	(22,395,942)	-	-	(22,395,942)
At 31.03.10	<u>-</u>	<u>56,150</u>	<u>-</u>	<u>56,150</u>
Other Grants				
At 01.04.09	-	488,642	-	488,642
Received in year	-	21,724	-	21,724
Transfer on completion	510,366	(510,366)	-	-
Transfer on revaluation	(510,366)	-	-	(510,366)
At 31.03.10	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciation				
At 01.04.09	726,464	-	13,536	740,000
Charge for Year	463,232	-	6,768	470,000
Transfer on revaluation	(1,189,696)	-	(20,304)	(1,210,000)
At 31.03.10	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value at 31.03.10	<u>38,350,000</u>	<u>241,412</u>	<u>480,000</u>	<u>39,071,412</u>
Net book value at 31.03.09	<u>29,605,668</u>	<u>3,151,394</u>	<u>469,949</u>	<u>33,227,011</u>

Development Administration cost capitalised amounted to £93,675 (2009 - £163,386) for which grants of £62,983 (2009 - £5,953) were received in the year. Interest capitalised in the year amounted to £70,574 (2009 - £81,305).

Completed housing properties were revalued on the basis of existing use value for social housing at 30th July 2010 by DTZ, 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, 2010/Cont...

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

	2010	2009
Cost of Properties	85,735,250	76,931,492
Less: Social Housing and Other Grants	<u>52,785,532</u>	<u>49,860,040</u>
	32,949,718	27,071,452
Less: Depreciation	(2,155,929)	(1,733,211)
	<u><u>30,793,789</u></u>	<u><u>25,338,241</u></u>

13. Tangible Fixed Assets - Other Fixed Assets

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
Cost					
As at 01.04.09	264,796	99,059	198,443	136,305	698,603
Additions	1,728	-	13,622	4,362	19,712
As at 31.03.10	<u>266,524</u>	<u>99,059</u>	<u>212,065</u>	<u>140,667</u>	<u>718,315</u>
Depreciation					
As at 01.04.09	30,422	93,528	152,757	131,419	408,126
Charge for Year	5,364	1,473	22,165	4,673	33,675
As at 31.03.10	<u>35,786</u>	<u>95,001</u>	<u>174,922</u>	<u>136,092</u>	<u>441,801</u>
Net Book Value as at 31.03.10	<u><u>230,738</u></u>	<u><u>4,058</u></u>	<u><u>37,143</u></u>	<u><u>4,575</u></u>	<u><u>276,514</u></u>
Net Book Value as at 01.04.09	<u><u>234,374</u></u>	<u><u>5,531</u></u>	<u><u>45,686</u></u>	<u><u>4,886</u></u>	<u><u>290,477</u></u>

14. Investment

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

The principal activity of Ayrshire Homestake Limited is the administration of the new supply of shared equity properties.

	2010 £	2009 £
15. Debtors		
Rental Debtors	195,000	172,580
Provision for Doubtful Debts	(10,000)	(10,000)
Other Debtors	<u>725,654</u>	<u>3,851,855</u>
	<u><u>910,654</u></u>	<u><u>4,014,435</u></u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

16. Creditors due within one year

	2010	2009
	£	£
Housing Loans	855,645	673,540
Trade Creditors	108,714	175,102
Development Creditors	712,179	602,649
Other Taxes and Social Security	22,787	24,581
Accruals	78,726	79,171
Development Overdrafts	4,016,389	2,854,976
Prepaid Rents	188,981	181,778
	<u>5,983,421</u>	<u>4,591,797</u>

Creditors due within one year include development guarantees totalling £4,016,389 (2009 - £2,854,976) for which agreement in principal has been received for conversion into long term finance.

	2010	2009
	£	£
17. Creditors due after more than one year		
Loans	<u>24,094,273</u>	<u>22,993,371</u>

Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 1.01% to 6.50% (2009 – 1.250% to 6.5%) which will mature over a period of 14 to 29 years as follows:-

	2010	2009
	£	£
Between one and two years	868,590	790,976
Between two and five years	1,785,683	1,624,142
In five years or more	21,440,000	20,578,253
	<u>24,094,273</u>	<u>22,993,371</u>

18. Designated Reserves

	Major Repair Reserve
	£
Balance at 01.04.09	400,000
Transfers from Income & Expenditure Account	225,000
Balance at 31.03.10	<u>625,000</u>

19. Revaluation Reserve

	2010	2009
	£	£
Balance at 01.04.09	6,170,360	6,224,743
Transfer on Disposal of Properties	-	(16,678)
Depreciation Adjustment	(47,282)	(37,725)
Transfer on Revaluation of Properties	457,858	-
Balance at 31.03.10	<u>6,580,936</u>	<u>6,170,360</u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/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 administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme were taken at the last actuarial date of 31st March 2010.

	2010	2009
Last actuarial date	31 st March 2010	31 st March 2009
Inflation/Pension Increase Rate	3.8%	3.1%
Salary scale increase per annum	5.3%	4.6%
Discount rate	5.5%	6.9%
Expected return on assets	7.2%	6.5%

The Organisation's expected rate of return and share of assets in the scheme were :-

	2010	2009
Equities	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%

	2010	2009
	£	£
Estimated employer asset share	641,000	436,000
Present value of scheme liabilities	992,000	459,000
Present value of unfunded liabilities	-	-
Total value of liabilities	992,000	459,000
Net Pension Liability	351,000	23,000

Analysis of amount charged to operating profit

	2010
	£
Service costs	15,000
Past service costs	6,000
Curtailment and settlements	-
Decrease in irrecoverable surplus	-
Total operating charge	21,000

Analysis of amount credited to other finance income

	2010
	£
Expected return on employers assets	29,000
Interest on pension scheme liabilities	(33,000)
Net return	(4,000)
Net revenue account cost	25,000

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

20. Pensions/Cont...

Analysis of recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2010
	£
Actual return less expected return on pension scheme assets	140,000
Experience gains and losses arising on the scheme liabilities	-
Changes in financial assumptions underlying the present value of the scheme liabilities	<u>(470,000)</u>
Actual gain/(loss) in pension plan	(330,000)
Increase in irrecoverable surplus from the membership fall and other factors	2,000
Actuarial loss recognised in STRGL	<u>(328,000)</u>

Movement in surplus during the year

	2010
	£
Deficit at 1 st April 2009	23,000
Current service cost	15,000
Employers contributions	(27,000)
Past service costs	6,000
Estimated benefits paid	-
Net returns on assets	4,000
Actuarial (loss)	330,000
Deficit at 31 st March 2010	<u>(351,000)</u>

History of Experience Gains and Losses

	2010
	£
Fair value of employer assets	641,000
Present value of defined benefit obligation	992,000
Surplus/(Deficit)	(351,000)
Experience gains/(losses) on assets	140,000
Experience gains/(losses) on liabilities	-

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.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. SFHA is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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 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 £54 million, equivalent to a past service funding level of 83.4%.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

20. Pensions/Cont...

The Scheme Actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30th September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. The current triennial formal valuation of the scheme as at 30th September 2009 is being undertaken by a qualified actuary. The results of the valuation will be available in Autumn 2010.

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 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 2009. As of that date the estimated employer debt for the Company was £693,232.

The current triennial formal valuation of the Scheme, as at 30th September 2009, is being undertaken by a professionally qualified actuary. The provisional results of this valuation were issued by the SFHA Pension Scheme in May 2010. These figures show that the deficit on the scheme has increased from £53.6million to £160million. The funding level of liabilities, based on these figures, would be 68.4% (2006 – 83.4%).

As a result of this valuation the total contribution rate must increase on average by 7% of pensionable earnings for all existing benefit option structures from April 2011.

The total pension cost for the Company was £45,419 (2009: £41,544) of which £6,819 (2009: £4,571) was unpaid and is included in creditors.

21. Revenue Reserves

	2010	2009
	£	£
Balance at 01.04.09	5,813,895	4,913,813
Surplus for the year	1,609,107	900,082
Transfer to designated reserves	(225,000)	-
Transfer to revaluation reserve	(457,858)	-
Balance at 31.03.10	6,740,144	5,813,895

22. Related Parties

Some members of the Trustees are tenants of the Company. Their transactions with the Company are all done on standard terms, as applicable to all tenants and they cannot use their position to their advantage.

Three Trustees are Councillors with South Ayrshire Council. Any transactions with the Council are made at arms length, on normal commercial terms and the said Trustees cannot use their position to their advantage.

During the period five tenants of the Company acted as Trustees. In total they paid rent of £15,487 (2009 - £13,627), which is at arm's length.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH, 2010/Cont...

23. Financial Commitments

At 31st March 2010 the amounts due in future years under operating leases were as follows :-

	£	£
Expiring within one year	8,259	8,127
Expiring between one and two years	8,259	8,259
Expiring between two and five years	8,259	14,945
	24,777	31,331

24. Housing Stock

2010

2009

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

General Needs	1,404	1,234
Shared Ownership	17	17
	1,421	1,251

25. Capital Commitments

2010

2009

£

£

Expenditure authorised and contracted

141,590

7,921,874

The Board of Management expect that expenditure they have authorised to be fully funded by the Scottish Housing Regulator, 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 2010, the Company had £Nil contingent liabilities (2009 - £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.