

**ARGYLL COMMUNITY HOUSING
ASSOCIATION LIMITED**

**Report of the Board of Management and
Financial Statements
for the year ended
31 March 2010**



Registration Particulars:

Scottish Housing Regulator

Registered Number: 360

Industrial and Provident Societies Act 1965

Registered Number: 2661R (S)

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

For the year ended 31 March 2010

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ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2010

The Board of Management

The Board of Management and the Executive Officers who held office during the year are as follows:

<i>Board of Management Members</i>		Appointed	Resigned
Norman Beaton	Chair	27 May 2005	
Andy Birnie		27 May 2005	
Bill McIntyre	Vice Chair	27 May 2005	
Margaret MacGregor		27 May 2005	
George Farquhar		10 April 2008	
Alister MacIntyre		13 November 2008	
Marri Malloy		25 September 2007	
George Douglas		25 September 2007	
Stewart McGregor		13 March 2008	4 June 2009
John Morris		11 September 2008	
Cecilia Keenan		23 September 2009	
Sandra Mackenzie		31 August 2009	
Ann Trotter		24 September 2009	
James Loughery		23 September 2009	
Betty Rhodick		23 September 2009	
Elizabeth Kennedy		23 September 2009	14 January 2010

Councillors:

Roddy McCuish	13 June 2007
Alister McAlister	13 June 2007
Al Reay	13 June 2007
Rory Colville	13 June 2007
Neil MacKay	11 September 2008

Executive Officers

Alastair MacGregor	Chief Executive
Nick Pollard	Director of Finance and IT
Christine Johnston	Director of Housing and Neighbourhood Services
Linda Haig	Director of Investment and Regeneration
Colette Benham	Director of Human Resources and Corporate Services

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS

For the year ended 31 March 2010

Registered Office: 63-65 Chalmers Street
Ardrishaig
Argyll
PA30 8DX

Auditors: Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Bankers: Lloyds TSB Scotland plc
120 George Street
Edinburgh
EH2 4LH

Solicitors: Brechin Tindal Oatts
48 St. Vincent Street
Glasgow
G2 5HS

Internal Auditors: Scott Moncrieff
Exchange Place 3
Semple street
Edinburgh
EH3 8BL

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

The Board of Management present their report and audited financial statements for the year ended 31 March 2010. The Association was incorporated on 27 May 2005 and it was registered as a Registered Social Landlord on 21 November 2006. These accounts represent the financial period 1 April 2009 to 31 March 2010.

Principal Activities

The principal activity of the Association is to provide and manage quality affordable housing accommodation for people in housing need across the Argyll and Bute region. The Association received 5,398 homes from Argyll and Bute Council as a result of the whole stock transfer on 21 November 2006. The Association owns and manages a range of housing for rent in primarily general needs accommodation, some sheltered accommodation and a small number of travelling people sites. It provides accommodation for the homeless through tenancies with Argyll and Bute Council.

Organisational Structure and How Decisions are Made

The Association operates under Rules registered under the Industrial and Provident Societies Act 1965 and is a Registered Social Landlord. Its organisational structure consists of a voluntary Board of Management which is supported by a Chief Executive, Senior Management Team and a range of specialist staff. Customer services are provided by four functional departments namely Housing and Neighbourhood Services, Investment and Regeneration Services, Human Resources and Corporate Services, and Finance & IT Services.

All Board members and staff operate within a set of standing orders, policies and financial regulations. Decisions relating to the Association's strategic objectives are taken at monthly Board of Management meetings whilst operational matters are dealt with by the staff Senior Management Team. The Association also has one standing committee, which is the Finance and Audit Committee which has delegated powers from the Board of Management regarding all finance matters and both internal and external audit matters.

The Association has established during the year four Area Committees who deal with operational matters locally. These Area committees are established along the following geographical areas.

- Oban Lorn and the Isles
- Mid Argyll and Kintyre
- Bute and Cowal
- Helensburgh and Lomond

Recruitment and Training of Board Members

Vacancies on the Board of Management are filled from members of the community, in accordance with the rules of the Association, who have a commitment to the furtherance of social housing and the aims and objectives of the Association. Members are drawn from a wide range of backgrounds and experience to maintain the necessary mix of skills required to govern and control a complex organisation. All Board of Management Members receive initial induction training and then attend internal and external training events which not only build on existing experience but provide an opportunity to develop new skills.

The Association's Board of Management has five Argyll and Bute Council nominees on its Board.

Reserves

At the year end the Revenue reserves balance had moved to a deficit of £14.34 million excluding adjustments for the pension reserve. The Association is a whole stock transfer organisation and it plans to make deficits for the first 11 years of its existence. There is a pension reserve equal to the deficit noted in liabilities on the pension scheme under the required FRS17 valuation at £4.24 million.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2010

No transfers have been made to designated reserves this year. Designated reserves are resources internally generated from operations, which have been set aside to provide for planned cyclical repairs. The Association has no designated reserves owing to the continued losses being generated. The Association's business plan incorporated planned costs for cyclical repairs across the thirty year business plan. The borrowing profile therefore incorporates costs without relying upon a specific designated reserve. The Association has a revolving credit facility of £30 million and; a fixed term loan facility of £30 million set aside as committed facilities with Lloyds TSB Scotland plc to fund the thirty year business plan.

The Association's thirty year business plan was submitted, together with its long-term repair programme to the Scottish Housing Regulator to demonstrate projected compliance with the Scottish Housing Quality Standard (SHQS) by 2015. The achievement of this objective is an obligation to tenants and an objective for achievement written in to the transfer agreement that was signed by the Association, Argyll and Bute Council and the Scottish Government on 21 November 2006.

Rent Policy

The Association aims to house those in need in affordable rented housing. The objective is to charge affordable rents based on the rents that transferred as at 21 November 2006, with future rent increases guaranteed to tenants under the transfer agreement to be fixed to the Retail Prices Index (RPI) + 1% for a period of five years post transfer. In addition, there is an aim to limit rent increases to RPI + 1% for a further five years after the transfer guarantee has expired. The Association increased rents during the period by 5.0%, being made up of RPI (September 2008 Office of National Statistics) figure of 5.0% with no addition of the 1%.

Risk Management

The Association has a Risk Management Strategy determined by its Board of Management based on the known risks. The Association has a risk management policy, which remains under review by the Senior Management Team. The internal audit needs assessment completed during the previous year determined the workflow of the Association's external internal auditors. The internal audit service completed their review of all planned work during the period amounting to 28 pieces of completed work totalling 17 audit days. The outcomes of internal audit reviews were considered by officers and reported to the Finance and Audit Committee of the Association. During the year reviews of process and procedure were conducted in relation to rent increases, asset registers, committee information, rent ledger accounting, cost centre management and payroll.

Treasury Management Policy

Under its Rules the Association cannot enter into transactions of a speculative nature however it can enter in to interest rate hedging instruments which may be used to protect the Association from interest rate risk. The Association operates an active treasury management policy, which operates in accordance with a treasury strategy approved by the Finance and Audit Committee. The Association during the year considered its Treasury Management strategy in line with the approved policy and undertook three fixed forward borrowing rates with its bank Lloyds TSB Scotland plc. These fixings hedge forward the projected borrowings in a total amount of £17 million and were as follows. Please note however that no free standing derivatives are in place as a result of interest rate hedging activities.

Fixed Rate Hedging

	Value (£000's)	Term (years)	Rate
Tranche 1 commencing 31 March 2008	2,000	15	5.552%
Tranche 2 commencing 31 March 2009	10,000	20	5.242%
Tranche 3 commencing 31 March 2010	5,000	10	5.520%
Total	17,000		

The rates quoted exclude margins which are stepped throughout the period of the borrowings and do not include lender's capitalisation charges.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

REPORT OF THE BOARD OF MANAGEMENT

For the year ended 31 March 2010

In addition the Association has a £750k development loan for its new office premises in Oban which is fixed throughout its 15 year life at 5.96% inclusive of lenders' margin and capitalisation charges.

The Association actively manages its surplus cash to minimise loan borrowings and/or earn interest on short term money market deposits. The Association does not borrow from any other institution than Lloyds TSB Scotland plc.

Maintenance Policies

The Association seeks to maintain its properties to the highest standards. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all of these repairs will be charged to the Income and Expenditure Account. In addition, the Association has a long-term programme of major repairs which have become necessary since the original developments were completed, including works required by subsequent legislative changes. This includes replacement or repairs to components of the properties, which have come to the end of their economic lives. The cost of these repairs is to be charged to the Income and Expenditure Account, unless it is agreed they can be capitalised within the terms outlined in the Statement of Recommended Practice (SORP).

Going Concern

The Board has considered the Association's going concern status in light of the current accumulated deficits and projected future cash flow deficits and is satisfied that it has sufficient borrowing facilities to meet those deficits and that the business plan demonstrates full repayment within the 30 year viability profile. In the view of the Board therefore the test of being considered a going concern has been met.

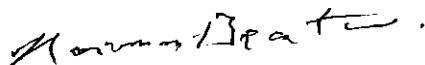
Creditor Payment Policy

The payment policy, which the Association follows, is to pay all purchases within 28 days, although some payments are settled in 14 days, and/or in accordance with creditor terms of business.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office. A resolution for the reappointment of Baker Tilly UK Audit LLP will be proposed at the Annual General Meeting.

By order of the Board of Management



Norman Beaton
Chairman

Date 9th September 2010

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

For the year ended 31 March 2010

Statute requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the affairs of the Association and of the deficit for that period. In preparing those financial statements, the Board of Management is required to fulfil the following obligations:

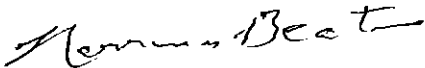
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Management confirms that the financial statements comply with these requirements.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Management members have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Board members have confirmed that they have taken all the steps that they ought to have taken as Board members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

By order of the Board of Management



Norman Beaton
Chairman

Date 9th September 2010

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

Background

Argyll Community Housing ACHA Limited (ACHA) is a not-for-profit organisation. It is constituted as an Industrial and Provident Society incorporated under the Industrial and Provident Societies Act 1965 (Registered Number 2661R(S)) and is registered with the Financial Services Authority (FSA). ACHA is also registered with the Scottish Housing Regulator as a Registered Social Landlord (RSL) No. 360.

ACHA took ownership of the 5,398 homes transferred from Argyll and Bute Council on 21 November 2006.

The emphasis of ACHAs' activities is the provision of quality housing at affordable rents, with tenants and communities being involved at each stage in this provision: to this end the Board of Management of ACHA comprises tenants, Council representatives and independent representatives of the wider community.

As well as including tenants in the governance structure, there are detailed mechanisms for consultation and opinion seeking.

In addition to proposals to improve the current housing stock as a result of stock transfer, ACHA is committed to regenerating communities through the development of new housing stock. In terms of services, ACHA aims to deliver a high quality services to all customers. ACHA's staff and office structure is organised with this aim in mind and there is a comprehensive staff training and development programme to support this approach.

While ACHA's primary purpose is to improve and maintain the housing stock, ACHA's Business Plan is about more than 'bricks and mortar'. It contains proposals to link housing investment and service to wider community needs. It is additionally intended that the economic regeneration of communities will be encouraged and facilitated, with local benefit in terms of employment and career opportunities.

The Business Plan is also about partnership, as ACHA cannot work in isolation from the strategic priorities of Argyll and Bute Council and other organisations in the region. To this end, ACHA is committed to working with Argyll and Bute Council, other local housing associations and statutory and voluntary agencies.

ACHA therefore aims to improve the quality of life of the residents of Argyll and Bute. One of its main purposes is to provide quality houses where people want to live. It intends to achieve this through the delivery of a considerable investment programme, together with the empowerment of staff to deliver excellent services that are tenant-focussed.

Review of the year's operations

Governance

ACHA has a Board of Management which has places for members as follows

- Ten Tenants
- Five Council nominees
- Five Independent Members

During the year the Board of Management had six joiners and two leavers and although efforts were made to recruit new members ACHA had one vacancy on the Board of Management at the year end.

The underlying principles of good governance and organisational structure in ACHA are to keep the organisation as manageable and flexible as possible. This allows ACHA to achieve its objectives of tenant-empowerment, devolution of power and decision-making across the communities of Argyll and Bute, thus developing the range of activities that will meet the wider needs of the Argyll and Bute community and provide the highest quality of service to tenants and other customers. ACHA also takes the view that good governance and organisational structures should be organic rather than static. ACHA will therefore regularly review these structures to ensure that they evolve as ACHA evolves itself.

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The Board of Management undertook a review of operations in February 2009 to evaluate the risk management strategy for ACHA for the forthcoming year and this was further formally reviewed in February 2010.

The Board of Management have delegated powers to the Finance and Audit Committee as it's only standing committee to consider financial aspects of the business. The Finance and Audit Committee's remit concluded all aspects of financial operations, such as cash flow and treasury management practices, all aspects of audit compliance and internal controls assurance, budgetary and management account performance and contract tendering.

Operationally ACHA is divided in to four functional areas:

- Finance and IT
- Housing and Neighbourhood Services
- Human Resources and Corporate Services
- Investment and Regeneration

Housing and Neighbourhood Services is sub divided geographically into the areas of:

- Bute and Cowal
- Helensburgh and Lomond
- Mid Argyll and Kintyre
- Oban Lorn and the Isles

Housing Stock and Other assets

At the start of the financial year, 1 April 2009 ACHA owned 5,093 homes. As a result of the right to buy ACHA sold 33 homes and at financial year end it also developed 31 new homes for rent and therefore at 31 March 2010, it owned 5,091 homes.

The expected number of house sales under right to buy was substantially less than was originally anticipated in our business plan. This was primarily due to the global economic circumstances prevailing during the period. This resulted in lower than forecast sales receipts as a result of right to buy but higher than expected rental income during the period.

The housing stock at 31 March 2010 by type is broken down as follows:

<u>Rentable Stock</u>	<u>2010</u>	<u>2009</u>
General Needs Houses	4,886	4,890
Sheltered Housing	205	203
	<u>5,091</u>	<u>5,093</u>

The housing stock at 31 March 2010 is by geographical area broken down as follows:

<u>Houses</u>	<u>2010</u>	<u>2009</u>
Bute	513	513
Cowal	905	909
Helensburgh and Lomond	1,023	1,015
Islay	331	334
Kintyre	829	819
Lorn and the Isles	910	917
Mid Argyll	580	586
	<u>5,091</u>	<u>5,093</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

Sheltered housing

ACHA's sheltered housing stock is located in nine complexes across Argyll and Bute:

<u>Sheltered Housing stock</u>	<u>2010</u>
Bute	34
Cowal	42
Helensburgh and Lomond	-
Islay	10
Kintyre	12
Lorn and the Isles	64
Mid Argyll	43
	<u>205</u>

ACHA has no sheltered housing in Helensburgh and Lomond area.

ACHA implemented the outcomes of a review of Sheltered Housing during this financial year with service charges being applied to all sheltered homes to reflect the operating costs of those homes.

Other assets

In addition, ACHA owns other assets as a result of the stock transfer. These include a number of garages and garage sites which are let primarily to tenants but also owners who have bought under the right to buy. The garages are let at nominal rentals which reflect the condition and level of repairs carried out to the garages. The implementation of a garage clearance and rationalisation strategy in the early part of the financial year saw a number of void and particularly poor condition garages demolished. The existing cleared sites are retained by ACHA and may be used at a future date for development or alternate purposes such as car parking. The existing garage sites will be re-let on a more sustainable rent and repair terms in future.

<u>Rentable Stock</u>	<u>2010</u>	<u>2009</u>
Garages	208	410
Garage sites	134	137
	<u>342</u>	<u>547</u>

Garages

	Garages	Garages
	2010	2009
Bute	8	22
Cowal	19	43
Helensburgh and Lomond	181	248
Islay	-	52
Kintyre	-	-
Lorn and the Isles	-	8
Mid Argyll	-	37
	<u>208</u>	<u>410</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

Garage Sites

	<u>Garage sites</u> <u>2010</u>	<u>Garage sites</u> <u>2009</u>
Bute	-	-
Cowal	13	13
Helensburgh and Lomond	-	-
Islay	-	-
Kintyre	48	48
Lorn and the Isles	48	51
Mid Argyll	25	25
	<u>134</u>	<u>137</u>

ACHA also owns and operates lettings at three travelling people sites:

<u>Travelling People sites</u>	<u>2010</u>
Dunoon, Torlochan	10
Lochgilphead, Dunchologan	14
Oban, Ledaig	8
	<u>32</u>

The Oban and Lochgilphead sites were improved just prior to transfer. During the year the Dunoon site was closed for half of the financial year whilst £260,000 of much needed improvements works were undertaken to the site supported by Scottish Government grant.

ACHA owns, or has a direct interest in, the following other assets:

<u>Non-Rentable Stock</u>	<u>2010</u>
Play areas	33
Private water supplies	12
Private sewage systems	36
Offices	2
	<u>83</u>

These elements give rise to maintenance obligations but do not attract any rental income stream. The Association has received grant funding for the initial maintenance of these related assets.

ACHA owns four small shop units in Helensburgh; however these are let under a peppercorn lease to a local charitable furniture recycling organisation, Beacon Trust.

ACHA owns its registered office in Ardrishaig at 63-65 Chalmers Street.

During the financial year ACHA embarked on its first office development project in Oban. This project resulted in the acquisition of a site from Highland and Islands Enterprise at Glenshellach Business Park. During the period ACHA achieved the successful award of contracts and erection of the building. The project ran to time, specification and budget with the creation of a £737,000 asset which will provide much needed high quality office space for the long term in Oban for ACHA. The project was financed by private finance repayable over a 15 year term.

The right to buy resulted in 33 homes being sold during the year. ACHA received more applications however many did not progress to conclusion. We are of the view that the general economic and borrowing climate was not conducive for tenants to buy their own homes as mortgage finance availability became more difficult to obtain for low income earners. ACHA recognises our tenant's right to buy their own home but the loss of affordable housing stock in some of our most remote and small communities can cause major housing issues locally.

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BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

ACHA is therefore seeking, in partnership with the other local registered social landlords and Argyll and Bute Council, to obtain Pressurised Area status for parts of our stock. If granted this will mean that a moratorium of five years will be placed on the right to buy for new tenancies.

The Housing (Scotland) Bill currently progressing through committee stage in the Scottish Parliament aims to further restrict the right to buy and we anticipate that if enacted this will further reduce the loss of precious affordable housing stock.

The Association was subject to its first regulatory inspection by the Scottish Housing Regulator during 2009/10 which was a significant undertaking during the year. The inspection identified that, "ACHA is a relatively young organisation that was formed to receive houses transferred from Argyll and Bute Council. It faces a range of challenges and has worked well to improve most of its services over a relatively short period of time and "The Association has made good progress on most of the commitments it made to its tenants and has strengths including estate management, access to its housing list, financial reporting and it is building good quality new houses". ACHA received a "fair" rating from its regulator as a result of the inspection process and following that its regulatory plan engagement level has been amended from "High" to "Medium".

ACHA increased its rents for all stock by RPI only at the start of the financial year which is below the rental guarantee given to tenants of RPI + 1%. The nominal increase for the year was therefore 5% based on September 2008 RPI data. The average rent across all stock in the current year rose to £58.25. The 2010/11 financial year rent increase is RPI+1% or 3.4%, with RPI being 2.4%.

ACHA had 40 new lettings during the year and 454 re-lets, of those 494 lettings, 213 or 43.12% were assessed as statutory homelessness by the local authority.

As at 31st March 2010 the common housing register HOMEArgyll had 3,343 applicants on its list.

ACHA has a number of properties, which are classed as low demand. ACHA is working on a strategy to improve these properties to let and where letting has not been possible. In Campbeltown a strategy for their future regeneration is being developed.

ACHA at financial year end had 50 properties void. ACHA's average days taken to let a property is 58 days against its target of 25 days.

ACHA's rent lost through voids amounted to £351,921 or 2.58% of net rent receivable against the prior year of £273,227 or 2.01% and a target void rent loss of 2.18%. This adverse outcome is owing to a deterioration in letting times across general needs stock. This is being addressed in the coming financial year through a number of measures.

ACHA's new garage strategy of demolition and revised rental is designed to arrest the void performance of garage lettings whilst balancing costs of maintenance and improvement. This was completed during the year and the benefits of that strategy should be evident next financial year.

ACHA received approximately 51.20% of its total income from housing benefit payments in comparison with 2008/09 where 51.74% of all of its rental income from housing benefit payments direct from the Local Authority. ACHA has 47.55% of its tenants in receipt of full housing benefit and 12.45% who receive partial housing benefit payments.

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Housing & Neighbourhood Services

ACHA provides services to tenants, owners and other customers from a network of 9 local offices located throughout Argyll & Bute. Through partnership working, with other local Registered Social Landlords, we strive to deliver services to tenants in Island or rural communities where there are no ACHA offices.

Our services are developed by taking into account the views of and comments from our service users. We carry out consultation as a matter of course on a wide range of services and have recently undertaken our first comprehensive Tenant Satisfaction survey which invited 100% of our tenants to feedback their views on ACHA. The feedback from this survey will help provide direction, from services users, on the way services will be delivered in the future.

Performance is monitored via Key Performance Indicators and, where appropriate, local performance measurements. These are primarily based upon the Annual Performance and Statistical Return indicators. Our Board and four Area Committees are routinely provided with a suite of performance reports. ACHA operates a Common Housing Register, HOMEArgyll, in partnership with three other local Registered Social Landlords. Following consultation, a review of the Policy and waiting list was undertaken towards the end of 2009.

The repairs service is operated by a mix of in house teams and private contractors. We are able to offer a repairs by appointment service across most of our operating area. Performance and customer satisfaction is closely monitored. Tenants using our repairs service are asked to provide feedback by a number of methods i.e. repairs satisfaction cards, post inspection and telephone call backs.

As a collaborative "wider role" project ACHA now manages a team of 4 Welfare Rights Officers who will assist not only ACHA tenants with Benefit advice but also tenants of West Highland Housing Association and Dunbritton Housing Association. It is anticipated that this project will achieve significant outturns in terms of improved take up of Benefits.

ACHA's current rent arrears performance based on the Annual Performance and Statistical Return data remains consistent against the prior year and is broken down as follows by area:

Current tenant rent arrears	£	Percentage of rent charged
Bute	£35,336	2.45%
Cowal	£63,044	2.39%
Helensburgh and Lomond	£47,350	1.66%
Mid Argyll	£25,525	1.48%
Kintyre	£44,893	1.96%
Oban Lorn and the Isles	£54,329	2.07%
Islay	£14,794	1.59%
Total current tenant arrears	£285,271	1.97%

The Association's current rent arrears target is 2.5%.

ACHA's former tenant arrears for the financial year were £249,210 for 2009/10 which equates to approximately 1.82% of net rent charged during the year. Of that amount £53,648 was written off during the year as non recoverable. ACHA did however recover £33,500 of former tenant debt due to it during the financial year.

ACHA is actively working to resolve the outstanding former tenant arrears and recover where possible in accordance with its policies.

ACHA issued 715 notices of proceedings to recover houses from tenants for rent arrears against the prior year figure of 802 which is a reduction of 11%.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

In respect of anti-social behaviour ACHA received 389 complaints during the year as against last year's number of complaints which was 548, a reduction of 29%. ACHA issued 11 notices of proceedings in respect of antisocial behaviour and applied for 5 interim orders resulting in 7 acceptable behaviour contracts being put in place. This demonstrates ACHA's strong stance on nuisance neighbours and antisocial behaviour is being delivered.

ACHA sought to commence legal action to recover houses from our tenants in 122 cases which was 35% lower than in 2008/09. Of that figure ACHA was granted decree to evict 34 tenants from our properties throughout the year which is lower than the previous year.

ACHA received requests to carry out 24,931 responsive repairs during the financial year which is a 7.77% reduction on the previous year. Of that number the breakdown was as follows:

Repairs	2010	Repairs completed on target	Percentage	Target Percentage
Emergency Repairs (2 hours)	5,286	5,041	95.37%	98.00%
Urgent Repairs (5 days)	5,497	5,246	95.43%	95.00%
Routine Repairs (20 days)	5,666	5,549	97.94%	95.00%

ACHA operates repairs by appointment in areas in which it has its own in house repairs team and the appointments performance for the year was as follows:

Repairs appointments	2010	2009	2008
No. appointments made	9,533	8,133	5,693
No. of appointments kept	9,510	8,107	3,354
Percentage	99.76%	99.68%	58.91%

The Association has a 100% target for repairs appointments made and kept.

ACHA issued 13,440 repair satisfaction cards to its tenants regarding repairs and received 3,692 in return amounting to 27%.

In addition ACHA contacted more than 1,246 tenants by phone to ascertain the quality of the service provided and sent 1,373 post inspection surveys.

ACHA carried out 3,931 pre inspections of repair works to be carried out equating to 17% of the repairs undertaken. ACHA also carried out 3,110 post inspections equating to 19% of repairs undertaken. Tenant satisfaction returns issued were 6,311 and of that number 6,066 tenant satisfaction returns or 99.8% were satisfied with the works carried out.

ACHA was not inspected by the care commission but retains its care commission status in respect of its sheltered complexes.

Human Resources and Corporate Services

Is a central support department responsible for providing all HR services, as well as training and development, which is also responsible for administration, committee secretariat, compliance and facilities management.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

The underlying principles of good governance and organisational structures in ACHA are to keep the organisation as manageable and flexible as possible. This will allow ACHA to achieve its objectives of tenant-empowerment, devolution of power and decision-making across the communities of Argyll and Bute, thus developing the range of activities that will meet the wider needs of the Argyll and Bute community and provide the highest quality of service to tenants and other customers.

ACHA's Rules are based on the Model Rules for a Federal Structure (October 2001) issued by the Scottish Federation of Housing Association's (SFHA).

The organisation is developing the depth and detail of data required in terms of management information to assist at all levels.

ACHA have Scott Moncrieff as Internal Auditors who have completed an audit needs assessment and carried out their second tranche of internal audit work reporting directly to ACHA's Finance and Audit Committee. The audit needs assessment plans for substantial testing of policies, procedures and processes during the following year.

ACHA has established a risk management policy and is carrying out a full organisation wide risk register, in conjunction with the internal audit findings and results.

ACHA have set up a Health and Safety Committee to monitor and control Health and Safety with a full round of risk assessments.

ACHA have entered into lease arrangements with the Council for office accommodation in various locations and will be determining changes required where accommodation does not meet our long term needs.

ACHA is committed to a high standard of training and development for both Board and Area Committee members and for staff of ACHA.

ACHA's Human Resources and Corporate Services Director is responsible for reviewing ACHA's training strategy annually and for reporting recommendations on changes and further developments to the Management Board.

The department has a Training and Development post, responsible for co-ordinating training and development programmes for staff and Board Members. This also involves co-ordinating a regular training needs assessment and an annual training and development plan.

ACHA is committed to being an equal opportunities employer and welcomes recruitment applications from all sectors of the community. Our policies have been developed in line with good practice and current legislation.

ACHA have a number of communication channels to inform and consult with our employees, which include regular fortnightly email updates, quarterly staff liaison group representatives meetings, quarterly Chief Executive "Road shows" and an annual full staff conference.

The department supported the 185 staff in terms of all human resources aspects. The staffing complement is broken down as follows:

Staffing breakdown	2010	Percentage
Office staff	142	77%
Care/Support staff	22	12%
Trades staff	21	11%

During the year ACHA recruited for 19 posts which is 27% lower than the previous year. The department processed 237 applications for those posts providing interviews and selection services to recruiting departments.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

During the year ACHA carried out a staff satisfaction survey which is used to identify areas of strength and weakness. ACHA's staff satisfaction with their employer has significantly improved during the year as follows:

Satisfaction with employer	2010	2009	2008
Satisfied	86%	82%	62%
Neutral	11%	15%	29%
Dissatisfied	4%	3%	9%

During the year 102 staff completed external training courses and 65 staff completed internal training courses, a 45% increase on the previous year.

ACHA's staff ethnicity is made up as follows:

	2010	Percentage	2009	Percentage
Scottish	152	82.16%	154	84.15%
Other British	25	13.51%	23	12.57%
Irish	2	1.08%	3	1.64%
Any other white background	4	2.17%	1	0.55%
Mixed	2	1.08%	2	1.09%

ACHA has 6 members of staff who consider themselves to have a disability or 3.24% of staff.

ACHA has 119 female staff and 66 male staff, a ratio of male to female staff of 1:1.8. The earnings ratio for females to males in ACHA is 0.81, with average earnings for females at £12.34 and males at £15.29.

ACHA received 18 formal complaints through its Staged complaints policy during the year.

There were 28 reported health and safety incidents during the year, 18 personal injuries, 6 vehicle incidents and 4 incidents of verbal or physical abuse against staff members.

ACHA carried out 43 Health and safety risk assessments during the year which was in excess of planned numbers.

ACHA currently has 292 members and has been actively recruiting via newsletters and other media.

The department supported the monthly Board of Management meetings and the four area committees in their bi-monthly meetings.

The department has managed the internal audit process during the year resulting in a completed internal audit needs plan. No major risk issues were highlighted during the year by the internal audit services. ACHA is developing further the next cycle of its internal audit needs plan and has established a plan of work for the following year.

ACHA actively engages with its union and non union membership. ACHA communicates via a regular monthly newsletter with its staff and other less formal mechanisms.

ACHA projects no significant increase in staffing numbers in future years.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

Investment and Regeneration

The Investment and Regeneration department has had another challenging year delivering the main programme of works, the repairs to the existing homes to bring them up to the Scottish Housing Quality Standard (SHQS) by 2015 as per the transfer commitments.

ACHA has delivered the following elements of work during the period:

Investment programme	Outturn	Planned	Percentage
No of kitchen/bathrooms completions - Units	2,581	2,125	121%
No of window/door completions - Units	927	547	169%
No of heating/rewire completions - Units	440	1,386	32%
No of roof/roughcast completions - Units	94	158	55%

ACHA ended its contractual arrangements by mutual agreement with its heating and rewiring contractor and is currently going through an EU procurement process for a new contract.

The total number of elements required for completion this year of all types was 4,216. ACHA delivered 4,042 elements equating to 96% of the targeted objective. Owing to the mix of elements replaced differing against the planned targets expenditure was down 24% against budget forecast overall. The under spend will be carried forward into future years to ensure delivery with the SHQS.

The department is responsible for the planned maintenance of private water supplies, sewage systems septic tanks, in sheltered complexes water treatment systems, lifts, community alarm systems and fire alarm systems. In addition the department is responsible for ensuring that gas safety maintenance and certification takes place as required under our statutory obligations and maintenance of solid fuel heating systems.

The planned maintenance programme also includes the maintenance of common closes and stair wells in our stock.

The departments' regeneration or new stock development activity has been significant this year as evidenced by the following analysis:

Regeneration	Outturn	Planned	%
Site Starts	29	29	100%
Completions	35	32	109%

ACHA received allocations of housing grant for the acquisition of a number of sites during the year which were not planned for at the start of the financial year.

ACHA is currently developing sites as follows:

Site	Units
Highfield Bowmore	3
Park Square Campbeltown Ph 2	30
Croft Avenue, Oban	8
Builders Yard, Ardrishaig	18
Total	59

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

The department was a key member of the project team delivering the new office building in Oban during the year.

The department has implemented the garage strategy which is expected to result in long term savings in respect of void rentals and maintenance costs.

The department has also implemented the play area strategy to support the play areas owned by ACHA.

The department has supported ACHA's planned delivery of disposal of small uneconomic pieces of land in and around our estate in accordance with the established policy resulting in small capital receipts and reduced future maintenance costs.

The department has also been key to the development of ACHA's planned future regeneration programme and significant work has been undertaken in evaluating and feasibility assessing sites for development to be included in future bids for housing association grant.

Finance and IT

The department provides a range of financial and accounting services to ACHA as well as ensuring a high level of IT support.

The department ensured that business plan support grant for the year of £9 million was drawn down during the year in accordance with the grant offer from Scottish Ministers.

ACHA actively monitors its cash flow position across all its bank accounts on a weekly basis to ensure that it always has sufficient funds to meet its short term obligations. Surplus funds are invested in money market deposits with our bankers, Lloyds Banking Group's Treasury Department in accordance with our established treasury management strategy.

The department revised its Brixx business planning model. ACHA did not breach any financial or non financial covenants with its lender during the year. ACHA did however renegotiate its borrowing facility during the last quarter of the previous year and this was concluded early in this financial year. The renegotiation of the facility ensures that ACHA continues to have borrowing capacity to support the 30 year business plan whilst at the same time taking the opportunity to scale back committed facilities in the until 2012. At the same time as this renegotiation new private finance, over and above the transfer business plan of £7.3 million for regeneration activities and £1 million for office development activity was concluded.

Although ACHA had entered into forward fixes post transfer the static base rate level of 0.5% throughout the year and the active treasury management policy together with lower than forecast expenditure has meant that interest costs for the year are much lower than originally forecast.

Right to Buy sales were substantially less than projected at transfer with only 33 properties being sold against pre-transfer projections of 80. This has little impact in terms of operating finances due to the nature of the right to buy agreement entered into at transfer. The reduced numbers of right to buy sales are likely to assist ACHA in future years as they will improve asset cover ratios for future planned borrowings.

The department received a desk top security valuation for the housing stock which identifies that there is sufficient security at market value to support projected future borrowing.

ACHA complied with lending covenants during the financial period.

ACHA had a void loss figure of 2.41% of all rental income, including garages, for the year. The void rent loss for houses alone was equivalent to circa 2.05% of rent. ACHA's void management costs were also ahead of expectation due to the particularly poor quality of homes being handed back by abandoned, evicted or leaving tenants. ACHA attempts to recharge for these costs where it can.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

ACHA had approximately 52% of its tenants' rent paid to it direct by housing benefit at the end of the financial year. ACHA receives benefit payments on a four weekly cycle matching with ACHA's rent profile and reducing technical arrears entirely from our figures.

ACHA continues to actively pursue non-payment of rent from current and former tenants to maintain these levels.

The IT section of the department has ensured that ACHA systems are able to cope with future developments in operating software and has embarked on a review of IT systems and an EU procurement package.

Financial Review

Income & Expenditure

Income

The Association's general needs rental income at £13.98 million for the year was 1% higher than forecast due to the impact of lower than expected right to buy sales. The Association's garage rents and other income was as forecast for the year. The Association did not receive the Supporting People income for 2009/10 to pay for sheltered housing warden services although this had been forecast at the beginning of the year. Sheltered housing service charges were introduced in August 2009 to mitigate the loss of Supporting People funding.

Bad debts at the year-end in comparison with prior years were consistent, however they were again significantly higher than forecast. This is because provision was made to write off former tenant rent arrears in full and current arrears and sundry debtors in accordance with established accounting policies. Bad debt assumptions for future years have now been revised to be in line with experience.

Rent lost from voids was 29% higher than the prior year. Void management strategies are being introduced.

Grant income of £9 million was received during the year relating to business support grant; this was 100% of the monies due. In addition the Association received £4.77 million in Housing Association Grant for new stock development relating to its development sites in the financial year. The Association's expected outturn on related asset improvement resulted in the Early Action Fund Related Assets grant monies draw down being £2.45 million as forecast.

The Association also received £246k in grant for aids and adaptations to properties and £34k of wider role funding to support the welfare rights officer FISH project development. The Association's other income generated was significantly improved on the recovery of costs such as for insurance claims, fire raising, vandalism and malicious damage.

Overall income was approximately 2% less than forecast at the start of the year.

Expenditure

Management costs were 1% higher than forecast overall. These were well managed during the period according to budget forecasts. The management cost per unit for 2009/10 is £958 against the prior year figure of £967 per unit. In comparison however reactive maintenance costs have reduced by 18% reflecting the transfer of staffing cost internally from £4.1 million last year to £3.38 million in 2009/10 as responsive repairs remained static during the year. The responsive repairs average repair cost per unit was £679 this year against the previous year which was £800 per unit.

The Association's cyclical and planned maintenance spend for the year was 14% higher than the previous year but was significantly lower than forecast owing to difficulties principally with pre painter works and owners agreement where common ownership occurred.

The Association's regeneration activities experienced an over spend in the latter part of the year of 18%. This was due to the Association gaining access to additional development opportunities through the Scottish Government's accelerated funding stream.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

Total expenditure for the year was therefore 21% lower than planned for the year.

The operating deficit was lower than had been forecast but was still a substantial operating deficit at £2.30 million.

The Association made some modest gains on sale from right to buy sales at £173k. These were lower than had been expected as a result of the much lower than planned right to buy sales occurring as a direct result of the wider macro and micro economic position.

Bank interest earned at £28k was greater than forecast owing to higher cash balances due to lower than planned expenditure. The much lower spend levels against the major works programme and the effect of static LIBOR rates during the year meant that the Association's interest costs, at £709k, were 45% lower than forecast.

The Association had fixed debt of £12 million at the start of the year, during the year all additional debt was LIBOR linked until the last day of the financial year when a further £5 million became fixed rate debt. The office loan was created as fixed rate debt of £750k. As a result the Association's borrowing of £20.05 million at year end was 88% fixed.

The deficit for the year was £2.8 million.

Balance Sheet

The Association is starting to increase its tangible fixed assets as a result of the regeneration works being undertaken to develop new stock. This year saw a significant increase in that development coming on stream with more than £14 million worth of housing assets being developed and the Oban office in the last three years. The cumulative value of grant received to support housing development increased by 98%, to £9.8 million. The Association continues to operate on the basis that its transferred stock is valued at nil cost in its balance sheet.

The Association considered in some detail whether impairment had occurred during the year and was of the view that a review was not required primarily on the basis of the valuation of its stock for security purposes based on existing use valuation for social housing.

In terms of current assets the Association has debtors of £3.5 million of which the majority is grants receivable at £1.034 million and is comparable with previous years.

Current liabilities are slightly less than the previous year. The Association however has experienced a reduction in trade creditors of £2.1 million and an increase in accruals and deferred income of £1.98 million. Net current liabilities have improved year on year and our current assets exceed current liabilities by £0.54 million in comparison with the deficit of £0.44 million in the prior year. Total assets now substantially exceed current liabilities.

Long term borrowing has increased from £12 million to £20.05 million during the year. The net deficit has increased year on year by £2.81 million prior to pension adjustments. There is an adjustment as a result of reflecting the FRS17 Pensions deficit which was not unexpected.

The Association's business plan is dependent on private finance and therefore long term debt is now projected to peak at £53.0 million in year 21 post transfer with full repayment by year 28 post transfer.

The Association is required to consider in some detail the going concern statement and has assessed that with a committed funding facility supporting its 30 year business plan it is a going concern.

Accumulated deficits are now £18.58 million including the pension reserve.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S OPERATING AND FINANCIAL REVIEW STATEMENT

For the year ended 31 March 2010

The Future

ACHA continues to drive forward its objective outlined in the transfer business plan and has produced a revised business plan for the period 2009 to 2012.

ACHA has implemented the 2010/11 rent increase in line with the transfer agreement commitments at RPI + 1%, (3.4%).

ACHA continues to develop its policies and procedures for operational management based on best practice guidance in the social housing sector and the wider corporate sector where appropriate.

ACHA is involved in determining the way forward in respect of meeting the growing housing waiting list in Argyll and Bute. ACHA is seeking new ways of working with all of its partners to our mutual advantage.

ACHA is developing innovative new approaches to funding support and use of our combined resources to deliver strategic outcomes for us and our partners.

ACHA has established its factoring service for former Argyll and Bute Council house owners who have purchased their homes under the right to buy, this will be further expanded during the forthcoming year. ACHA is seeking to engage with partners in ways of developing solutions to private housing market renewal where there are common shared elements in our properties.

ACHA aims to make significant inroads into the major repairs investment programme during 2010/11 through the framework agreements entered into with key contractors and suppliers and new agreements with heating and rewiring contractors.

ACHA continues to drive forward the completion of the transfer business plan commitments in respect of service reviews scheduled for completion, e.g. the EU tendering of IT services to develop Information and Communication Technology for the future needs of ACHA, its tenants, its stakeholders and partners.

There are challenges ahead for ACHA over the next financial year in many areas; the greatest challenge presently is the further possible loss of funding for the development of new housing stock. In a wider sense the impact of central government spending reviews, the consequences of international capital market impacts on macroeconomic fiscal and monetary policy and its effect on public funding is yet to be determined. The impact of this on reserved matters such as housing benefit and proposed reforms is a concern, in respect of devolved matters the impact on housing association grant is the one which is most keenly watched at present. The wider effects of European debt concerns and future fiscal stability are likely to continue to present challenging times for our funding partners and borrowing in terms of both price and availability is likely to remain uncertain.

The Board has sought the views of tenants, staff and other stakeholders on its activities and will be digesting that further during this financial year and how it responds to that.

ACHA considers that we continue to develop a strong future based on a combination of capability, motivation, drive and commitment to deliver an efficient and effective but above all first class service for our tenants and the communities in which they live and we are a part.

This Operating and Financial Review statement has been prepared in accordance with the Accounting Standards Board's 2006 reporting statement requirements.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROLS

For the year ended 31 March 2010

The Board of Management acknowledge their ultimate responsibility for ensuring that the Association 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 Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

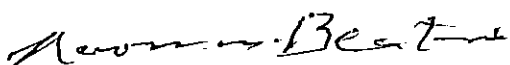
It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The Board of Management can only provide reasonable assurance and not absolute assurance against material financial miss-statement or loss. Key elements of controls include ensuring that:

- 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 Association's assets. Core policies have been established and others are being further developed as the Association becomes more established;
- 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 Board of Management 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;
- the Association's performance against the stock transfer business plan is reviewed regularly.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant sub-committees comprising Board of Management members and Co-optees;
- the Board of Management reviews reports from their Senior Management Team, staff and from the internal and external auditors, and from specialised consultants 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 Association;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports;
- an Internal Audit Needs Assessment has been developed by the Association in accordance with established audit practice and internal audit has been in operation this year.

The Board of Management has reviewed the system of internal financial control in the Association for the year ended 31 March 2010 and until the below date. To the best of its knowledge no weaknesses were found in internal financial controls which could result in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

These arrangements comply with the requirements contained in the Scottish Housing Regulator's and the Scottish Federation of Housing Association's publication, "Raising Standards in Housing".

By order of the Board of Management



Norman Beaton
Chairman

Date 9th September 2010

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

Independent Auditor's Report to the Members of

Argyll Community Housing Association Limited

Corporate Governance

In addition to the audit of the financial statements, we have reviewed the Board of Management's statement on page 21 on the Association's compliance with the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the publication not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association'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 21 has provided the disclosures required by the section on Internal Financial Controls within SFHA's document "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.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date 20th September 2010

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

Independent Auditor's Report to the Members of

Argyll Community Housing Association Limited

We have audited the financial statements on pages 25 to 49, which have been prepared under the accounting policies set out on pages 28 to 30.

This report is made solely to the Association's members, as a body, in accordance with the provisions of the Industrial and Provident Societies Act 1965 and the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association'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 responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report and for the opinion we have formed.

Respective responsibilities of Board of Management and Auditors

The Board of Management's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law (United Kingdom Generally Accepted Accounting Principles) are set out in the Statement of Board of Management's 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 Industrial and Provident Societies Acts 1965 to 2002, 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 internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of Board of Management and Operating and Financial Review. 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 Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association'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 mis-statement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

Independent Auditor's Report to the Members of

Argyll Community Housing Association Limited

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 Association's affairs as at 31 March 2010 and of its deficit for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants, First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date: 20th September 2010

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover	2	26,502	16,937
Operating costs	2	<u>(28,797)</u>	<u>(25,361)</u>
Operating Deficit	8	(2,295)	(8,424)
Surplus on disposal of housing fixed assets	12	173	126
Interest receivable	9	28	156
Interest payable	10	<u>(709)</u>	<u>(240)</u>
Deficit on ordinary activities before Taxation		(2,803)	(8,382)
Taxation on ordinary activities	11	<u>-</u>	<u>14</u>
Deficit on ordinary activities		<u>(2,803)</u>	<u>(8,368)</u>

All figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	<i>Note</i>	2010 £000	2009 £000
Deficit for the year		(2,803)	(8,368)
Actuarial loss on pension scheme	29	<u>(3,763)</u>	<u>(646)</u>
Total recognised deficit for the year		<u>(6,566)</u>	<u>(9,014)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

BALANCE SHEET

For the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Tangible fixed assets			
Housing properties – gross cost less depreciation	12	14,110	5,743
Less Housing Association Grant	12	(9,792)	(4,929)
Other	13	821	92
		<u>5,139</u>	<u>906</u>
Current assets			
Stock and work in Progress	14	24	31
Debtors	15	3,508	3,344
Cash at bank and in hand	16	3,390	2,729
		<u>6,922</u>	<u>6,104</u>
Creditors: amounts falling due within one year	17	<u>(6,383)</u>	<u>(6,540)</u>
Net current assets/(liabilities)		<u>539</u>	<u>(436)</u>
Total assets less current liabilities		5,678	470
Creditors amounts falling due after one year	17	20,018	12,000
Provisions for liabilities and charges: Deferred tax	11	-	-
Net liabilities before pension deficit		(14,340)	(11,530)
Pension deficit	29	(4,236)	(480)
Net deficiency after pension deficit		<u>(18,576)</u>	<u>(12,010)</u>
Capital and reserves			
Share capital	18	-	-
Revenue reserves	19	(14,340)	(11,530)
Pension reserve	21	(4,236)	(480)
Deficiency in shareholders' funds	19	<u>(18,576)</u>	<u>(12,010)</u>

These financial statements were approved by the Board of Management on 9th September 2010 and authorised for issue and signed on their behalf by:

Chairman of the Board of Management

Norman Beaton

Norman Beaton

Board member

Bill McIntyre

Bill McIntyre

Secretary

Roddy McCuish

Roddy McCuish

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2010

	<i>Notes</i>	2010	2009
		£000	£000
Cash (outflow) from operating activities	23	(2,533)	(9,198)
Returns on investments and servicing of finance			
Interest received	9	28	91
Interest paid	10	<u>(650)</u>	<u>(240)</u>
Net cash (outflow) from returns on investments and servicing of finance		(622)	(149)
Corporation tax repayment		1	14
Capital expenditure and financial investment			
Acquisition and construction of properties		(8,442)	(4,618)
Purchase of other fixed assets		(829)	(114)
Capital grants received		4,863	3,865
Sales of housing properties		<u>173</u>	<u>126</u>
Net cash (outflow) from capital expenditure and investing activities		<u>(4,235)</u>	<u>(741)</u>
Net cash (outflow) before use of liquid resources and financing		(7,389)	(10,074)
Financing			
Loan advances received		<u>8,050</u>	<u>10,000</u>
Net cash inflow from financing	24	8,050	10,000
Increase / (decrease) in cash in the year	24	<u>661</u>	<u>(74)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by the Financial Services Authority.

1 Accounting policies

Going Concern

During the year the company made a deficit of £2.80 million prior to the adjustment of the pension reserve giving a net deficit of £6.6 million. At the balance sheet date the Association had a deficiency of assets of £18.58 million. The going concern basis of accounting is considered appropriate because the Association has an agreed banking facility of £60 million under the business plan to meet future requirements with projected peak debt occurring at year 21 and repaying by year 28 amounting to approximately £53.0 million at this time. The Association's loan asset security ratio requirement is 105%, the most recent security valuation values the Associations housing assets at £161 million market value tenanted and £56 million by year 30, the Association therefore has more than sufficient assets to support the current borrowing and for its future needs at this time based on the asset covenant.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules. They comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and with the Statement of Recommended Practice (SORP), Accounting by Registered Social Landlords 2008.

Turnover

Turnover represents rental and service charge income receivable from tenants and owner occupiers, fees and revenue based grants receivable from local authorities and The Scottish Government's Housing Regeneration Directorate relating to housing and fees from the provision of management services. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

Cash Flow Statement

The cash flow statement represents the cash transactions of the Association for the period from 1 of April 2009 to 31 March 2010.

Housing properties, housing association grant and depreciation

(a) Housing properties are stated at cost, all property was acquired at nil value under the stock transfer agreement. The Association's policy is to capitalise the following:

- cost of acquiring land and buildings;
- development expenditure including direct development staff costs; and
- interest charged on the development loans raised to finance the scheme.

Expenditure on schemes which are subsequently aborted will be written off in the year in which it is recognised that the schemes will not be developed to completion.

(b) 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 net rental income; or
- a 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.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

- (c) Land is not depreciated. Depreciation will be charged so as to write down the value of housing properties on a straight line basis over their remaining estimated useful economic lives. In determining the remaining useful lives for the housing stock, the Association has taken account of views provided by both internal and external professional sources. It is the Association's view (based on knowledge of the stock, its condition, and the future programme of component renewal) that the stock has a very long remaining life. This life for use in the accounts will be 50 years from the date of practical completion.

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. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over their expected useful lives as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fittings	3 years
Offices	50 years

Pensions

The Association participates in two pension schemes as follows;

1. Strathclyde Pension Fund (SPF) which is a defined benefit scheme as defined by the Local Government Pension Scheme (Scotland) regulations 1998. Contributions are charged to the Income and Expenditure account so as to spread the cost of pensions over the employees' working lives within the Association.

The SPF made an actuarial loss for the year ended 31st March 2010 of £3,763k. The Association has taken account of this loss in the Pension Reserve Account. The Association has therefore adjusted the Pension Reserve by transferring an amount of £3,756k from the Income and Expenditure account to this reserve.

2. Scottish Federation of Housing Associations pension scheme which is a multi employer defined benefit scheme managed by the Pension Trust. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. The expected cost to the Association of pensions is charged to the Income and Expenditure Account so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

Taxation

The charge or credit for taxation is based on the surplus or deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

VAT

The Association was registered for VAT on 24 March 2010. All expenditure is shown inclusive of VAT.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Loans and grants

Loans are advanced by private or public lenders under the terms of individual mortgage deeds in respect of each development or under a global facility secured on existing developments. Grants from the Scottish Government's Housing Regeneration Directorate or local authorities are payable to subsidise the capital cost of housing developments. Grants from Scottish Government's Housing Regeneration Directorate take the form of Housing Association Grant (HAG) funding. Advances are generally available only in respect of those developments which have been given approval by the Scottish Government's Housing Regeneration Directorate.

Grants in respect of revenue expenditure are credited to the Income and Expenditure account in the same period as the expenditure to which they relate.

Operating leases

Operating lease rentals are charged to the Income and Expenditure account on a straight line basis over the period of the lease.

Stock

Stock and work in progress is stated at the lower of cost and net realisable value.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

2. Particulars of turnover, operating costs and operating deficit

	Turnover	Operating Costs	Operating Deficit to 31 March 2010	Operating Deficit to 31 March 2009
	£000	£000	£000	£000
Social Lettings <i>(Note 3)</i>	23,256	25,335	(2,079)	(8,265)
Other Activities <i>(Note 4)</i>	3,246	3,462	(216)	(159)
	<u>26,502</u>	<u>28,797</u>	<u>(2,295)</u>	<u>(8,424)</u>
Total for year to 31 March 2009	<u>16,937</u>	<u>25,361</u>	<u>(8,424)</u>	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Needs Housing	Supported Housing	Total	Total For Previous Period of Account £000
	£000	£000	£000	
Rents receivable net of service charges	13,874	500	14,374	13,707
Rent from garages	49	-	49	75
Rent from travelling people sites	58	-	58	55
Service charges	-	84	84	22
Gross income from rents and service charges	13,981	584	14,565	13,859
Less voids	(352)	(1)	(353)	(273)
Net income from rents and service charges	13,629	583	14,212	13,586
Grants from the Scottish Ministers	9,000	-	9,000	2,000
Other revenue grants	44	-	44	31
Total turnover from social letting activities	22,673	583	23,256	15,617
Management and maintenance administration costs	4,577	299	4,876	4,926
Planned and cyclical maintenance including major repairs costs	16,804	-	16,804	14,746
Reactive maintenance costs	3,455	-	3,455	4,071
Bad debts – rents and service charges	125	-	125	122
Depreciation of social housing	75	-	75	17
Operating costs for social letting activities	25,036	299	25,335	23,882
Operating (deficit)/surplus for social lettings	(2,363)	284	(2,079)	(8,265)
Operating (deficit)/surplus for social lettings for year to 31 March 2009	(8,666)	401	(8,265)	

Average weekly rents at the end of the period were £58.25 (2009 £53.61)

£1,854k of major repairs have been capitalised during the year. All other major repairs amounting to £16,804k have been expensed to the income and expenditure account.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

4. Particulars of turnover, operating costs and operating surplus/(deficit) from other activities

	Grants from Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Other Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit) for previous period of account
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	34	-	-	-	34	-	(28)	6	(4)
Related Assets	2,450	-	-	-	2,450	-	(2,450)	-	-
Aids and Adaptations	246	-	-	-	246	-	(179)	67	(8)
Tenant and Owner Recharges	-	-	-	302	302	(256)	(274)	(228)	(173)
Contents Insurance	-	-	-	74	74	-	(62)	12	19
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Other activities (Insurance claim monies received and other miscellaneous income)	-	-	-	140	140	-	(213)	(73)	7
Total from other activities	2,730	-	-	516	3,246	(256)	(3,206)	(216)	(159)
Total from other activities for previous period of account	807	-	-	513	1,320	(200)	(1,279)	(159)	

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

5. Housing stock

	Units under development		Units under management	
	2010	2009	2010	2009
Housing accommodation for letting:				
General Needs	59	61	4,886	4,890
Sheltered housing	-	-	205	203
	<u>59</u>	<u>61</u>	<u>5,091</u>	<u>5,093</u>

6. Remuneration of members of Board of Management and directors

No members of the Board of Management received any remuneration from the Association.

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total annual emoluments including pension contributions exceed £60,000 per year.

	2010	2009
	£000	£000
Total emoluments payable to directors and benefits in kind	295	299
Pension contributions	48	48
	<u>343</u>	<u>347</u>
Emoluments payable to the highest paid director (including pension contributions)	<u>91</u>	<u>92</u>

The Chief Executive is a member of the Scottish Federation of Housing Associations defined contribution pension scheme as disclosed in note 28. No enhanced or special terms apply to memberships. The Association's contributions to the Chief Executive's pension in the year amounted to £12,593 (2009: £12,747).

The emoluments payable to the Chief Executive of the Association during the period were £78,219 excluding employer's pension contributions

The Association's directors' emoluments (excluding pension contributions) fell within the following band distributions:

	2010	2009
More than £50,000 but not more than £60,000	4	4
More than £60,000 but not more than £70,000	-	-
More than £70,000 but not more than £80,000	1	1

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

7. Staff numbers and costs

The full time equivalent number of persons employed and seconded to the Association (excluding board members) in the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Housing & Neighbourhood Services	131	121
Finance & IT	15	14
Human Resources & Corporate Services	11	11
Investment & Regeneration	17	16
	<u>174</u>	<u>162</u>

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	4,123	4,198
Social security costs	318	317
Other pension costs	546	548
	<u>4,987</u>	<u>5,063</u>

In the year there was £103,000 of development staff costs that were capitalised (2009 - £nil)

8. Operating deficit on ordinary activities

	2010	2009
	£000	£000
<i>Operating deficit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit (including expenses and excluding VAT for the year)	18	14
Other services	4	7
Operating lease rentals:		
Buildings	314	344
Other	69	64
Depreciation	<u>75</u>	<u>117</u>

9. Interest receivable

	2010	2009
	£000	£000
Bank interest receivable	28	91
Interest on pension fund	-	65
	<u>28</u>	<u>156</u>

10. Interest payable

	2010	2009
	£000	£000
On bank loans	650	240
Interest on pension fund (Note 29)	59	-
	<u>709</u>	<u>240</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

11. Taxation			
Analysis of charge in year		2010	2009
		£000	£000
<i>UK corporation tax</i>			
Current tax on surplus for the year		-	(1)
Adjustment in respect of previous years		-	(13)
		-	(14)
Total current tax		-	(14)
(Decrease)/Increase in deferred tax liability		-	-
		-	(14)
Tax (credit)/charge on deficit/surplus on ordinary activities		-	(14)

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (21% 2009: 21%). The differences are explained below:

	2010	2009
	£000	£000
<i>Current tax reconciliation</i>		
(Deficit)/Surplus on ordinary activities before tax	(2,803)	(8,382)
Current tax at 21% (2009: 21%)	(589)	(1,760)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	14	7
Income not taxable	(38)	(62)
Depreciation for year in excess of capital allowances	(1)	4
Capitalised interest	36	-
Chargeable gains	-	26
Marginal relief	-	-
Losses	578	1,784
Rate charges - ACAs	-	-
Adjustment in respect of prior period	-	(13)
Total current tax charge (see above)	-	(14)

Deferred taxation

The movement in the deferred taxation account during the year was:

	2010	2009
	£000	£000
Balance brought forward	-	-
Income & expenditure account movement arising during the year	-	-
Balance carried forward	-	-

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2010	2010	2009	2009
	Potential	Provided	Potential	Provided
	£000	£000	£000	£000
(Deficiency)/Excess of taxation allowances over depreciation of fixed assets	(5)	-	(17)	-
Losses	(3,011)	-	(1,784)	-
Deferred Tax Asset/(Liability)	(3,016)	-	(1,801)	-

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

12. Tangible fixed assets - housing properties

	Housing properties held for letting £000	Housing properties in course of construction £000	Total 2010 £000	Total 2009 £000
<i>Cost</i>				
At start of year	855	4,908	5,763	1,145
Additions during year	1,854	6,588	8,442	4,618
Transfers	5,262	(5,262)	-	-
At end of year	<u>7,971</u>	<u>6,234</u>	<u>14,205</u>	<u>5,763</u>
<i>Depreciation</i>				
At start of year	(20)	-	(20)	(3)
Charge during year	(75)	-	(75)	(17)
At end of year	<u>(95)</u>	<u>-</u>	<u>(95)</u>	<u>(20)</u>
<i>Housing association grant</i>				
At start of year	-	(4,929)	(4,929)	(1,065)
Additions during year	-	(4,769)	(4,769)	(3,864)
Transfers	(4,159)	4,159	-	-
At end of year	<u>(4,159)</u>	<u>(5,539)</u>	<u>(9,698)</u>	<u>(4,929)</u>
<i>Other grant</i>				
At start of year	-	-	-	-
Additions during year	-	(94)	(94)	-
Transfers	(45)	45	-	-
At end of year	<u>(45)</u>	<u>(49)</u>	<u>(94)</u>	<u>-</u>
<i>Net book value</i>				
At end of year	<u>3,672</u>	<u>646</u>	<u>4,318</u>	<u>814</u>
At end of year 2009	<u>835</u>	<u>(21)</u>	<u>814</u>	

All properties were transferred to the Association at nil value as part of the Large Scale Voluntary Stock Transfer on 21 November 2006.

During the year 33 properties have been sold under Right to Buy resulting in a gain on sale of £173k. The disposals in the year are nil as the stock was transferred at nil value.

Security has been granted to lenders in respect of housing properties. No interest was capitalised on housing properties at 31 March 2010 (2009 £Nil)

In the year there was £103,000 of development staff costs that were capitalised (2009 - £nil) and £1,854k of major repairs have been capitalised

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

13. Tangible fixed assets - other

	Computer hardware & software £000	Oban office £000	Furniture £000	Total non housing £000
<i>Cost</i>				
At start of year	301	-	-	301
Additions during year	78	737	14	829
At end of year	<u>379</u>	<u>737</u>	<u>14</u>	<u>1,130</u>
<i>Depreciation</i>				
At start of year	209	-	-	209
Provided during year	80	15	5	100
At end of year	<u>289</u>	<u>15</u>	<u>5</u>	<u>309</u>
<i>Net book value</i>				
At 31 March 2010	<u>90</u>	<u>722</u>	<u>9</u>	<u>821</u>
At 31 March 2009	<u>92</u>	<u>-</u>	<u>-</u>	<u>92</u>

14. Stocks and work in progress

	2010 £000	2009 £000
Maintenance Stock	<u>24</u>	<u>31</u>

15. Debtors

	2010 £000	2009 Reclassified £000
Rental debtors	467	995
Less bad debt provision	<u>(299)</u>	<u>(267)</u>
	168	728
Prepayments and accrued income	476	546
Housing association grants receivable	1,034	1,690
Other debtors	2,298	607
Less bad debt provision	<u>(468)</u>	<u>(227)</u>
	<u>3,508</u>	<u>3,344</u>

£329k of grants receivable have been reclassified from Housing Association Grants receivable to other debtors in 2009, this is consistent with this year's disclosure.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

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For the year ended 31 March 2010

The above figure for rental debtors is made up as follows:

	Debtor £000	Provided £000	2010 Net Debtor £000
Due from current tenants	218	(50)	168
Due from former tenants	249	(249)	-
	<u>467</u>	<u>(299)</u>	<u>168</u>

Bad debts of £93,357 were written off during the period (2009: £20,896).

16. Cash at bank and in hand

	2010 £000	2009 £000
Bank	3,388	2,728
Cash	2	1
	<u>3,390</u>	<u>2,729</u>

17. Creditors: amounts falling due within one year

	2010 £000	2009 £000
Loans (secured)	32	-
Trade creditors	3,133	5,228
Housing association grant in advance	21	49
Other creditors including taxation and social security	130	176
Accruals and deferred income	3,067	1,087
	<u>6,383</u>	<u>6,540</u>

Creditors: amounts falling due after one year

	2010 £000	2009 £000
Loan (secured)	<u>20,018</u>	<u>12,000</u>

An office development loan of £750k is repayable by 11 March 2025 and is repayable on an amortising basis. The repayment profile is shown below. The remainder of loans drawn, amounting to £19,300k, are repayable by 2036. Loans are secured by a specific charge against the Association's properties with the office loan secured against the office development.

Due within one year	32,018
Due between 1 and 2 years	33,741
Due between 2 and 5 years	114,951
Over 5 years	<u>569,290</u>
	<u>750,000</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

Fixed Rate Hedging

	Value (£000's)	Term (years)	Rate
Tranche 1 commencing 31 March 2008	2,000	15	5.55%
Tranche 2 commencing 31 March 2009	10,000	20	5.24%
Tranche 3 commencing 31 March 2010	5,000	10	5.63%
Office Loan commencing 11 March 2010	750	15	5.96%
Total	<u>17,750</u>		

Rates quoted are all inclusive of the rate, margin and capitalisation charges.

18. Share capital

	2010 £	2009 £
Shares of £1 each fully paid		
At 1 April 2009	211	203
Issued in year	101	18
Paid in year	-	-
Cancelled in year	(20)	(10)
At 31 March 2010	<u>292</u>	<u>211</u>

Shares issued were in respect of new members of the Association.

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member the person's share is cancelled and the amount thereon becomes the property of the Association. Each member has a right to vote in accordance with the Association's rules at Members meetings.

19. Reconciliation of movements in shareholders' funds

	Revenue Reserve £000	Pension reserve £000	Share Capital £000	Total shareholders funds £000
Balance at 1 April 2009	(11,530)	(480)	-	(12,010)
Accumulated deficit for year	(6,566)	-	-	(6,566)
Transfer to pension reserve	3,756	(3,756)	-	-
Balance at 31 March 2010	<u>(14,340)</u>	<u>(4,236)</u>	-	<u>(18,576)</u>

20. Designated reserves

No transfer to designated reserves was made in the year.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

21. Pension reserve		2009	2008
		£000	£000
At 1 April 2009		(480)	-
Transfer from revenue reserves		<u>(3,756)</u>	<u>(480)</u>
Reserve at 31 March 2010		<u>(4,236)</u>	<u>(480)</u>

22. Commitments

(a) Capital commitments authorised and contracted for at 31 March 2010 amounted to

Within one year
Investment programme £1.401m
Regeneration £2.25m

Within two to five years
Regeneration £0.16m

(b) Annual commitments under non-cancellable operating leases are as follows:

	2010		2009	
	Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	260	-	282	43
Within two to five years inclusive	30	3	-	-
Over five years	-	-	-	-

23. Reconciliation of operating deficit to net cash inflow from operating activities

	2010	2009
	£000	£000
Operating deficit	(2,295)	(8,424)
Adjustments:		
Depreciation on non-housing fixed assets	100	100
Depreciation on housing fixed assets	75	17
Movement in working capital:		
Non cash movement in pension fund	(67)	(101)
Decrease in stock	7	-
(Increase) in debtors	(164)	(1,087)
Decrease/(Increase) in creditors	<u>(189)</u>	<u>297</u>
Cash outflow from operating activities	<u>(2,533)</u>	<u>(9,198)</u>

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

24. Analysis of changes in net debt

	At 31 March 2009 £000	Cash flows £000	At 31 March 2010 £000
Cash in hand, at bank	2,729	661	3,390
Debt due within one year	-	(32)	(32)
Debt due in more than one year	(12,000)	(8,018)	(20,018)
Total	<u>(9,271)</u>	<u>(7,389)</u>	<u>(16,660)</u>

25. Reconciliation of net cash flow to movement in net debt

	2010 £000	2009 £000
Increase/(Decrease) in cash in the period	661	(74)
Cash (inflow) from debt financing	<u>(8,050)</u>	<u>(10,000)</u>
Change in debt resulting from cash flows	(7,389)	(10,074)
Net debt at beginning of period	(9,271)	803
Net debt at end of period	<u>(16,660)</u>	<u>(9,271)</u>

26. Group structure

The Association is a registered social landlord, incorporated in Scotland and has no subsidiaries.

27. Contingent liabilities

ACHA has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SFHA pension scheme based on the financial position of the scheme as at 30 September 2009. As at this date the estimated employer debt for ACHA was approximately £419k.

ARGYLL COMMUNITY HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

28. SFHA Pension Scheme

ACHA participates in the SFHA Pension Scheme. The best estimate of total employer and employee contributions for 2010/11 is £96k.

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 offers three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- 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.

ACHA has elected to operate the final salary with a 1/60th accrual rate, career average revalued earnings with a 1/60th accrual rate benefit structure for active members as at 31 March 2009 and the final salary with a 1/60th accrual rate, career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants from 01 April 2009.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period ACHA paid contributions at the rate of 16.1% of pensionable salaries. Member contributions were 7%.

As at the balance sheet date there were 8 active members of the Scheme employed by ACHA. ACHA continues to offer membership of the Scheme to its employees.

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

The last formal valuation of the Scheme was performed as at 30 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 £268 million. 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%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 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%.

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The Current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010. The initial analysis of the triennial valuation outcome is that the total contribution rate must increase to 7% of pensionable earnings for all existing benefit options structures from April 2011.

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

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.9
- Rate of salary increases	4.6
- Rate of pension increases	
pension accrued pre 6 April 2005	2.6
pension accrued from 6 April 2005	2.2

(for leavers before 1 October 1993 pension increases are 5.0%)

- Rate of price inflation	2.6
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The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	21.6	24.4
Pensioners	20.7	23.6

The long-term joint contribution rates required from employers and members to meet the cost of *future* benefit accrual were assessed as:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	17.8
Career average 60ths	14.6
Career average 70ths	12.6

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 £54 million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2008. It is the Scheme policy that the joint contribution rate payable is split between employers and members in the ratio 2:1.

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Accordingly the joint contribution rates from 1 April 2008 for each of the benefit structures are:

Benefit structure	Joint contribution rate (% of pensionable salaries per annum)
Final salary 60ths	23.1 comprising employer contributions of 15.4% and member contributions 7.7%
Career average 60ths	19.9 comprising employer contributions of 13.3% and member contributions 6.6%
Career average 70ths	17.9 comprising employer contributions of 11.9% and member contributions 6.0%

A small number of employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2020.

A copy of the 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.

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 employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

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29. Strathclyde Pension Scheme

The majority of the Association's employees belong to the Strathclyde Pension Fund which is part of the Local Government Pension Scheme (LGPS). As at 31 December 2009 the number of active members was 121, with 13 deferred pensioners and 6 pensioners. The total pensionable payroll at the balance sheet date was £2,806,000. This is a defined benefit scheme which provides benefits based on the final pensionable salary, the assets of which are held in a separate trustee administered fund. The best estimate of total employer and employee contributions for 2010/11 is £674k.

As noted in note 1 Argyll and Bute Council have guaranteed to accept liability for any unfunded costs which may arise with regard to Argyll Community Housing Association Limited relating to its membership of the Local Government Pension Scheme (LGPS) administered by Glasgow City Council should it cease to exist, withdraw from the LGPS or otherwise become unable to continue covering any unfunded liabilities with regard to the Local Government Pension Scheme (Scotland) Regulations 1998, as amended, or the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, if applicable. The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:

Assumptions as at	31 March 2010 % p.a.	31 March 2009 % p.a.	31 March 2008 % p.a.
Price increases	3.8%	3.1%	3.6%
Salary scale increases per annum	5.3%	4.6%	5.1%
Expected Return on Assets	7.2%	6.5%	7.1%
Discount rate	5.5%	6.9%	6.9%

Under the transitional requirements of FRS 17 Retirement Benefits, the Association is required to disclose further information on its share of assets and liabilities of the LGPS on an FRS 17 market value basis at the end of the financial year.

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

	Long Term return at 31 March 2010	Assets at 31 March 2010 £000	Long Term return at 31 March 2009	Assets at 31 March 2009 £000	Long Term return at 31 March 2008	Assets at 31 March 2008 £000
Equities	7.8%	7,564	7.0%	4,894	7.7%	5,713
Bonds	5.0%	1,277	5.4%	1,073	5.7%	1,133
Property	5.8%	688	4.9%	536	5.7%	774
Cash	4.8%	295	4.0%	201	4.8%	249
Total	7.2%	9,824	6.5%	6,704	7.1%	7,869

Net Pension assets as at	31 March 2010 £000	31 March 2009 £000	22 November 2008 £000
Estimated employer assets	9,824	6,704	7,869
Present value of scheme liabilities	14,060	7,184	7,202
Present value of unfunded liabilities	-	-	-
Total value of liabilities	14,060	7,184	7,202
Pension (deficit) / surplus	(4,236)	(480)	667
Less provision against pension asset not realisable	-	-	(667)
Net pension (liability) / surplus	(4,236)	(480)	-

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Analysis of the amount charged to operating profit/loss

	Period to 31 March 2010 £000	Period to 31 March 2010 % of Payroll	Period to 31 March 2009 £000	Period to 31 March 2009 % of Payroll
Service cost	315	11.2%	401	13.3%
Past service costs	96	3.4%	-	-
Total operating charge	411	14.6%	401	13.3%

Analysis of the amount received/(charged) as interest

	Period to 31 March 2010 £000	Period to 31 March 2010 % of Payroll	Period to 31 March 2009 £000	Period to 31 March 2009 % of Payroll
Expected return on employer assets	452	16.1%	579	19.1%
Interest on pension scheme liabilities	(511)	(18.2%)	(514)	(17.0%)
Net Return	(59)	(2.1%)	65	2.1%
Net revenue account cost	470	16.7%	336	11.2%

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

	Period to 31 March 2010 £000	Period to 31 March 2009 £000	Period to 31 March 2008 £000	Period to 31 March 2007 £000
Actual return less expected return on pension scheme assets	(2,157)	(2,349)	(786)	65
Experience gains and losses arising on the scheme liabilities	-	273	1	(2)
Changes in financial assumptions underlying the present value of the scheme liabilities	(1,606)	763	2,027	763
Actuarial (loss) / gain	(3,763)	(1,313)	1,242	826
Release / (provision) for pension asset not realisable	-	667	(667)	-
	(3,763)	(646)	575	826

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Movement in (deficit) / surplus during the period

	Period to 31 March 2010 £000	Period to 31 March 2009 £000
Surplus / (Deficit) at beginning of year	(480)	-
Current service cost	(315)	(401)
Employer contributions	477	502
Past service costs	(96)	-
Net return on assets	(59)	65
Actuarial (loss) / gain	(3,763)	(1,313)
Provision against surplus not considered realisable	-	667
(Deficit) / surplus at end of the year	(4,236)	(480)

History of experience - gains and losses

	Period to 31 March 2010 £000	Period to 31 March 2009 £000	Period to 31 March 2008 £000	Period to 31 March 2007 £000
Difference between the expected and actual return on assets	2,157	(2,349)	(786)	(65)
Value of assets	9,824	6,704	7,869	7,505
Percentage of assets	22.0%	35.0%	10.0%	0.9%
Experience losses on liabilities	-	273	1	(2)
Present value of liabilities	14,060	7,184	7,202	8,056
Percentage of the present value of liabilities	-	3.8%	-	-
Actuarial gains recognised in STRGL	(3,763)	(1,313)	1,242	826
Present value of liabilities	14,060	7,184	7,202	8,056
Percentage of the present value of liabilities	26.8%	18.3%	17.2%	10.3%

30. Related party disclosures

Nine members of the Board of Management were also tenants during the year.

Five members of the Board of Management were Argyll and Bute Council Councillors during the year.

The tenancy agreements and rents charged for those members of the Board of Management were on standard terms applicable to any other tenant of the Association.

Members rent arrears were treated in a similar manner to that of other tenants in arrears with the Association.

The Association has entered premise leases with Argyll and Bute Council and has contractual arrangements for the provision of information technology support services, environmental services provision.

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The Association also has arrangements for the provision of the property management module of Academy Housing integrated management system to Argyll and Bute Council. The Association also lets to Argyll and Bute Council houses under a special letting agreement relating to homelessness.

The Association paid £1,256k to the Council for services relating to service level agreements, premises leases, IT service charges, environmental and other services received during the period.

The Association paid to the Council £1.618 million during the period in respect of Right to Buy sales for the financial period 2008/09

During the period the Association received from the Council £17k in rents collected by it under the cash collection service level agreement; £75k in respect of rental payments for properties under the homeless agreement and other special lets; £8k for the provision of service under the Academy Property management module; and £7.43 million in housing benefit payments.

At the year end there was a creditor of £990k outstanding in respect of Right to Buy receipts for the financial period 2009/10 and a creditor of £138k outstanding to the Council

