

AYRSHIRE HOUSING
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

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AYRSHIRE HOUSING
OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 31ST MARCH 2019

Background

The Trustees of Ayrshire Housing are pleased to present their review together with the audited financial statements for Ayrshire Housing for the year ended 31st March 2019.

Activities

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

The Group Head Office is in Ayr and Ayrshire Housing has properties throughout Ayrshire. Ayrshire Housing is now one of Ayrshire's leading housing associations with a stock of over 1,500 houses thanks to an active acquisition and development programme predominantly but not exclusively in South Ayrshire.

Introduction

We believe that Ayrshire Housing makes a real and distinctive contribution to the people we serve. This is underpinned by a focus on maintaining our financial strength to ensure that we can maintain the worth of our stock and the quality of our services over the long-term.

The association's volunteer Board has set out its vision for the next four years in a new Business Plan. This commits us to still greater engagement with our communities and tenants by both building much needed new houses and making our services still more responsive to individual and community demands. We're proud that the overwhelming majority of tenants see being with Ayrshire Housing as a positive choice. Maintaining this relationship means that ensuring value for money whilst never losing sight of the personal touch is at the heart of our plans.

Below is a summary of our Business Plan.

Our Mission

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

Our Values

Our mission is underpinned by these core values:

We listen - to everyone we work for and with.

We engage - as we actively involve our tenants, the community and our people in shaping our work.

We show respect - as we strive to provide equal and accessible services to all.

We seek challenge - to ensure best value to our tenants and wider community benefits.

These values shape the work of all Ayrshire Housing's people. They are statements of what all who engage with us should expect.

Our Vision

This is what we want to demonstrate to all we work for and with. Our vision underpins our day to day work. It is the context for our detailed business objectives.

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Our enduring vision is to:

- ▲ Be valued by all our tenants and other service users.
- ▲ Increase the wellbeing of our communities.
- ▲ Provide more affordable housing.
- ▲ Be seen as a distinctive and effective organisation by the people of Ayrshire.

Who we work for

Our tenants and the neighbourhoods they live in

As a tenant and community run housing association, our tenants and the communities they are part of are central to what we do. We have an excellent relationship with our tenants. This is shown by high recorded satisfaction and the friendly tone of day to day communication.

Our most recent independent tenants' survey showed:

- 92% are happy with our services.
- 91% satisfied with our management of their neighbourhood.
- 87% thought their rent was value for money.
- 93% are satisfied with our communication and engagement.

We are committed to build on this excellent relationship for example through our online My Home service. We are always looking for new ways for our tenants to engage with us and influence the services they receive both individually and for their neighbourhoods.

Our neighbourhoods are not just popular with their residents but make a real contribution to the towns and villages they are part of. We want to build on this with a focus on maintaining the quality of our housing stock and public areas. We are committed to ensuring the social worth of our housing for future generations.



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Those seeking new housing opportunities

We work across Ayrshire but with a particular focus on South Ayrshire. It is an area of high demand for affordable rented housing with 3,500 households on our waiting list alone. We are proud of our close working relationship with South Ayrshire Council. We are working closely with them on a housing first approach to tackling homelessness. With our focus on integrated local solutions, we run joint online application and mutual exchange services with the Council. We also work in partnership with several charities to provide quality housing for the people they support.

Housing associations have always been about creating new solutions for those who benefit from a good quality house at a reasonable rent. So as to meet the obligation to those on our waiting list, we are committed to acquiring and building new houses to meet their needs. We do this on a financially sustainable basis which does not compromise the quality of service to existing tenants in the long-term.

We will also work with South Ayrshire Council and the other Councils to ensure that our established housing stock is managed in a way that caters for changing needs within attractive neighbourhoods.

Ayrshire's wider communities



Ayrshire Housing is rooted in Ayrshire's communities. Indeed, our very existence is due to a combination of community and tenant initiative, and political support. Our governance is based on a partnership between our tenants - all of whom are association members - and those who support us from the wider community.

Our developments over the years have made a real contribution to Ayrshire's built environment. This is reflected in numerous awards. We want to maximise the wider social worth of what we do through building relationships. So we work to ensure that our neighbourhoods are firmly rooted in the wider communities in which they lie. As a charity making a real impact on people's lives, we can spend over £10 million a year in the local and wider economy. We want to stretch this investment so that it has the maximum impact. We do this by building links and partnerships with those who share our commitment to voluntary activity and the public good.

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Our key aims over the next three years

Here are our key aims in working for the benefit of our tenants and communities, and all who can benefit from our work:

- **To deliver excellent service which our tenants appreciate**
- **To enhance our tenants' quality of life**
- **To ensure that our neighbourhoods remain desirable places**
- **Build new houses to meet needs across our communities**
- **To bring additional value through our projects and services**
- **To be always open to new ideas**

How we will deliver our aims

- **By listening to our tenants and our communities**

The relationship with our tenants is central to who we are. We will look to new ways to ensure that not only their views are taken on board but they also play a still greater part in influencing the quality of what we do.

As a community based housing association, we also want to deepen our relationships with other community and voluntary organisations. In strengthening community networks, we can foster new and better ways of delivering services and creating better places to live.

- **A committed team**

Our people - our members, our volunteer Board and our staff - are central to what we are about. They guarantee a committed and friendly service to all our users. They inspire us to create still better housing opportunities and to make a real impact across Ayrshire. We see our people as being at the centre of what makes us rather than just a means to an end.

- **Being innovative**

We will constantly look at new ways to enhance our services. We always do this in ways that build on our friendly engagement with our tenants and all who use or need our services. We are recognised in the quality of our houses. We will take this further with a commitment to increase the energy efficiency and liveability of our new developments and our existing stock. We will apply technology to add breadth to our services and to increase the productivity of the processes which assure user satisfaction.

- **Value for money underpinned by financial strength**

We are one of Ayrshire's major charities with assets at their social value of £60 million. Each year, we inject £10 million or more into the local and wider Scottish economy. We combine long-term financial strength with commitment to rents which remain affordable and are value for money. Our financial prudence due to keeping operating costs at the right levels means that we have the assets and reserves in place to maintain our stock to meet emerging aspirations and to create new housing opportunities for our communities.

- **Strong governance and management**

We are stewards of substantial assets which are the product of investment by our tenants through the rents they pay and substantial public grants. We have an obligation to ensure that our housing stock continues to be valued in the coming decades. So our Board and all our staff are focused on ensuring that the association is run with both enthusiasm and prudence. We are committed to demonstrating both to our immediate stakeholders and the wider public that we are well run, open in our decision making and an organisation with which others wish to work in partnership with.

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Guaranteeing strong governance underpins all our decisions. We will never take risks which would compromise this. We rigorously stress test our financial plan each year to ensure that we can withstand both known and unexpected risks and still guarantee reasonable rents and well-maintained homes. In making decisions, we will never compromise the financial reserves needed to meet this guarantee.



The tasks we have set for ourselves

Here we translate our aims into clear objectives. We will further our mission by delivering on these objectives in each year of the plan. The Board has agreed a detailed delivery plan to ensure that the objectives set are realised. The delivery plan cascades down to everyone in our team - whether they are a volunteer Board member or member of staff.

The objectives are grouped around four clear themes all linking back to our mission and our aims.

Providing an excellent service

We will provide a responsive service to tenants and other users that -

Surpasses tenants' expectations

We will deliver a genuinely value for money service to our tenants. We will build on our already high service standards by:

- always having agreement that our rents represent value for money.
- by increasing the use of our My Home online services but never as a substitute for our friendly face to face service.
- further extending our appointments service for repairs.
- building on our much appreciated money advice service.
- helping our tenants to access additional services when needed.

Ensures fair access to housing and sustains tenancies

We will work with the Councils and other agencies to widen access to housing opportunities through:

- aiming to increase our stock by up to 50 new and acquired houses a year.
- effective nomination arrangements which assist Councils to fulfil their statutory responsibilities, for example for homelessness prevention.
- working with the Health and Social Care Partnerships to provide housing solutions for their clients.

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Guarantees high levels of satisfaction and active engagement

All our tenants are members of Ayrshire Housing. So we aim to not just listen but to give our tenants a real say in what we do. We will:

- listen to our independently supported scrutiny panel when they challenge us on our service standards.
- always ensure that our rents reflect the informed views of our tenants.
- support our new tenants through settling in visits and other measures.

Quality homes

We will ensure that our existing and future houses are built and maintained to the highest standards, and continue to meet the needs and aspirations of our tenants by:

Maintaining our houses to the highest standard

We will ensure that our fully funded Asset Management Plan:

- adapts to tenants' aspirations and
- meets new energy and quality standards.

Creating new homes of quality

We will build new houses:

- efficiently and to the highest standards
- which can adapt to changing needs
- that demonstrate innovative practice.

Thriving communities

We will engage with residents in our neighbourhoods and throughout Ayrshire by:

Ensuring our neighbourhoods remain popular places.

Working with our tenants, we will:

- maintain the amenity of their neighbourhoods
- support tenant initiatives through practical support.

Empowering our communities

We will support community initiative in our neighbourhoods and beyond through:

- the enthusiasm of our Board and staff.
- our community grants.
- using our community and tenant hub as springboard for new activities.

Equality of access

We will demonstrate our commitment to human rights and equality through open engagement and through the services we provide.

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Working with voluntary sector partners

Using our strength as a major local charity, we will enhance further our partnerships with the voluntary sector through:

- practical support and grants.
- developing joint projects.

A forward looking and sustainable association

We believe that the association makes a distinctive contribution to Ayrshire and the lives of those we serve. To maintain this, we will:

Ensure our Board and staff are equipped to respond positively to change

We will do this by:

- Our Board being representative of our tenants and communities
- The Board having the right breadth of experience and knowledge
- Nurturing and investing in all our people.

Always be open to feedback and new ideas

We will:

- embrace a “you said, we did” culture.
- further support independent tenant scrutiny.
- Always build feedback into processes.

Ensure fairness in our work

We will:

- embed a human rights ethos in our work.

Build on our enthusiasm and skills to deliver ever better projects and services

We innovate by:

- using technology to increase the depth of our engagement with our tenants and others.
- investing in the skills of our people.
- always evaluating what we do.

Ensuring that we meet expectations

All our tenants are members of Ayrshire Housing. We will invite comment each year to ensure that this plan remains relevant to their aspirations. We will also engage with the other users of our services and those we work in partnership with.

Each year, we will report on what we have achieved and our ongoing plans for each of the objectives that we have set out above. This will complement our other consultations for example around the annual report on our performance in meeting the Scottish Social Housing Charter and our Assurance Statement to the Scottish Housing Regulator.

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How we manage risk

Both the business planning process and the performance management system are designed to control the association's exposure to risk.

Our financial plan is designed to provide the financial assurance that we have the financial resources to implement any mitigating actions and cope with general financial shocks.

We have identified four strategic areas of risk:

The inability to sustain planned levels of rental income

The falling incomes in real terms of many of our tenants could threaten our current high levels of rental collection and could also lead to higher levels of stock turnover. There is also the risk of regulatory action to control rent levels or at least rent increases in the sector.

Our controls include:

- Budgeting on the basis of minimal levels of rental growth.
- Rigorous arrears and void controls built into the performance management system.
- Investment in money advice services.
- Work with credit unions, and housing support and advice partners.

A failure to maintain our stock to the required standards

A poorly developed investment plan could result in a failure to meet statutory requirements and growing tenant aspirations.

Our controls include:

- The regular review of the comprehensive life cycle cost plan for our stock.
- Ensuring that there is a sufficient risk envelope built into the overall risk management strategy to cope with greater investment requirements due to construction cost inflation or new standards.

Failure to maintain and enhance current high levels of service delivery and satisfaction

Providing excellent service is at the heart of what we do. Falling standards may result in tenant dissatisfaction and possible regulatory intervention.

Our controls include:

- Key performance indicators backed by tenant feedback.
- A focus on regulatory compliance.
- Regular independent tenant surveys coupled with continuous tenant feedback.
- Membership of benchmarking groups.
- Investment in staff training and new skills.
- Extending online services.

Poor budgetary and cost control

A lack of effective controls could result in wasted resources and, if not checked in long-term, financial viability being compromised.

Our controls include:

- Robust annual budgets linked to the long-term financial plan.
- Demanding KPIs for rent collection and void management.
- Management Accounts to the Board each quarter.
- A focus on covenant and regulatory compliance.
- A comprehensive procurement strategy.
- Effective project management.

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Financial health

Our 30-year financial plan is designed to ensure the management and maintenance of our stock is to the highest standards, the funding of loan obligations and sufficient reserves for contingencies. It is based on a conservative assumption on rental growth. For example, minimal rent increases been assumed for the next five years. Notwithstanding having 63% of loans at fixed rates, the weighted average cost of capital used in the financial plan is higher than current costs and is likely to remain so even if there is a gradual rise in variable rates.

We are in the fortunate position of having built up significant cash reserves through prudent financial management by the current and previous Boards. Not least, decisions not to immediately fix interest rates on new borrowings have borne fruit with substantial increases in our cash reserves through savings on interest paid. We maintain such cash reserves for two reasons. Firstly, cash reserves are needed to provide adequate working capital in turbulent or difficult times for example with the continuing roll-out of Universal Credit together with unforeseen additional expenditures such as the impending enhancement of the Energy Efficiency Standard for Social Housing (“EESSH 2”). Secondly, they allow us to meet housing need through new provision as improvements in the grant regime begin to offer a more attractive financial package for us to re-engage in a development programme of substance. Current and past Boards have taken a very prudent stance in terms of both organisational and specific development risks. They have been selective about any potential development projects. We are therefore financially viable and will remain that way if we continue to manage the business in a prudent manner.

In terms of cash reserves, it is possible to demonstrate how much cash should be set aside to cover the many and various risks associated with a business such as ours. Recently risks have become apparent which have not previously been on the horizon. Of most concern is the impact of welfare reforms and grant levels for affordable housing but there are many risks which we have identified in our risk analysis. If identified possible events have their financial impact weighted by their estimated probability are added together, it is possible to calculate that some £2.6 million of free reserves should be available to fully cope with all the financial risks emerging at the same time.

In addition, the financial plan is stress tested as part of a financial health check carried out by the Board each year. A range of scenarios and sensitivities are applied to the base financial plan for the 30 years to assess the impact of risks with which to assess long-term financial and development capacity. All of the variables are compared to our base plan which includes the delivery of the current pipeline development programme.

On the basis of a strong opening cash position, it is possible to sensitise the base plan based on certain scenarios by increasing projected costs across maintenance expenditure, pension deficit costs, variable rate interest charges, void loss, bad debts and further unplanned additional expenditure in management costs. It can be demonstrated that in the unlikely event of all of these events occurring then the available planned cash surpluses added to our opening position would be able to absorb these additional costs. We can also demonstrate that the key banking covenant of interest cover would not be breached with the sensitised increases.

Scenario	Sensitivity
Management costs increase (including pension deficit contributions)	Plus 15% annually
No real rent increases	Inflation only increases
Variable interest rates increase	Plus 50% annually
Void and Bad Debt Losses increase	Plus 50% annually
Reactive repairs costs increase	Plus 12% annually
Planned maintenance costs increase	Plus 12% annually

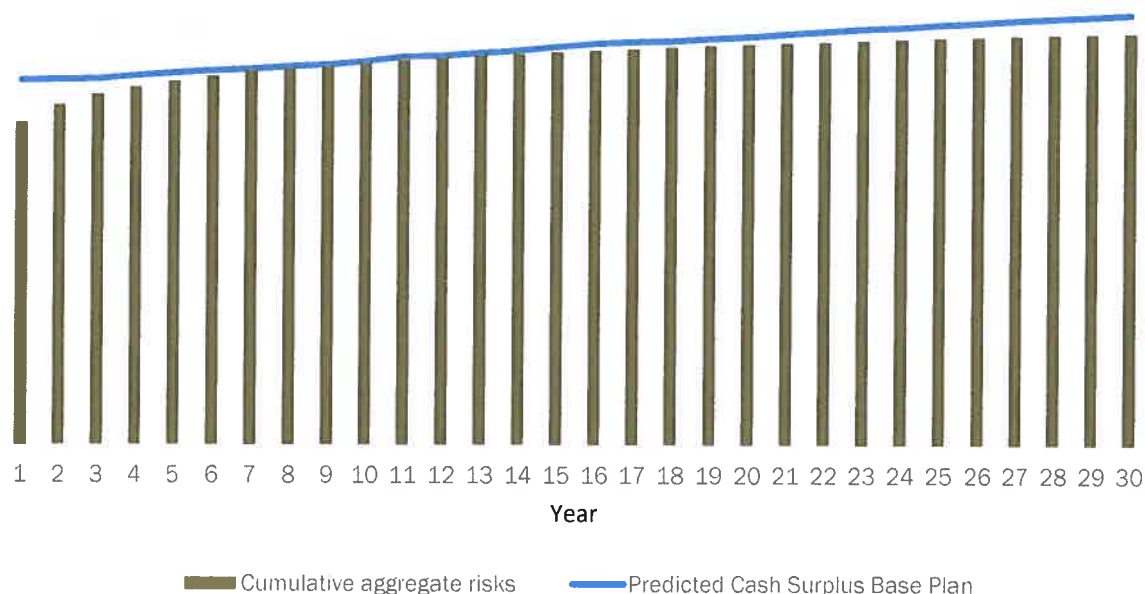
The strong opening cash position means that the aggregate of all of the above sensitivities should they occur would not exceed the base plan cash availability nor would our key banking covenants for interest rate cover be breached.

These can be shown in graphical form as follows:

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Cumulative aggregate additional costs from sensitivity analysis compared to base plan cash availability

Ayrshire Housing Base Plan 2019/20 Sensitivity Analysis



In conclusion, housing associations like Ayrshire Housing confront a wide array of risks - both internal and external. Ayrshire Housing with its strong Board and management systems is well placed to respond timeously to emerging risks. There is the further reassurance though that if negative events do occur as predicted then the association's finances are sufficiently robust to cope. Ayrshire Housing is able to demonstrate the capacity to withstand shocks and maintain not just basic functioning but also its overall mission.

Delivery Plan for 2019 -2020

Each year, the Board agrees a delivery plan to deliver on the strategic themes and the following supporting work areas:

- The Asset Management Plan
- The Design Guide
- Financial Planning, value for money and risk management
- Governance compliance and development

Against each of the themes, specific tasks to deliver each objective are grouped into clear work areas for our Board and staff team.

The delivery plan is at the core of the Director' performance agreement. Internally, the delivery plan is enlarged to include staff responsibilities and linkages between tasks. Performance against this plan is monitored each quarter by the Board. It is fully reviewed each March to ensure its continued relevance.

Key Performance Indicators

Business critical activities are measured against the following key performance indicators (KPIs). Generally, these are consistent with those set out in previous Internal Management and Corporate Plans allowing year on year performance comparisons. In most cases, performance better both local and national averages. Where applicable, the targets provide comfort with regard to the relevant budget assumptions. In addition, the Board receives reports showing performance against the Scottish Social Housing Charter's indicators.

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Key Performance Indicators - Targets and Actual 2018/19

Housing Management	2018/19 Target	2018/19 Actual
Current non-technical arrears	1.75% of total gross rent	0.8%
Void re-let times	16 days or less	20.6 days
Void rent loss	No more than 0.8% of total rent due	0.56%
Housing application processing	Within 10 days	7 days

Property Management	2018/19 Target	2018/19 Actual
Emergency repairs performance	97% attendance within 4 hours	94.5%
Average emergency completion time	Within 3 hours	2.4 hours
Other repairs	96% completed on time	96%
Average general repair completion time	Within 6 days	5.0 days
Gas safety certificates	100% compliance aimed for and never below external benchmark of 93%	100.00%
Satisfaction with repairs service	At least 90% satisfied	94.6%
Repairs "right first time"	90% of all applicable repairs	91.9%
Appointments kept	95% of all applicable jobs	98.3%

Projects	2018/19 Target	2018/19 Actual
Development pipeline	50+ plots secured at any time	165
Mortgage to Rent and other acquisitions	Minimum of 4 purchases committed	10
Existing stock innovation	Minimum of 1 projects developed	1
Jointly commissioned services	Minimum 2 wider role initiatives secured	1
Community collaborations	Minimum of 1 new collaboration secured	0
Collaboration with SAC	Minimum of 1 joint project delivered	1

Financial Matters	2018/19 Target	2018/19 Actual (adjusted to exclude grants released from deferred income)
Staff costs	Less than 22.1% of turnover	22.1%
Administration cost/tenancy	Less than £949 per tenancy	£951
Liquidity - current assets:current liabilities (adjusted for FRS102)	1.10:1	2.38:1
Liquidity - cash:current liabilities (adjusted for FRS102)	1:1	2.22:1
Interest cover - operating surplus:interest payable (adjusted for depreciation)	1.47:1	4.37:1
Debt per unit	Maximum of £25,000 (as adjusted to reflect new HAG assumptions)	£13,426

General Operational Matters	2018/19 Target	2018/19 Actual
Board meetings quorate per session (AGM to AGM)	100%	100%
Board attendance per session	Average of 75%	68.3%

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Performance in the year ended 31 March 2019

Turnover

Turnover has reduced by £131k to £7.5M which includes grants received from Scottish Ministers and reflects modest stock additions and the annual rent increase. The reduction in turnover is due to lower grant receipts in 2018/19 than in 2017/18.

Operating Costs

Operating costs are 4.3% higher than the previous year.

Interest

Sterling base rates remained low in the year to 31 March 2019 and this had a positive effect on the variable rate loans within our portfolio.

Operating Surplus for the Year

Operating Surplus on ordinary activities for the year was £3.8M compared to £4.0M for 2017/18. However, this exceeded budgeted projections due largely to the receipt of grants from Scottish Ministers and the lower interest payable on our variable rate based borrowings along with higher rental receipts from individual acquisitions and our continued involvement in the provision of temporary furnished accommodation.

Reserves

Financial reserves, consisting of revenue reserves set aside to manage the general risks faced by the association, stood at £23M. This represents an increase of 11% over the same reserves at 31 March 2018.

Cash flow

Positive cash flows of £7.9M were generated from our operating activities. Interest payable was £907k offset slightly by interest receivable of £15k. We spent £7M on our development projects, improvement works and acquisitions. We also repaid capital of £927k of our housing loans as per the individual loan agreements.

Capital Structure and Treasury Policy

Borrowings at the year-end were £22.5M. This debt is borrowed wholly from banks and building societies in the UK together with finance through the Scottish Government's Bond finance scheme.

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

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

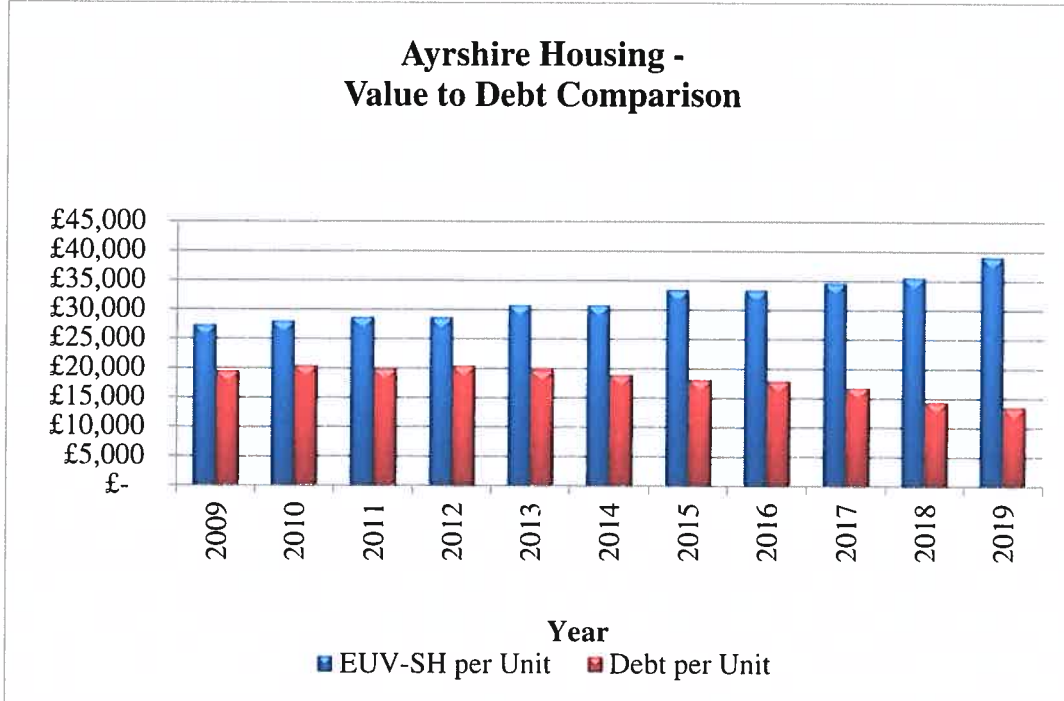
Within one year	£ 1.0M
Between one and two years	£ 1.0M
Between three and five years	£ 2.4M
In five years or more	£ 18.1M
Total	£ 22.5M

A graphical representation of our Loan to Value (EUV-SH) can be found in the graph below:

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Future Prospects:

The association's financial position is sound and a trend of improvement in its financial and operational performance has been maintained over many years. We comply with all of our lenders covenants which, based on our financial projections, will continue into the future. The introduction of FRS 102 altered how financial information is reported and it is now of crucial importance that any potential impact on our covenant position is fully examined prior to approving any new initiative.

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

We will achieve this by:

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

We have a well motivated and competent workforce of 31 employees with a relatively low staff turnover. We are full members of the Federation of Employers in Voluntary Housing which provides us with support in managing and developing our staff to foster a culture of continuous improvement.

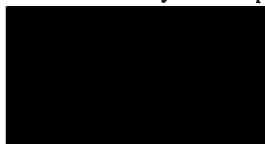
The association is following a number of strategies which we expect will contribute and inform the above actions.

The association continues to invest in housing through its development and refurbishment programme. However, new build opportunities are limited due to land availability. We will look towards innovative approaches in generating finance to allow much needed new houses to be delivered where possible.

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

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

Company Secretary



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ADVISORS AND REGISTERED OFFICE
FOR THE YEAR ENDED 31ST MARCH 2019

Auditor

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

Bankers

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

Legal advisors

Addleshaw Goddard
19 Canning Street
Edinburgh, EH3 8EU

Registered Office

119 Main Street
Ayr, KA8 8BX

Registration Information

The Scottish Housing Regulator:	304
Registered Scottish Charity:	SC027906
Company Registration Number:	SC185652

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH 2019

The Trustees present their report and the audited financial statements for the year ended 31st March 2019.

Legal Status

Ayrshire Housing is a company limited by guarantee and is governed by its Memorandum and Articles of Association. Accordingly, the Company has no share capital. It is a registered Scottish Charity (number SC027906) and is registered with the Scottish Housing Regulator as a Registered Social Landlord (number 304).

Principal Activities

The Company's principal activities are the provision, construction, improvement and management of rented and shared ownership accommodation.

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REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH 2019

The Trustees and Executive Officer

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

Executive Officer

. J. Whiston

Trustees

. R. Leith	(Chairperson)	. Professor R. Pyper	
. M. Nicol	(Appointed 05.09.18)	. M. Tomlinson	
. K. George		. G. Collins	
. M. Campbell	(Appointed 05.09.18)	. S. Williamson	(Resigned 27.03.19)
. F. Maguire		.	
. D. Porte	(Appointed 05.09.18)	.	
. G. Dawson		.	
. S. Leslie		.	

Insurance

The Company has purchased insurance against liabilities in relation to the Company arising from the actions of Trustees and other officers of the Company.

Statement of Trustees' Responsibilities

The Companies Act 2006 requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the income and expenditure of the Company for the year ended on that date. In preparing those financial statements, the Trustees are required to: -

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Company's suppliers are paid promptly.

The Trustees must in determining how amounts are presented within items in the Statement of Comprehensive Income and Statement of Financial Position, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Trustees are aware:

- . there is no relevant audit information (information needed by the Company's auditor in connection with preparing their report) of which the Company's auditor is unaware, and
- . The Trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH 2019

Statement on Internal Financial Control

The Trustees acknowledge their ultimate responsibility for ensuring that the Company has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

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

It is the Trustees' responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements of the Company's systems include ensuring that:

- . formal policies and procedures are in place, including the ongoing documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Company's assets;
- . experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- . forecasts and budgets are prepared which allow the Trustees, staff and governing body to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- . quarterly financial management reports are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- . regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- . all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Trustees;
- . the Trustees receive reports from management and from external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Company is undertaken;
- . formal procedures have been established for instituting appropriate action to correct any weakness identified through the internal or external audit reports.

The Trustees have reviewed the effectiveness of the system of internal financial control in existence in the Company for the year ended 31st March 2019. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the Auditor's Report on the financial statements.

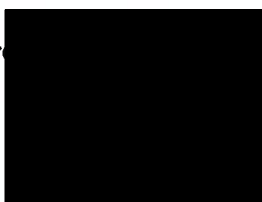
Auditor

A resolution to tender for external auditor services will be put to the members at the annual general meeting.

By order of the Board

Secretary

Dated:



4 September, 2019

AYRSHIRE HOUSING
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31ST MARCH 2019

Key procedures that have been established, and are designed to provide effective internal financial control, are: -

Control environment - the Company has an organisational structure with clearly defined lines of responsibility, job descriptions and delegation of authority. These are set out in accordance with the Company's Standing Orders and Policy and Procedure Manuals. The Company has complied with the Scottish Housing Regulator Code of Audit Practice (SHGN 97/06).

Information systems - the Company has a comprehensive system of financial reporting. The annual budget and thirty year projections are approved by the Trustees. Quarterly actual results are reported against budget and any significant adverse variances are examined by management and remedial action taken. There are quarterly and thirty-year cash flow projections and revised budget forecasts are considered as at 30th September each year.

Control procedures - policies and procedures are maintained for all areas of operations. In particular, there are clearly defined policies for development projects and capital expenditure. Large or unusual capital expenditure projects require Trustees' approval.

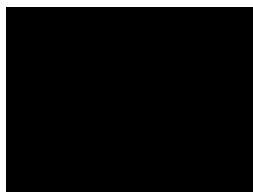
The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable it to ensure that the financial statements comply with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is also responsible for safeguarding the assets of the Trust and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The Company has complied throughout the accounting period with the Code of Best Practice published by the Cadbury Trustees in 1992 on the Financial Aspects of Corporate Governance.

In accordance with the requirements of the Scottish Housing Regulator, the auditors have confirmed that they consider this statement appropriately reflects the Company's compliance with those paragraphs of the Code of Best Practice required to be revised by them. The auditors have also confirmed that, in their opinion, with regard to the Trustees' Statement on Internal Financial Control on page seventeen the Trustees have provided the disclosures required by Paragraph 4.5 of the Code of Best Practice as supplemented by the related guidance for Trustees and such a statement is not inconsistent with the information of which they are aware from their audit work on the financial statements.

Company Secretary



4 September, 2019

AYRSHIRE HOUSING
REPORT BY THE AUDITOR TO THE TRUSTEES
ON CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31ST MARCH 2019

In addition to our audit of the financial statements, we have reviewed your statement on page seventeen concerning the Company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

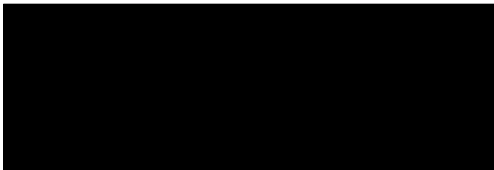
Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page seventeen has provided the disclosures required by the relevant Regulatory Standards within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain Trustee members, directors and officers of the Company, and examination of relevant documents, we have satisfied ourselves that the Trustees' Statement on Internal Financial Control appropriately reflects the Company's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication Regulation of Social Housing in Scotland - Our Framework February 2019 and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



Adam I Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142, West Nile Street,
Glasgow,
G1 2RQ.

Dated: 4th September 2019

AYRSHIRE HOUSING
REPORT OF THE INDEPENDENT AUDITOR
TO THE TRUSTEES' OF AYRSHIRE HOUSING

Opinion

We have audited the financial statements of Ayrshire Housing for the year ended 31st March 2019 which comprise a statement of comprehensive income, statement of changes in reserves, statement of financial position, statement of cash flows, statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees as a body, in accordance with Section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st March 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006, Schedule 1, the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information in the Report of the Trustees, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

AYRSHIRE HOUSING
REPORT OF THE INDEPENDENT AUDITOR
TO THE TRUSTEES' OF AYRSHIRE HOUSING

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Trustees.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Company; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Trustees

As explained more fully in the Statement of Trustee's Responsibilities set out on page sixteen, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.

AYRSHIRE HOUSING
REPORT OF THE INDEPENDENT AUDITOR
TO THE TRUSTEES' OF AYRSHIRE HOUSING

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Adam I Armstrong, LLB, CA, (Senior Statutory Auditor),
for and on behalf of Armstrongs,
Statutory Auditor,
Chartered Accountants,
Victoria Chambers,
142 West Nile Street,
Glasgow,
G1 2RQ.

Dated : 14th September 2019

AYRSHIRE HOUSING
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £	2018 £
Revenue	2	7,539,576	7,670,559
Operating costs	2	(3,772,995)	(3,619,311)
Operating Surplus	2	<u>3,766,581</u>	<u>4,051,248</u>
Gain/(loss) on disposal of property, plant and equipment	5	65,727	59,103
Interest receivable and other income	8	15,233	5,308
Interest payable and similar charges	9	(907,344)	(958,860)
Breakage cost	9a	-	(309,283)
Decrease in valuation of housing properties on initial measurement	20	(298,420)	(1,157,061)
Other finance charges	13	(4,000)	(1,000)
Surplus Before Tax		<u>2,637,777</u>	<u>1,689,455</u>
Other comprehensive income			
Revaluation of housing properties	20	-	790,000
Initial recognition of multi-employer defined benefit scheme	22	(325,000)	-
Actuarial gain/(loss) recognised in the pension liability	22	(283,000)	78,000
Total Comprehensive Income		<u><u>2,029,777</u></u>	<u><u>2,557,455</u></u>

The results for the year relate wholly to continuing activities.

There is no material difference between the surplus for the year stated above and the historical cost equivalent.

The notes form part of these financial statements.

AYRSHIRE HOUSING
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31ST MARCH 2019

	Revenue reserve	Revaluation reserve	Total excluding non- controlling interest	Non- controlling interest	Total including non- controlling interest
	£	£	£	£	£
Balance at 1 April 2018	21,020,058	14,259,136	35,279,194	-	35,279,194
Surplus/(deficit) from Statement of Comprehensive Income	2,029,777	-	2,029,777	-	2,029,777
Transfer from revaluation reserves to income and expenditure reserve	186,544	(186,544)	-	-	-
Balance at 31 March 2019	<u>23,236,379</u>	<u>14,072,592</u>	<u>37,308,971</u>	<u>-</u>	<u>37,308,971</u>

The notes form part of these financial statements.

AYRSHIRE HOUSING
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019

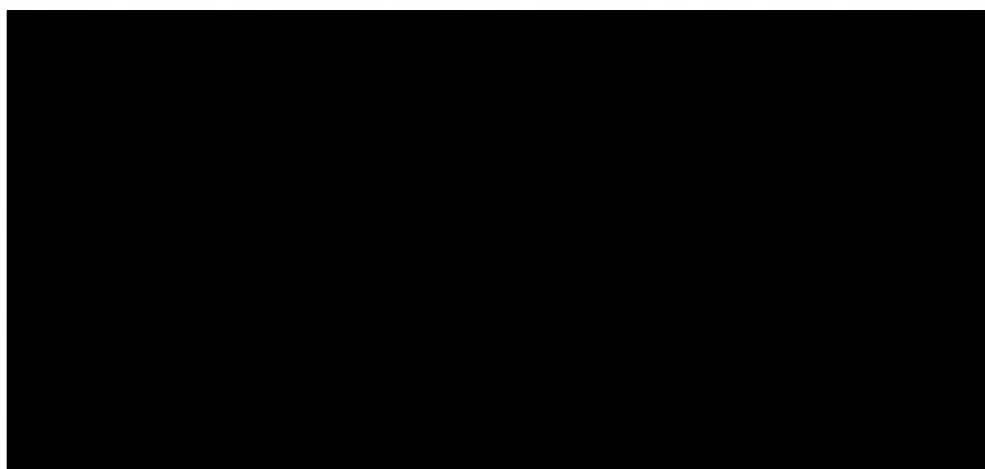
	Notes	2019 £	2018 £
Non-Current Assets			
Tangible assets - social housing	14(a)	59,818,326	54,059,154
Other non-current assets - property, plant and equipment	14(b)	608,965	612,778
		<u>60,427,291</u>	<u>54,671,932</u>
Current Assets			
Trade and other debtors	16	306,738	292,337
Investments	15	1	2
Cash and cash equivalents		4,390,536	3,567,571
		<u>4,697,275</u>	<u>3,859,910</u>
Less: Creditors falling due within one year	17	(1,917,822)	(1,589,235)
Net Current Assets		<u>2,779,453</u>	<u>2,270,675</u>
Total Assets less Current Liabilities		63,206,744	56,942,607
Creditors : amounts falling due after more than one year	18	(21,736,741)	(21,043,853)
Deferred Income			
Deferred capital grants	21	(2,749,032)	(34,560)
Pension scheme liability	22	(1,412,000)	(585,000)
Net Assets		<u>37,308,971</u>	<u>35,279,194</u>
Equity			
Revenue reserve	23	23,236,379	21,020,058
Revaluation reserves	20	14,072,592	14,259,136
		<u>37,308,971</u>	<u>35,279,194</u>

These financial statements were approved by the Trustees on 4/9/19 and signed on their behalf by:

Chairperson

Trustee

Secretary



The notes form part of these financial statements.

AYRSHIRE HOUSING
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2019

	Notes	2019 £	2018 £
Net Cash Inflow from Operating Activities	19	7,928,055	4,776,284
Cash flow from Investing Activities			
Purchase of tangible fixed assets		(6,971,208)	(2,937,740)
Net proceeds from sale of tangible fixed assets		129,171	130,945
		<hr/>	<hr/>
Net Cash Outflow from Investing Activities		1,086,018	1,969,489
Cash flow from Financing Activities			
Interest received on cash and cash equivalents		15,233	5,308
Interest paid on loans		(907,344)	(958,860)
Breakage cost		-	(309,283)
New secured loans		1,556,048	54,505
Repayments of borrowings		(926,990)	(4,102,991)
		<hr/>	<hr/>
Net Cash Outflow from Financing		(263,053)	(5,311,321)
		<hr/>	<hr/>
Increase/(Decrease) in Cash		822,965	(3,341,832)
		<hr/>	<hr/>
Opening Cash and Cash Equivalents		3,567,571	6,909,403
		<hr/>	<hr/>
Closing Cash and Cash Equivalents		<u>4,390,536</u>	<u>3,567,571</u>

AYRSHIRE HOUSING
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2019

	Share Capital £	Revenue Reserve £	Total £
Current Year			
Balance as at 1st April 2018	-	21,020,058	21,020,058
Realisation of property revaluation gains of previous years	-	6,060	6,060
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	-	119,289	119,289
Transfer from revenue reserve to revaluation reserve	-	61,195	61,195
Surplus for Year	-	2,029,777	2,029,777
Balance as at 31st March 2019	<u>-</u>	<u>23,236,379</u>	<u>23,236,379</u>

	Share Capital £	Revenue Reserve £	Total £
Prior Year			
Balance as at 1st April 2017	=	19,079,910	19,079,910
Realisation of property revaluation gains of previous years	=	43,010	43,010
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	-	129,683	129,683
Transfer from revenue reserve to revaluation reserve	-	(790,000)	(790,000)
Surplus for Year	-	2,557,455	2,557,455
Balance as at 31st March 2018	<u>-</u>	<u>21,020,058</u>	<u>21,020,058</u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal Accounting Policies

Statement of Compliance

To comply with the amendments to FRS 102 regarding multi-employer defined benefit plans, the accounting treatment for the membership of Scottish Housing Associations' Pension Scheme (SHAPS) has been included as a defined benefit scheme with effect from 1st April 2019. To comply with FRS 102 the impact of the transition from defined contribution accounting to defined benefit accounting has been presented as other comprehensive income and has been accounted for as a change in accounting estimate in accordance with the amendments to FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, relating to multi-employer defined benefit plans.

The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Revenue

The Company recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised with expenditure incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Retirement Benefits

The Company participates in the Scottish Housing Association Defined Benefit Pension Scheme and retirement benefits to employees of the Organisation are funded by contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Members taken as a whole.

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

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

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

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

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

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal Accounting Policies (continued)

Valuation of Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at valuation.

Completed housing and shared ownership properties are stated at fair value less accumulated depreciation and any accumulated impairment losses. Housing under construction and land are not depreciated. Completed housing properties are professionally valued on an existing use basis. Revaluations are made with sufficient regularity to ensure that the carrying amount does not materially differ from the fair value of the properties at the year end. Surpluses and deficits are reflected in the Statement of Comprehensive Income. Permanent diminutions in value of housing property are charged in the Statement of Comprehensive Income.

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

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

Work to Existing Housing Properties

Expenditure on improvements to existing property, which adds to the value of the property or extends its useful life, is capitalised as part of the cost of the property. All other maintenance expenditure is written off the Statement of Comprehensive Income in the year in which it is incurred.

Sale of Housing Properties

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

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

Depreciation - Housing Properties

Properties other than heritable land are depreciated at rates calculated to reduce net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components is shown in the table below:

Building	60 years	Bathrooms	30 years
Roof	40 years	Kitchens	20 years
Windows	30 years	Wiring	40 years
Radiators	30 years	Lift	20 years
Boilers	15 years		

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal Accounting Policies (continued)

Depreciation and Impairment of Other Non-Current Assets

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

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

The carrying value of non-current assets are reviewed for impairment at the end of each reporting period.

Social Housing Grant and Other Grants

Social Housing Grants and Other Capital Grants are accounted for using the Performance Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on completion of the project to which the grant relates. A grant which does not impose specified future performance conditions is recognised as revenue when grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Company is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability. For Housing Association Grant this means that the grant is recognised as revenue on completion of the property.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

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

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

Judgements in applying policies and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Trustees to exercise judgement in applying Ayrshire Housing's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Organisation assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Organisation estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Obligations under SHAPS pension scheme

The accounting for the pension scheme and the transition from defined contribution disclosure to defined benefit has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.

Leases/Leased Assets

Assets held under operating leases are not capitalised. The lease rentals are expensed to the Statement of Comprehensive Income in the year in which they are incurred.

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

1. Principal Accounting Policies (continued)

Capitalisation of Interest

Interest incurred on the financing of a development is capitalised up to the date of completion of the scheme if the net book value or net realisable value is lower than its value in use.

Derivative Financial Instruments

The Organisation uses an interest-rate swap to manage its exposure to interest-rate movements. The fair value of these contracts is recorded in the Statement of Financial Position and is determined by discounted future cash flows at the prevailing market rates at the balance sheet date.

The Organisation's interest rate swap is not designated as a hedging instrument.

Negative Goodwill

Negative goodwill created through the acquisition is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

Financial Instruments - Basic

The Organisation recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard.

The Organisation's debt instruments are measured at amortised cost using the effective interest rate method.

Pension Costs

The Scottish Housing Associations' Pension Scheme is accounted for as a defined benefit scheme. In accordance with FRS 102, the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

2. Particulars of Revenue, Cost of Sales, Operating Costs and Operating Surpluses / (Deficits)

2019				
	Notes	Revenue £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	7,422,366	3,692,995	3,729,371
Other Activities	4	117,210	80,000	37,210
Total		<u>7,539,576</u>	<u>3,772,995</u>	<u>3,766,581</u>
2018				
	Notes	Revenue £	Operating Costs £	Operating Surplus/ (Deficit) £
Social Lettings	3	7,564,585	3,550,432	4,014,153
Other Activities	4	105,974	68,879	37,095
Total		<u>7,670,559</u>	<u>3,619,311</u>	<u>4,051,248</u>

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

3. Particulars of Income and Expenditure from Social Letting Activities

	General Needs £	Shared Ownership £	Total 2019 £	2018 £
Revenue from Lettings				
Rent receivable net of identifiable service chrgs	6,424,841	30,119	6,454,960	6,221,023
Service charges receivable	366,913	-	366,913	334,459
Gross Rents Receivable	<u>6,791,754</u>	<u>30,119</u>	<u>6,821,873</u>	<u>6,555,482</u>
Less: Rent losses from voids	(38,361)	-	(38,361)	(38,364)
Net Rents Receivable	<u>6,753,393</u>	<u>30,119</u>	<u>6,783,512</u>	<u>6,517,118</u>
Grants released from Deferred Income (note 10)	-	-	-	81,861
Grants - other	186,300	-	186,300	-
Grants repaid to Scottish Ministers	(67,255)	-	(67,255)	-
Grants from the Scottish Ministers	519,809	-	519,809	965,606
Total Income from Social Letting Activities	<u>7,392,247</u>	<u>30,119</u>	<u>7,422,366</u>	<u>7,564,585</u>
Expenditure on Social Letting Activities				
Management and maintenance admin costs	1,557,211	10,182	1,567,393	1,405,883
Reactive repairs and maintenance	1,039,594	-	1,039,594	1,143,289
Bad debts - rents and service charges	15,432	-	15,432	23,859
Planned and cyclical maint incl major repairs	240,500	-	240,500	201,938
Depreciation of social housing	824,572	5,504	830,076	775,463
Operating Costs for Social Letting Activities	<u>3,677,309</u>	<u>15,686</u>	<u>3,692,995</u>	<u>3,550,432</u>
Operating Surplus on Letting Activities - 2019	<u>3,714,938</u>	<u>14,433</u>	<u>3,729,371</u>	<u>4,014,153</u>
Operating Surplus on Letting Activities - 2018	<u>3,998,473</u>	<u>14,680</u>	<u>4,013,153</u>	

No service charges were receivable on housing accommodation not eligible for housing benefit (2018 - £Nil).

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

4. Particulars of Revenue, Operating Costs and Operating Surplus or Deficit from Other Activities

	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs- Bad Debt £	Other Operating Costs £	Operating Surplus/ Deficit for 2019 £	Operating Surplus/ Deficit for 2018 £
Wider Action Role	-	-	-	-	-	-	-	-	-
Care & Repair	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	23,651	23,651	-	-	23,651	23,626
Development Activities	-	-	-	-	-	-	-	-	-
Support Activities	-	-	-	-	-	-	-	-	-
Care Activities	-	-	-	-	-	-	-	-	-
Other Management Services	-	-	-	-	-	-	-	-	-
Aids & Adaptations	-	80,000	-	-	80,000	-	80,000	-	75
Other Activities	-	-	-	-	-	-	-	-	-
Commercial Rent	-	-	-	13,559	13,559	-	-	13,559	13,394
Total from Other Activities 2019	-	80,000	-	37,210	117,210	-	80,000	37,210	-
Total from Other Activities 2018	-	68,954	-	37,020	105,974	-	68,879	-	37,095

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

5. Profit on Disposal of Fixed Assets

	2019	2018
	£	£
Proceeds from sale of fixed assets	<u>132,500</u>	<u>132,700</u>
Less: Cost of Sales		
Value of property	63,444	71,842
Legal and valuation costs	<u>3,329</u>	<u>1,755</u>
	<u>66,773</u>	<u>73,597</u>
	<u>65,727</u>	<u>59,103</u>

6. Directors Emoluments

The directors are defined as the members of the Board of Trustees, the Executive Officer and any other person reporting directly to the Board of Trustees whose total emoluments exceed £60,000 per annum.

None of the Trustees received any remuneration during the year.

	Number of Officers	2019 £	Number of Officers	2018 £
Total Emoluments (including pension contributions and benefits in kind)				
60,000 to 69,999	-	-	1	68,906
70,000 to 79,999	2	143,534	1	70,484
80,000 to 89,999	1	88,832	1	86,267
90,000 to 99,999	-	-	-	-
100,000 to 109,999	-	-	-	-
	<u>3</u>	<u>232,366</u>	<u>3</u>	<u>225,657</u>
Total Emoluments (excluding pension contributions) to the highest paid Director		<u>72,520</u>		<u>70,752</u>
Total Expenses reimbursed to the highest paid Director in so far as not chargeable to United Kingdom Income Tax		<u>786</u>		<u>947</u>
Total Emoluments (excluding pension contributions) to the Chairman amounted to		<u>Nil</u>		<u>Nil</u>
Pension contribution payable to Officers in excess of £60,000				
Salary	<u>1</u>	<u>16,313</u>	<u>1</u>	<u>15,515</u>
Total expenses reimbursed to the Board in so far as not chargeable to United Kingdom Income Tax		<u>827</u>		<u>828</u>

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

7. Employee Information

	2019	2018
	£	£
The monthly average number of full time equivalent employees (excluding Executive Trustees) during the year was :-	<u>24.5</u>	<u>24.5</u>
The average total number of Employees employed during the year was	<u>31</u>	<u>29</u>
Wages and Salaries	868,301	831,922
Social Security Costs	87,559	85,319
Pension Contributions	<u>130,716</u>	<u>128,172</u>
	<u>1,086,576</u>	<u>1,045,413</u>

Pension deficit contributions for the year were £58,792 (2018 - £54,216).

8. Interest Receivable and Other Income

	2019	2018
	£	£
Interest receivable on deposits	<u>15,233</u>	<u>5,308</u>

9. Interest Payable and Similar Charges

	2019	2018
	£	£
Loan Interest	<u>907,344</u>	<u>958,860</u>

9a. Breakage Cost

	2019	2018
	£	£
Breakage cost	<u>-</u>	<u>309,283</u>

The cost related to the redemption of the Co-operative Bank loans on 11th July 2017.

10. Grants Released

Grants received for the construction of housing properties are reported as Deferred Income until completion and then released to income in the year of completion.

11. Surplus for Year

Surplus is stated after charging/(crediting): -

	2019	2018
	£	£
Operating lease	13,958	13,090
Depreciation - tangible other fixed assets	23,910	23,397
Depreciation - tangible land & buildings fixed assets	830,076	775,463
Auditor's remuneration (excl. VAT)	7,190	7,000
Bad debts	<u>15,432</u>	<u>23,859</u>

12. Tax on Surplus on Ordinary Activities

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

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

13. Other Finance Income/Charges

	2019	2018
	£	£
Defined benefit pension scheme net interest	4,000	-
Unwinding of discounted liabilities and remeasurement	-	1,000
	4,000	1,000

14. Non-Current Assets

a) Housing Properties

	Heritable Housing Prop. Held For Letting £	Rented Accommod Under Construction £	Shared Ownership Held For Letting £	Total £
Cost/Valuation				
As at 1 st April 2018	53,590,054	224,061	425,294	54,239,409
Additions	2,070,954	4,880,159	-	6,951,113
Disposals	(178,478)	-	(30,627)	(209,105)
Write down on initial recognition	(298,420)	-	-	(298,420)
As at 31 st March 2019	55,184,110	5,104,220	394,667	60,682,997
Depreciation				
As at 1 st April 2018	174,961	-	5,294	180,255
Charge for year	824,572	-	5,504	830,076
Disposals	(145,660)	-	-	(145,660)
As at 31 st March 2019	853,873	-	10,798	864,671
Net book value at 31st March 2019	54,330,237	5,104,220	383,869	59,818,326
Net book value at 31st March 2018	53,415,093	224,061	420,000	54,059,154

Development Administration cost capitalised amounted to £48,041 (2018 - £44,910) for which grants of £Nil (2018 - £Nil) were received in the year. Interest capitalised amounted to £11,581 (2018 - £Nil).

Completed housing properties were fully revalued on the basis of existing use value for social housing at 31 March 2017 by Jones Lang LaSalle, Chartered Surveyors and stock secured to RBS and Bank of Scotland revalued at 31 March 2018. The valuation reports have been made in accordance with the RICS Appraisal and Valuation Manual. The Trustees do not believe that the values would have been materially different at the balance sheet date.

All housing properties are freehold.

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

If housing properties had not been revalued it would have been shown as the following:

14. Non-Current Assets stated at Cost

a) Housing Properties (continued)

	2019	2018
Cost of Properties	123,239,692	116,285,874
Less: Social Housing and Other Grants	<u>68,081,402</u>	<u>64,728,077</u>
	55,158,290	51,557,797
 Less: Depreciation	 (8,950,976)	 (8,120,900)
	 <u>46,207,314</u>	 <u>43,436,897</u>

Impairment Charges

The Association classifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

14. Non-Current Assets
b) Other Tangible Assets

	Office Premises £	Fixtures and Fittings £	Computer Equipment £	Let Properties Furniture & Fittings £	Total £
As at 1 st April 2018	652,053	111,907	332,087	161,920	1,257,967
Additions in year	1,748	-	18,347	-	20,095
Disposals	-	(35,820)	(143,598)	-	(179,418)
As at 31 st March 2019	<u>653,801</u>	<u>76,087</u>	<u>206,836</u>	<u>161,920</u>	<u>1,098,644</u>
Aggregate Depreciation					
As at 1 st April 2018	96,386	109,284	277,599	161,920	645,189
Charge for Year	9,034	1,045	13,829	-	23,908
Disposals	-	(35,820)	(143,598)	-	(179,418)
As at 31 st March 2019	<u>105,420</u>	<u>74,509</u>	<u>147,830</u>	<u>161,920</u>	<u>489,679</u>
Net Book Value as at 31st March 2019	<u>548,381</u>	<u>1,578</u>	<u>59,006</u>	<u>-</u>	<u>608,965</u>
Net Book Value as at 31st March 2018	<u>555,667</u>	<u>2,623</u>	<u>54,488</u>	<u>-</u>	<u>612,778</u>

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

15. Investment

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

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

16. Trade and Other Receivables

	2019	2018
	£	£
Rental Debtors	146,304	143,933
Less: Provision for Doubtful Debts	(10,000)	(10,000)
Other Receivables	170,434	158,404
	<u>306,738</u>	<u>292,337</u>

17. Creditors - Amounts falling due within one year

	2019	2018
	£	£
Housing Loans	1,044,641	1,038,444
SHAPS past service deficit contribution	-	55,792
Trade Payables	319,845	83,808
Development Creditors	112,449	32,060
Other Taxes and Social Security	45,365	43,009
Accruals and Deferred Income	92,997	43,659
Prepaid Rents	302,525	292,463
	<u>1,917,822</u>	<u>1,589,235</u>

Creditors due within one year include development guarantees totalling £Nil (2018 - £Nil) for which agreement in principal has been received for conversion into long term finance.

18. Creditors - Amounts falling due after more than one year

	2019	2018
	£	£
Loans	21,507,506	20,884,645
Liability for SHAPS Past Service Deficit Contribution	-	159,208
Other Creditor	229,235	-
	<u>21,736,741</u>	<u>21,043,853</u>

Loans are secured by specific charges on the Company's properties and are repayable at rates of interest ranging from 1.25% to 5.87% (2018 - 0.72% to 6.01%) which will mature over a period of 4 to 25 years as follows: -

	2019	2018
	£	£
Between one and two years	1,173,380	1,103,449
Between two and five years	2,481,437	3,221,620
In five years or more	18,081,924	16,718,784
	<u>21,736,741</u>	<u>21,043,853</u>

The association has a number of long term housing loans as follows:

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

18. Creditors - Amounts falling due after more than one year (continued)

RBS	6 loans repayable between 2027 and 2040. Standard Security over 578 properties. EUV-SH £23.6M. Interest rates range from 1.8% to 5.87%.
Nationwide	14 loans repayable between 2022 and 2035. Standard Security over 257 properties. EUV-SH £9.3M. Interest rates 1.25%.
Bank of Scotland	9 loans repayable between 2023 and 2035. Standard Security over 232 properties. EUV-SH £7.7M. Interest rates range from 3.7% to 5.74%.
Allia	1 bond repayable in 2026. Interest rate 3.27%.

The liability for past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash out flows in that year have been discounted at a rate of 1.51%.

19. Statement of Cash Flows

	2019 £	2018 £
<i>Reconciliation of operating surplus to balance as at 1st April 2019</i>		
Operating Surplus	3,766,581	4,051,248
Depreciation	853,986	798,860
Change in debtors	(14,402)	226,925
Decrease in investments	1	-
Increase in deferred income	2,714,472	-
Changes in creditors	551,625	(198,872)
Changes in provisions	55,792	(100,877)
Unwinding of Discount on Pension Liability	-	(1,000)
Balance as at 1 st April 2019	<u>7,928,055</u>	<u>4,776,284</u>

20. Revaluation Reserves

	2019 £	2018 £
Balance at 01.04.18	14,259,136	13,641,829
Transfer on Disposal of Properties	(61,195)	(43,010)
Depreciation Adjustment	(125,349)	(129,683)
Revaluation of properties	-	790,000
Balance at 31.03.19	<u>14,072,592</u>	<u>14,259,136</u>

On completion of housing projects or acquisition of properties the difference between their cost and EUV-SH is reflected in an adjustment to the Statement of Comprehensive Income. In the year to 31st March 2019 the adjustment amounted to £298,420. Grants received in relation to these properties amounted to £519,809 which are disclosed as Income from Social Letting Activities in Note 3.

21. Deferred capital grants

	Housing property held for letting £	Shared ownership held for letting £	Total £
Balance at 01.04.18	34,560	-	34,560
Additions during year	2,714,472	-	2,714,472
Balance at 31.03.19	<u>2,749,032</u>	<u>-</u>	<u>2,749,032</u>

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

22. Retirement Benefit Obligations

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

Firstly, the Company is a member of the Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme were taken at the last actuarial date of 31st March 2017.

	2019	2018
Last actuarial date	31 st March 2018	31 st March 2017
Inflation/Pension Increase Rate	2.5%	2.4%
Salary scale increase per annum	3.7%	3.6%
Discount rate	2.4%	2.7%
	2019	2018
	£	£
Estimated employer asset share	<u>1,791,000</u>	<u>1,653,000</u>
Present value of scheme liabilities	2,602,000	2,238,000
Present value of unfunded liabilities	-	-
Total value of liabilities	<u>2,602,000</u>	<u>2,238,000</u>
Net Pension Liability	<u>811,000</u>	<u>585,000</u>
Analysis of amount charged to operating profit	2019	2018
	£	£
Service costs	(98,000)	(95,000)
Past service costs	-	-
Curtailment and settlements	-	-
Decrease in irrecoverable surplus	-	-
Total operating gain	<u>(98,000)</u>	<u>(95,000)</u>
Analysis of amount credited to other finance income	2019	2018
	£	£
Expected return on employers assets	45,000	45,000
Interest on pension scheme liabilities	(61,000)	(63,000)
Net return	<u>(16,000)</u>	<u>(18,000)</u>
Net revenue account gain	<u>(114,000)</u>	<u>(113,000)</u>

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

22. Retirement Benefit Obligations (continued)

Analysis of recognised gains/(losses) in Statement of Comprehensive Income

	2019	2018
	£	£
Experience gains and losses arising on the scheme liabilities	55,000	55,000
Changes in financial assumptions underlying the present value of the scheme liabilities	(223,000)	94,000
Actual gain/(loss) in pension plan	(168,000)	149,000
Actuarial gain recognised in Statement of Comprehensive Income	(168,000)	149,000

Movement in surplus/(deficit) during the year

	2019	2018
	£	£
Deficit at 1 st April 2018	(585,000)	(663,000)
Current service cost	(98,000)	(95,000)
Employers contributions	56,000	42,000
Net returns on assets	(16,000)	(18,000)
Actuarial gain/(loss)	(168,000)	149,000
Deficit at 31 st March 2019	(811,000)	(585,000)

History of Experience Gains and Losses

	2019	2018
	£	£
Fair value of employer assets	1,791,000	1,653,000
Present value of defined benefit obligation	2,602,000	2,238,000
Surplus/(Deficit)	(811,000)	(585,000)

Secondly, Ayrshire Housing participates in the Scottish Housing Associations' Pension Scheme which is a statutory multi-employer defined benefit scheme providing benefits to over 150 non-associated employers. At 31st March 2019 there were 18 (2018 - 18) active members of the scheme employed by the Company. The Company will also enrol any staff member not a current member of either Pension Scheme into a Defined Contribution scheme administered by SHAPs under auto enrolment legislation.

Present values of defined benefit obligation, fair value of assets and defined benefit asset (liability)

	2019	2018
	(£000s)	(£000)
Fair value of plan assets	2,555	2,247
Present value of defined benefit obligation	3,156	2,787
Surplus (deficit) in plan	(601)	(540)
Unrecognised surplus	-	-
Defined benefit asset (liability) to be recognised	(601)	(540)
Deferred tax	-	-
Net defined benefit asset (liability) to be recognised	(601)	(540)

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

22. Retirement Benefit Obligations (continued)

Reconciliation of the impact of the asset ceiling

	2019 (£000s)
Impact of asset ceiling at start of period	-
Effect of the asset ceiling included in net interest cost	-
Actuarial losses (gains) on asset ceiling	-
Impact of asset ceiling at end of period	-

Reconciliation of opening and closing balances of the defined benefit obligation

	2019 (£000s)
Defined benefit obligation at start of period	2,787
Current service cost	119
Expenses	2
Interest expense	75
Contributions by plan participants	72
Actuarial losses (gains) due to scheme experience	(106)
Actuarial losses (gains) due to changes in demographic assumptions	7
Actuarial losses (gains) due to changes in financial assumptions	226
Benefits paid and expenses	(26)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of period	3,156

Reconciliation of opening and closing balances of the fair value of plan assets

	2019 (£000s)
Fair value of plan assets at start of period	2,247
Interest income	60
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	148
Contributions by the employer	54
Contributions by plan participants	72
Benefits paid and expenses	(26)
Assets acquired in a business combination	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value of plan assets at end of period	2,555

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2019 was £208,000.

AYRSHIRE HOUSING

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2019

22. Retirement Benefit Obligations (continued)

Defined benefit costs recognised in Statement of Comprehensive Income (SOCl)

	2019 (£000s)
Current service cost	119
Expenses	2
Net interest expense	15
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit charges	-
Defined benefit costs recognised in Statement of Comprehensive Income (SoCI)	136

Defined benefit costs recognised in Other Comprehensive Income

	2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	148
Experience gains and losses arising on the plan liabilities - gain (loss)	106
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	(7)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	(226)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	21
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in other comprehensive income - gain (loss)	21

Assets

	2019 (£000s)	2018 (£000s)
Absolute Return	216	267
Alternative Risk Premia	143	85
Corporate Bond Fund	179	157
Credit Relative Value	44	-
Distressed Opportunities	44	10
Emerging Markets Debt	82	77
Fund of Hedge Funds	7	65
Global Equity	411	404
Index Linked All Stock Gilts	-	-
Infrastructure	107	41
Insurance-Linked Securities	66	61
Liability Driven Investment	909	791
Long Lease Property	31	-
Net Current Assets	3	4
Over 15 Year Gilts	66	73
Private Debt	33	21
Property	51	89
Risk Sharing	74	20
Secured Income	89	82
Total assets	2,555	2,247

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

AYRSHIRE HOUSING
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2019

22. Retirement Benefit Obligations (continued)

Key assumptions

	2019 % per annum	2018 % per annum
Discount Rate	2.35	2.60
Inflation (RPI)	3.25	3.14
Inflation (CPI)	2.25	2.14
Salary Growth	3.25	3.14
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2019	21.7
Female retiring in 2019	23.4
Male retiring in 2039	23.1
Female retiring in 2039	24.7

The annual payment regarding the SHAPs pension deficit from 1 April 2018 is £55,792 and there will be an annual increase of 3% per annum until the year 2022.

The total pension cost for the Company was £183,587 (2018: £163,452) inclusive of deficit adjustment £58,792 (2018 - £54,216) of which £23,601(2018: £22,139) was unpaid and is included in creditors.

The Company also makes contributions to the personal pension scheme of two employees which are defined contribution schemes operated by third party entities.

23. Revenue Reserves

	2019 £	2018 £ Restated
Balance at 01.04.18	21,020,058	19,079,910
Surplus for the year	2,029,777	2,557,455
Transfer (to)/from revaluation reserves	<u>186,544</u>	<u>(617,307)</u>
Balance at 31.03.19	<u>23,236,379</u>	<u>21,020,058</u>

24. Related Party Transactions

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

During the period eight tenants of the Company acted as Trustees. In total they paid rent of £ 23,833 (2018 - £19,943), which is at arm's length. Repairs carried out to properties occupied by tenant Board members amounted to £3,557 (2018 - £465).

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25. Commitments Under Operating Leases

At 31st March 2019 the total future minimum lease payments under non-cancellable operating leases were as follows: -

	2019	2018
	£	£
Expiring within one year	7,669	7,278
Expiring between one and two years	15,338	5,167
Expiring between two and five years	72,714	645
	<u>95,721</u>	<u>13,090</u>

26. Housing Stock

2019 **2018**

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

General Needs	1,520	1,511
Shared Ownership	11	12
	<u>1,531</u>	<u>1,523</u>

27. Capital Commitments

2019 **2018**

£ £

Expenditure authorised and contracted	<u>842,000</u>	<u>23,040</u>
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The Board of Management expect that expenditure they have authorised to be fully funded by the Scottish Housing Regulator, Local Authorities, banks and building societies or from own resources.

Expenditure not yet contracted, on a scheme by scheme basis, is subject to formal Trustee approval procedures.

28. Contingent Liabilities

At 31st March 2019, the Company had £ Nil contingent liabilities (2018 - £Nil).

29. Group Structure

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