



FYNE HOMES LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2010



FYNE HOMES LIMITED

**Report and Financial Statements
For the year ended 31 March 2010**

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Registration information

Financial Services Authority

Industrial and Provident Societies 1965
Registered number 1454 R (S)

The Housing Regulator

Housing (Scotland) Act 2001
Registered number 321

Recognised Scottish Charity

SC009152

Members, Executives and Advisers

Management Committee

D O Williams, Chairman (appointed 16/09/09)
J Pemble (Chairman until 16/09/09)
R R Reid, Secretary
P Lingard, Vice Chairman
J L Bulloch
S Davies
F McCowan
J McMillan
T McKay
J McKerral (elected September 2009)
P Wallace (elected September 2009)
G Sutherland (resigned October 2009)
H Thomson (resigned November 2009)
D Gardiner (resigned July 2009)
B Paterson (resigned August 2009)

Registered Office

81 Victoria Street
Rothesay
Isle of Bute
PA20 0AP

Executive Officers

A McDougall, Director (retired January 2010)
C Renfrew, Chief Executive
J McAlister, Technical Services Director
P McDonald, New Business Director
M Bowie, Housing Director

Auditors

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Bank of Scotland
36/42 Montague Street
Rothesay
PA20 0BT

Solicitors

T C Young
Solicitors
7 West George Street
Glasgow
G2 1BA

**Report of the Management Committee
For the year ended 31 March 2010**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2010.

Principal activities

The principal activity of the Association is the provision of rented accommodation.

Review of business and future developments

The year saw the completion of 1 new build project providing a total of 4 new properties for rent.

During the year the Association acquired 20 rented units and 1 shared ownership unit from Margaret Blackwood Housing Association by way of stock transfer.

One scheme is currently on site at Lochgilphead which will provide 43 rented units on completion in 2012.

The Association made satisfactory progress on its planned and cyclical programme of repairs and renewals to its existing stock, and also the improvement programme to properties in Campbelltown which were acquired by Stock Transfer in 1999.

The Management Committee is satisfied with the progress of the Association over the past year and looks forward to the completion of future planned developments.

Changes in fixed assets

Details of fixed assets are set out in Notes 9 and 10.

The committee of management and executive officers

The committee of management and executive officers of the Association are listed on page 1.

Each member of the committee of management holds one fully paid share of £1 in the Association. The executive officers of the Association hold no interest in the Association's share capital and although not having the legal status of directors they act as executives within the authority delegated by the committee.

Related Party Transactions

Some members of the Management Committee are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Internal Financial Controls

The Committee is responsible for the Association's system of internal financial control, and has reviewed its effectiveness from information provided by management staff.

Any system can only provide reasonable and not absolute assurance against material mis-statement or loss.

The financial control system within the Association is fundamentally simple and appropriate to the size and complexity of the organisation. It includes a combination of regular review of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and Committee.

**Report of the Management Committee
For the year ended 31 March 2010**

Auditors

A resolution to re-appoint Scott-Moncrieff, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the committee

A handwritten signature in black ink that reads "Robert R. Reid". The signature is written in a cursive style with a large initial 'R'.

R R Reid
Secretary
Dated: 1 September 2010

Statement of Committee's Responsibilities

Housing Association legislation requires the committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for the year ended on that date. In preparing those financial statements the committee 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 Association will continue in business.

The committee is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association.

The committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Report of the Independent Auditors
To the members of Fyne Homes Limited**

We have audited the financial statements which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cashflow Statement and the Notes to the Financial Statements. These have been prepared under the accounting policies set out in the Notes to the Financial Statements.

This report is made solely to the Association's members as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an 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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of committee and auditors

As described in the Statement of Committee's Responsibilities, the Association's Committee of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We report to you whether in our opinion the information given in the Management Committee Report is consistent with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Group accounts Section 14 (2) of the Friendly and Provident Societies Act 1968

We agree with the opinion of the Committee of Management of the Association that it would be of no real value to the members of the Association to consolidate or include the accounts of the Association's subsidiaries in group accounts required to be prepared under Section 13 of the Friendly and Industrial and Provident Societies Act 1968 for the year ended 31 March 2010, because of the immaterial nature of the subsidiaries' transactions in the year.

**Report of the Independent Auditors
To the members of Fyne Homes Limited**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Association at 31 March 2010 and of its income and expenditure for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

We also confirm that in our opinion the information given in the Management Committee Report is consistent with the financial statements.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 1 September 2010

**Report of the Auditors to the Management Committee of Fyne Homes Limited
on Corporate Governance Matters**

In addition to our audit of the Financial Statements, we have reviewed your Statement in the Report of the Management Committee concerning the Association's compliance with the paragraphs of the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing". The objective of our review is to draw attention to non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of Opinion

We carried out our review having regard to Bulletin 2009/4 issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

Opinion

In our opinion, your statement on internal financial control in the Report of the Management Committee has provided the disclosures required by the Internal Financial Control section within the SFHA's publication "Raising Standards in Housing" and is not inconsistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Scott-Moncrieff
Chartered Accountants
Statutory Auditor
25 Bothwell Street
Glasgow G2 6NL

Dated: 1 September 2010

**Income and Expenditure Account
For the year ended 31 March 2010**

| | Notes | 2010 £ | 2009 £ |
|--------------------------------------|-------|-----------------------|-----------------------|
| Turnover | 2 | 4,607,946 | 4,171,904 |
| Less: Operating costs | 2 | <u>(3,412,844)</u> | <u>(3,301,439)</u> |
| Operating surplus | 2 | 1,195,102 | 870,465 |
| Net gain on disposal of fixed assets | | 94,794 | 11,518 |
| Interest receivable and other income | 5 | 18,309 | 39,317 |
| Interest payable and similar charges | 6 | <u>(611,490)</u> | <u>(772,516)</u> |
| Surplus for the year | | <u><u>696,715</u></u> | <u><u>148,784</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.

**Statement of Total Recognised Gains and Losses
For the year ended 31 March 2010**

| | Note | 2010 £ | 2009 £ |
|--|------|----------------|-----------------|
| Surplus for the year | | 696,715 | 148,784 |
| Actuarial loss recognised in the retirement benefit pension scheme | 21 | (384,000) | (166,000) |
| Total recognised gains and losses relating to the year | | <u>312,715</u> | <u>(17,216)</u> |

The notes form part of these financial statements.

Balance Sheet
As at 31st March 2010

| | Notes | 2010 £ | 2009 £ |
|---|-------|--------------|--------------|
| Tangible fixed assets | | | |
| Housing properties – cost less depreciation | 9 | 97,114,114 | 93,957,756 |
| Less SHG and other grants | 9 | (78,138,765) | (76,854,030) |
| | 9 | 18,975,349 | 17,103,726 |
| Other fixed assets | 10 | 641,935 | 601,508 |
| | | 19,617,284 | 17,705,234 |
| Investments | 11 | 1 | 1 |
| | | 19,617,285 | 17,705,235 |
| Current assets | | | |
| Debtors | 12 | 650,836 | 1,328,407 |
| Cash at bank and in hand | | 1,221,046 | 130,740 |
| | | 1,871,882 | 1,459,147 |
| Creditors: amounts falling due within one year | 13 | (1,376,726) | (1,446,268) |
| Net current assets | | 495,156 | 12,879 |
| Total assets less current liabilities | | 20,112,441 | 17,718,114 |
| Creditors: amounts falling due after more than one year | 14 | (15,664,740) | (13,988,128) |
| Retirement benefit pension scheme deficit | 21 | (564,000) | (159,000) |
| Net assets | | 3,883,701 | 3,570,986 |
| Capital and reserves | | | |
| Share capital | 15 | 187 | 187 |
| Designated reserves | 7 | 2,105,675 | 2,105,675 |
| Revenue reserve | 8 | 2,341,839 | 1,609,124 |
| Pension reserve | 8 | (564,000) | (144,000) |
| | | 3,883,701 | 3,570,986 |

The financial statements were authorised for issue by the Management Committee on 1 September 2010 and were signed on its behalf by:

Vice Chairperson

Secretary

Committee Member

P. H. Lujart
Robert P. Reed
Hindsey Bullock

The notes form part of these financial statements.

**Cash Flow Statement
For the year ended 31 March 2010**

| | Notes | 2010 £ | 2009 £ |
|--|-------|-------------------------|---------------------------|
| Net cash inflow from Operating activities | 1 | 2,135,902 | 736,102 |
| Returns on investments and servicing of finance | 2 | (593,181) | (733,199) |
| Investing activities | 2 | <u>(2,246,547)</u> | <u>(1,508,037)</u> |
| Net cash (outflow) from Operating activities | | (703,826) | (1,505,134) |
| Financing | 2 | <u>1,794,132</u> | <u>279,296</u> |
| Increase / (Decrease) in cash | 4 | <u><u>1,090,306</u></u> | <u><u>(1,225,838)</u></u> |

**Notes to the Cash Flow Statements
For the year ended 31st March 2010**

1) Reconciliation of surplus for year to net cash inflow from operating activities

| | 2010 £ | 2009 £ |
|---|------------------|----------------|
| Operating surplus | 1,195,102 | 870,465 |
| Depreciation | 429,291 | 324,689 |
| Decrease in debtors | 677,571 | 253,359 |
| (Decrease) in creditors | (187,062) | (711,411) |
| Non cash movement relating to pension liability | 21,000 | (1,000) |
| | <u>2,135,902</u> | <u>736,102</u> |

2) Gross cash flows

| | 2010 £ | 2009 £ |
|---|--------------------|--------------------|
| Returns on investments and servicing of Finance | | |
| Interest received | 18,309 | 39,317 |
| Interest paid | (611,490) | (772,516) |
| | <u>(593,181)</u> | <u>(733,199)</u> |
| Investing activities | | |
| Purchase and development of housing properties (net of transfers) | (3,659,471) | (3,654,162) |
| SHG received (net of transfers) | 1,334,992 | 2,114,004 |
| Payments for other tangible fixed assets | (99,411) | (4,047) |
| Sale of housing properties | 177,343 | 46,082 |
| SHG to be repaid | - | (9,914) |
| Sale of other fixed assets | - | - |
| | <u>(2,246,547)</u> | <u>(1,508,037)</u> |
| Financing | | |
| Net (forfeiture)/ Issue of ordinary share capital | - | (12) |
| Loan finance received | 2,270,936 | 641,554 |
| Loans repaid | (476,804) | (362,246) |
| | <u>1,794,132</u> | <u>279,296</u> |

Notes to the Cash Flow Statements
For the year ended 31st March 2010

| 3) Analysis of Changes in Net Debt | At 1 April 2009 £ | Cash Flow £ | Other Changes £ | At 31 March 2010 £ |
|------------------------------------|----------------------------|-------------------|-----------------------|-----------------------------|
| Cash in hand, at bank | 130,740 | 1,090,306 | - | 1,221,046 |
| Debt due within 1 year | (419,354) | (44,544) | - | (463,898) |
| Debt due after 1 year | (13,915,152) | (1,749,588) | - | (15,664,740) |
| | <u>(14,203,766)</u> | <u>(703,826)</u> | <u>-</u> | <u>(14,907,592)</u> |

4) Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)

| | 2010 £ | 2009 £ |
|------------------------------------|----------------------------|----------------------------|
| Increase / (Decrease) for the year | 1,090,306 | (1,225,838) |
| Loans received | (2,270,936) | (641,554) |
| Loans repaid | 476,804 | 362,246 |
| Change in net debt | <u>(703,826)</u> | <u>(1,505,146)</u> |
| Net debt at 1 April 2009 | <u>(14,203,766)</u> | <u>(12,698,620)</u> |
| Net debt at 31 March 2010 | <u><u>(14,907,592)</u></u> | <u><u>(14,203,766)</u></u> |

**Notes to the Financial Statements
For the year ended 31st March 2010**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (j) below.

These financial statements are prepared under the historical cost convention in accordance with applicable accounting standards, and comply with the requirements of the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

(b) Turnover

Turnover represents rental and service charge income, factoring service income, and fees or revenue grants receivable from local authorities and from The Scottish Government. Also included is any income from first tranche shared ownership disposals.

(c) Loans

Mortgage loans are advanced by Private Lenders or The Scottish Government under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by The Scottish Government.

(d) Social Housing Grant (SHG)

Social Housing Grant, at amounts approved by The Scottish Government, is paid directly to the Association as required to meet its liabilities during the development process.

SHG is repayable under certain circumstances primarily following sale of property, but will normally be restricted to net proceeds of sale.

SHG received as a contribution towards the capital cost of housing development is deducted from the cost of those developments. SHG received as a contribution towards revenue expenditure is included in turnover.

**Notes to the Financial Statements
For the year ended 31st March 2010**

1. Accounting policies (continued)

(e) Fixed assets - Housing properties

Housing properties are stated at cost, less social housing grants (SHG) and other public grants and less accumulated depreciation. The development cost of housing properties includes:-

1. Cost of acquiring land and buildings
2. Development expenditure including administration costs

These costs are either termed "qualifying costs" by The Scottish Government for approved social housing grant schemes or are considered for mortgage loans by the relevant lending authorities or are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuation are prior to the year-end.

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

All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

(f) Depreciation

1. Housing properties

Housing properties at cost, less grants received, less land, are depreciated over their expected useful lives of 50 years.

2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

| | |
|---------------------|-----------------------------------|
| Heritable Property | - 4% per annum on cost |
| Commercial Property | - 4% per annum on cost |
| Office Equipment | - 10% per annum, reducing balance |
| Computer Equipment | - 33.33% per annum on cost |
| Motor Vehicles | - 25% per annum, reducing balance |
| Other Equipment | - 33.33% per annum on cost |

A full year's depreciation is charged in the year of purchase.
No charge is made in the year of disposal.

**Notes to the Financial Statements
For the year ended 31st March 2010**

1. Accounting policies (continued)

(g) Designated Reserves (Note 7)

(i) Cyclical maintenance

The reserve is based on the Association's liability to maintain the properties in accordance with a planned programme of works, provided it will not be met from revenue in the year in which it is incurred.

(ii) Major Repairs

The reserve is based on the Association's requirement to maintain housing properties in a state of repair which at least maintains their residual value in prices prevailing at the time of acquisition and construction. The reserve represents amounts set aside in respect of future costs, and will be transferred to General Reserves, as appropriate, as actual costs are incurred.

(h) Apportionment of management expenses

Direct employee, administration and operating costs have been apportioned to the relevant sections of the Income and Expenditure Account on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

(i) Pensions (note 21)

The Association contributes to two defined benefit schemes, namely the SFHA Pension Scheme and the Strathclyde Pension Fund. The cost of these is written off to the Income and Expenditure Account on an accruals basis. The assets of the schemes are held separately from those of the Association in an independently administered fund.

Both of these schemes are multi employer schemes. It is possible to identify the assets relating to Fyne Homes in relation to the Strathclyde Pension Fund and as such the following treatment has been adopted for this scheme: -

- In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the Income and Expenditure Account. 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, are recognised in the Statement of Total Recognised Gains and Losses.

With regard to the SFHA Pension Scheme, the assets of the scheme relating to a specific employer cannot be separately identified and as such only contributions paid in respect of employees is charged to the Income and Expenditure Account.

(j) Consolidation

The Association and its subsidiary undertakings comprise a group. The Financial Services Authority has granted exemption from preparing group financial statements. The accounts therefore represent the results of the Association and not of the group.

Notes to the Financial Statements
For the year ended 31st March 2010

2. Particulars of Turnover, Operating Costs and Operating Surplus

| | 2010 | | 2009 | |
|---|------------------|-------------------------|------------------|---------------------------|
| | Turnover £ | Operating Costs £ | Turnover £ | Operating Costs £ |
| Income and Expenditure From lettings | | | | Operating Surplus £ |
| Social Lettings (Note 3) | 4,423,698 | (3,024,332) | 3,938,243 | 975,664 |
| Other activities (Note 4) | 184,248 | (388,512) | 233,661 | (105,199) |
| | <u>4,607,946</u> | <u>(3,412,844)</u> | <u>4,171,904</u> | <u>870,465</u> |

Notes to the Financial Statements
For the year ended 31 March 2010

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

| | General Needs Housing £ | Supported Housing Accommodation £ | Shared Ownership Accommodation £ | 2010 Total £ | 2009 Total £ |
|--|----------------------------------|--|---|--------------------|--------------------|
| Income from rent and service charges | | | | | |
| Rent receivable net of service charges | 4,207,266 | 76,402 | 88,750 | 4,372,418 | 3,885,236 |
| Service charges | 89,958 | 3,499 | - | 93,457 | 98,522 |
| Gross income from rents and service charges | 4,297,224 | 79,901 | 88,750 | 4,465,875 | 3,983,758 |
| Less voids | (42,177) | - | - | (42,177) | (45,515) |
| Net income from rents and service charges | 4,255,047 | 79,901 | 88,750 | 4,423,698 | 3,938,243 |
| Grants from the Scottish Ministers | - | - | - | - | - |
| Other revenue grants | - | - | - | - | - |
| Total turnover from social letting activities | 4,255,047 | 79,901 | 88,750 | 4,423,698 | 3,938,243 |
| Expenditure | | | | | |
| Management and maintenance administration costs | (1,459,814) | (71,754) | (78,159) | (1,609,727) | (1,540,805) |
| Service charges | (89,959) | (3,499) | - | (93,458) | (98,522) |
| Planned cyclical maintenance including major repairs | (384,364) | - | - | (384,364) | (450,245) |
| Reactive maintenance costs | (533,722) | - | - | (533,722) | (577,134) |
| Bad debts – rents and service charges | (32,754) | - | - | (32,754) | (32,435) |
| Depreciation of social housing | (355,068) | (4,648) | (10,591) | (370,307) | (263,438) |
| Impairment of social housing | - | - | - | - | - |
| Operating costs for social letting activities | (2,855,681) | (79,901) | (88,750) | (3,024,332) | (2,962,579) |
| Operating Surplus on letting activities, 2010 | 1,399,366 | - | - | 1,399,366 | - |
| Operating Surplus on letting activities, 2009 | 975,664 | - | - | - | 975,664 |

Notes to the Financial Statements
For the year ended 31st March 2010

| | | | | |
|--|-------------------------|-----------------------------|-------------------------------|-------------------------|
| 5. Interest receivable and other income | | 2010 | 2009 | |
| | | £ | £ | |
| Interest receivable on deposits | | 2,361 | 22,323 | |
| Interest receivable on loan to subsidiary | | 15,948 | 16,994 | |
| | | <u>18,309</u> | <u>39,317</u> | |
| | | <u><u>18,309</u></u> | <u><u>39,317</u></u> | |
| | | | | |
| 6. Interest payable and similar charges | | 2010 | 2009 | |
| | | £ | £ | |
| On loans from the Scottish Government | | 51,555 | 54,198 | |
| On private loans | | 559,935 | 718,318 | |
| | | <u>611,490</u> | <u>772,516</u> | |
| | | <u><u>611,490</u></u> | <u><u>772,516</u></u> | |
| | | | | |
| 7. Designated Reserves | Opening Balance | Transfer to reserves | Transfer from reserves | Closing Balance |
| | £ | £ | £ | £ |
| Cyclical maintenance | 64,600 | - | - | 64,600 |
| Major repairs reserve | 2,041,075 | - | - | 2,041,075 |
| | <u>2,105,675</u> | <u>-</u> | <u>-</u> | <u>2,105,675</u> |
| | <u><u>2,105,675</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>2,105,675</u></u> |
| | | | | |
| 8. Revenue Reserves | | 2010 | 2009 | |
| | | £ | £ | |
| At start of the year | | 1,465,124 | 1,482,340 | |
| Statement of Total Recognised Gains and Losses | | 312,715 | (17,216) | |
| | | <u>1,777,839</u> | <u>1,465,124</u> | |
| Transfer from/(to) reserves | | - | - | |
| | | <u>1,777,839</u> | <u>1,465,124</u> | |
| | | <u><u>1,777,839</u></u> | <u><u>1,465,124</u></u> | |
| | | | | |
| Split as follows: | | | | |
| Revenue reserve | | 2,341,839 | 1,609,124 | |
| Pension reserve | | (564,000) | (144,000) | |
| | | <u>1,777,839</u> | <u>1,465,124</u> | |
| | | <u><u>1,777,839</u></u> | <u><u>1,465,124</u></u> | |

Notes to the Financial Statements
For the year ended 31st March 2010

| 9. Tangible Fixed Assets | Housing Properties Held for Letting £ | Housing Properties In Course of Construction £ | Shared Ownership Properties Held for Letting | Total £ |
|--|---|--|--|-------------------|
| Cost | | | | |
| At start of year | 89,451,451 | 3,428,773 | 2,793,660 | 95,673,884 |
| Additions during year | 1,969,814 | 1,665,357 | 24,300 | 3,659,471 |
| Transfers between classifications | 930,607 | (930,607) | - | - |
| Disposals | (42,218) | - | (101,121) | (143,339) |
| At end of year | <u>92,309,654</u> | <u>4,163,523</u> | <u>2,716,839</u> | <u>99,190,016</u> |
| Depreciation | | | | |
| At start of year | 1,626,300 | - | 89,828 | 1,716,128 |
| Transfers between classifications | - | - | - | - |
| Provided during year | 359,716 | - | 10,591 | 370,307 |
| Eliminated on disposal | (3,780) | - | (6,753) | (10,533) |
| At end of year | <u>1,982,236</u> | <u>-</u> | <u>93,666</u> | <u>2,075,902</u> |
| Housing properties cost less depreciation | <u>90,327,418</u> | <u>4,163,523</u> | <u>2,623,173</u> | <u>97,114,114</u> |
| SHG and Other Grants | | | | |
| At start of year | 71,417,103 | 3,425,931 | 2,010,996 | 76,854,030 |
| Received during year | 30,720 | 1,304,272 | - | 1,334,992 |
| Transfers between classifications | 683,878 | (683,878) | - | - |
| Disposals | - | - | (50,257) | (50,257) |
| At end of year | <u>72,131,701</u> | <u>4,046,325</u> | <u>1,960,739</u> | <u>78,138,765</u> |
| Net Book Value | | | | |
| At end of year | <u>18,195,717</u> | <u>117,198</u> | <u>662,434</u> | <u>18,975,349</u> |
| At start of year | <u>16,408,048</u> | <u>2,842</u> | <u>692,836</u> | <u>17,103,726</u> |

Development administration costs capitalised amounted to £4,762 (2009 - £30,519) for which Social Housing Grants amounting to £4,762 (2009 - £30,519) were received in the year.

Notes to the Financial Statements
For the year ended 31st March 2010

| 10. Tangible Fixed Assets - Other Assets | Heritable Property £ | Commercial Property £ | Office Equipment £ | Computer Equipment £ | Motor Vans £ | Other Equipment £ | Total £ |
|---|----------------------------|-----------------------------|--------------------------|----------------------------|--------------------|-------------------------|------------|
| Cost | | | | | | | |
| At start of year | 462,818 | 266,747 | 443,832 | 127,741 | 81,464 | 18,305 | 1,400,907 |
| Additions in year | 87,592 | - | 10,487 | 1,332 | - | - | 99,411 |
| Disposals in year | - | - | - | - | - | - | - |
| At end of year | 550,410 | 266,747 | 454,319 | 129,073 | 81,464 | 18,305 | 1,500,318 |
| Depreciation | | | | | | | |
| At start of year | 181,613 | 41,997 | 286,761 | 116,508 | 37,733 | 2,163 | 666,775 |
| Provided in year | 22,016 | 7,409 | 16,763 | 10,561 | 2,183 | 52 | 58,984 |
| Disposals in year | - | - | - | - | - | - | - |
| At end of year | 203,629 | 49,406 | 303,524 | 127,069 | 39,916 | 2,215 | 725,759 |
| SHG and Other Grants | | | | | | | |
| At start of year | - | 81,534 | - | - | 35,000 | 16,090 | 132,624 |
| Added in Year | - | - | - | - | - | - | - |
| Disposals in year | - | - | - | - | - | - | - |
| At end of year | - | 81,534 | - | - | 35,000 | 16,090 | 132,624 |
| Net Book Value | | | | | | | |
| At end of year | 346,781 | 135,807 | 150,795 | 2,004 | 6,548 | - | 641,935 |
| At start of year | 281,205 | 143,216 | 157,071 | 11,233 | 8,731 | 52 | 601,508 |

Notes to the Financial Statements
For the year ended 31st March 2010

| | | |
|--------------------------------------|-------------|-------------|
| 11. Investments | 2010 | 2009 |
| | £ | £ |
| Investment in subsidiary undertaking | <u>1</u> | <u>1</u> |

During 2005, Fyne Homes Limited acquired 1 ordinary £1 shares in Fyne Initiatives Limited, at par. This represents a 100% shareholding in Fyne Initiatives Limited, a company registered in Scotland, whose principal activities are property development and the rental of commercial property.

The profit on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2010 was £23,671. The capital and reserves of Fyne Initiatives Limited as at 31 March 2010 was £83,161.

Fyne Homes Limited controls Fyne Futures Limited, a Scottish charity and company limited by guarantee, incorporated on 10 February 2005. The principal activity of the charity is the recycling of metal waste and scrap. The charity also performs wider role activities that were previously carried out by Fyne Homes Ltd.

The net incoming resources of Fyne Futures Limited as at 31 March 2010 was £18,750. The capital and reserves of Fyne Futures Limited as at 31 March 2010 was £57,454.

Fyne Homes Limited controls InspirAlba Limited. InspirAlba Limited is a company limited by guarantee and was incorporated on 26 May 2009. The financial statements for the first period of trading are not yet available.

Details of transactions during the year with the above companies can be found at note 24.

| | | |
|---|----------------|------------------|
| 12. Debtors | 2010 | 2009 |
| | £ | £ |
| Amounts falling due within one year: | | |
| Rental arrears | 86,923 | 194,911 |
| Housing benefit receivable | - | - |
| Less: provision for bad debts | (50,000) | (50,000) |
| | <u>36,923</u> | <u>144,911</u> |
| Development funding receivable | - | 683,814 |
| Amounts owed by subsidiary undertakings | 442,691 | 309,437 |
| Other debtors | 134,293 | 156,372 |
| Prepayments and accrued income | 36,929 | 33,873 |
| | <u>650,836</u> | <u>1,328,407</u> |

Included within the amounts owed by subsidiary undertakings is £255,787 (2009: £277,491) from Fyne Initiatives Limited which is due in more than 1 year.

| | | |
|--|------------------|------------------|
| 13. Creditors – amounts falling due within one year | 2010 | 2009 |
| | £ | £ |
| Bank loans and overdrafts | 463,898 | 419,354 |
| Trade creditors | 110,055 | 263,399 |
| Contract retentions | 195,953 | 206,982 |
| Accruals and deferred income | 471,421 | 388,717 |
| Rent in advance | 114,036 | 69,143 |
| PAYE/NIC creditor | - | 29,395 |
| Amounts owed to related party | 21,363 | - |
| Other creditors | - | 69,278 |
| | <u>1,376,726</u> | <u>1,446,268</u> |

Outstanding retentions will be financed in due course either by further grants or additional loan funding.

Notes to the Financial Statements
For the year ended 31st March 2010

| 14. Creditors – amounts falling due after more than one year | 2010 £ | 2009 £ |
|--|-------------------|-------------------|
| Bank term loans | 15,664,740 | 13,915,152 |
| Amount owed to subsidiary undertakings | - | 72,976 |
| | <u>15,664,740</u> | <u>13,988,128</u> |

Bank term loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest. The above creditors are due as follows:

| | £ | £ |
|----------------------------|-------------------|-------------------|
| Between one and two years | 494,525 | 441,397 |
| Between two and five years | 1,628,132 | 1,449,397 |
| In five years or more | 13,542,083 | 12,097,334 |
| | <u>15,664,740</u> | <u>13,988,128</u> |

| 15. Share Capital | 2010 £ | 2009 £ |
|---|------------|------------|
| Shares of £1 each issued and fully paid | | |
| At beginning of year | 187 | 199 |
| Issued during year | 18 | 5 |
| Shares forfeited in year | (18) | (17) |
| At end of year | <u>187</u> | <u>187</u> |

16. Directors' emoluments

The directors are defined as the members of the Management Committee, the executive officers and any other person reporting directly to the Director or the Management Committee. No emoluments were paid to any member of the Management Committee during the year.

A McDougall retired on 25 January 2010 with C Renfrew appointed acting director on 27 January 2010. He was redesignated the Chief Executive on 16 March 2010. The emoluments below relate to the previous director.

| | 2010 £ | 2009 £ |
|--|---------------|---------------|
| Emoluments (excluding pension contributions) of Director | <u>77,646</u> | <u>71,747</u> |

Number of employees whose emoluments exceed £60,000 during the year were as follows (excluding pension contributions):-

| | | |
|-------------------|----------|----------|
| £65,001 - £70,000 | 1 | - |
| £70,001 - £75,000 | - | 1 |
| £75,001 - £80,000 | 1 | - |
| | <u>1</u> | <u>1</u> |

Total expenses reimbursed in so far as not chargeable to U.K. Income Tax

| | | |
|--|----------|----------|
| | <u>-</u> | <u>-</u> |
|--|----------|----------|

The Director is an ordinary member of the Association's pension scheme described in note 21. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes. The Association's contribution for the Director in the year amounted to £10,182 (2009: £ 11,865).

Notes to the Financial Statements
For the year ended 31st March 2010

17. Employee Information

The number of persons (head count) employed during the year was:

| | 2010 Number | 2009 Number |
|------------------------|----------------|----------------|
| Maintenance Operatives | 4 | 5 |
| Administration Staff | 38 | 38 |
| Wardens and Cleaners | 3 | 6 |
| | <u>45</u> | <u>49</u> |

The average weekly number of persons (full time equivalent) employed by the Association during the year was:

| | |
|-----------|-----------|
| <u>40</u> | <u>43</u> |
|-----------|-----------|

| | 2010 £ | 2009 £ |
|--|------------------|------------------|
| Staff costs (including directors' emoluments): | 1,059,973 | 1,114,611 |
| Social security costs | 89,163 | 90,655 |
| Pension costs | 154,167 | 153,639 |
| FRS 17 pension adjustment (Note 21) | 21,000 | (1,000) |
| | <u>1,324,303</u> | <u>1,357,905</u> |

18. Operating Surplus

| | 2010 £ | 2009 £ |
|---|-----------|-----------|
| Operating surplus is stated after charging: | | |
| Depreciation | 429,291 | 324,689 |
| Repairs: cyclical, major, day to day | 918,086 | 1,027,379 |
| Auditor's remuneration | | |
| - In their capacity as auditors | 13,000 | 13,000 |
| - In respect of other services | 3,000 | 3,000 |
| Loss on disposal of fixed assets | - | - |
| | <u>-</u> | <u>-</u> |

19. Taxation

The Association is a Registered Charity and is therefore exempt from Corporation Tax on its charitable activities.

**Notes to the Financial Statements
For the year ended 31st March 2010**

| 20. Capital Commitments | 2010 £ | 2009 £ |
|---|------------------|----------------|
| Capital expenditure which has been contracted for but has not been provided for in the financial statements | 3,954,356 | 416,684 |
| Capital expenditure which has been authorised by Committee of Management but is not contracted | - | - |
| | <u>3,954,356</u> | <u>416,684</u> |
| This is to be funded by: | | |
| Funding from the Scottish Government | 871,496 | 416,684 |
| Other grants | 801,868 | - |
| Private Finance | 2,280,992 | - |
| | <u>3,954,356</u> | <u>416,684</u> |

21. Pensions

SFHA Pension Scheme

General

Fyne Homes Limited participates in the SFHA Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme currently operates three benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Fyne Homes has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1st April 2008 and the career average revalued earnings with a 1/70th accrual rate benefit structure for new entrants from 1st April 2008.

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

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

During the accounting period, Fyne Homes Limited paid contributions at the rate of 11.9% to 15.4% of pensionable salaries. Member contributions were 6% to 7.7%.

**Notes to the Financial Statements
For the year ended 31st March 2010**

21. Pensions (continued)

As at the balance sheet date there were 34 active members of the Scheme employed by Fyne Homes Limited. Fyne Homes Limited continues to offer membership of the Scheme to its employees.

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £149million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA Pension Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

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

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-

| | % pa |
|--|------|
| - Investment return pre retirement | 7.2 |
| - Investment return post retirement | 4.9 |
| - Rate of salary increases | 4.6 |
| - Rate of pension increases | |
| Pension accrued pre 6 April 2005 | 2.6 |
| Pension accrued from 6 April 2005 | 2.25 |
| (for leavers before 1 October, 1993 pension increases are 5.0% pa) | |
| - Rate of price inflation | 2.6 |

Valuation results

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

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

**Notes to the Financial Statements
For the year ended 31st March 2010**

21. Pensions (continued)

Valuation results

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

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

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

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

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

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

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

**Notes to the Financial Statements
For the year ended 31st March 2010**

21. Pensions (continued)

Valuation results

The next full actuarial valuation will be carried out as at 30 September 2009.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt would be due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

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

Fyne Homes Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2006. As of this date the estimated employer debt for Fyne Homes Limited was £4,697,308.

The Association does not intend to withdraw from the scheme and the trustee has confirmed that there is no intention to wind up the Scheme.

The actuarial results for the triennial valuation performed as at 30 September 2009 are due out in the autumn. The provisional results show a deficit of £160.1 million. The funding position of the Scheme has deteriorated to 64.8% as at 30 September 2009.

Strathclyde Pension Fund

Fyne Homes Limited participates in the Strathclyde Pension Fund which is a statutory multi-employer defined benefit scheme. It is administered by Glasgow City Council in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

A formal valuation of the Strathclyde Pension Fund was done at 31 March 2008, with the next formal valuation due as at 31 March 2011.

The main financial assumptions used by the Council's Actuary, Hymans Robertson, in their FRS 17 calculations are as follows:

| Assumptions as at | 31 March 2010 | 31 March 2009 |
|-----------------------------------|------------------|------------------|
| Inflation / Pension Increase Rate | 3.8% | 3.1% |
| Salary increases | 5.3% | 4.6% |
| Expected Return on Assets | 7.2% | 6.5% |
| Discount rate | 5.5% | 6.9% |

Notes to the Financial Statements
For the year ended 31st March 2010

21. Pensions (continued)

Mortality

Life expectancy is based on the PFA91 and PMA92 tables, with mortality improvements projected based on members' individual year of birth. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|--------------------|------------|------------|
| Current Pensioners | 20.6 years | 23.9 years |
| Future Pensioners | 22.6 years | 25.0 years |

The following details relate to Fyne Homes Limited and show the fair value of the assets, analysed over the main asset classes, together with the expected returns for each asset class.

Scheme assets

The assets in the scheme and the expected rate of return were:-

| | Long term rate of return 31 March 2010 | Value at 31 March 2010 | Long term rate of return 31 March 2009 | Value at 31 March 2009 |
|-------------------------------------|---|---------------------------|--|------------------------------|
| | | £000 | | £000 |
| Equities | 7.8% | 1,128 | 7.0% | 756 |
| Government securities | 5.0% | 190 | 5.4% | 166 |
| Property | 5.8% | 103 | 4.9% | 83 |
| Cash | 4.8% | 44 | 4.0% | 31 |
| Total | | <u>1,465</u> | | <u>1,036</u> |
| Present value of scheme liabilities | | (2,029) | | (1,195) |
| Net pension liability | | <u>(564)</u> | | <u>(159)</u> |

Notes to the Financial Statements
For the year ended 31st March 2010

21. Pensions (continued)

Reconciliation of defined benefit obligation

| Year Ended: | 31 Mar 2010 (£(000)) |
|---|-------------------------|
| Opening Defined Benefit Obligation | 1,195 |
| Current Service Cost | 23 |
| Interest Cost | 84 |
| Contributions by Members | 16 |
| Actuarial Losses / (Gains) | 712 |
| Past Service Costs / (Gains) | 10 |
| Liabilities Extinguished on Settlements | - |
| Liabilities Assumed in a Business Combination | - |
| Exchange Differences | - |
| Estimated Unfunded Benefits Paid | - |
| Estimated Benefits Paid | (11) |
| Closing Defined Benefit Obligation | 2,029 |

Reconciliation of fair value of employer assets

| Year Ended: | 31 Mar 2010 £(000) |
|---|-----------------------|
| Opening Fair Value of Employer Assets | 1,036 |
| Expected Return on Assets | 68 |
| Contributions by Members | 16 |
| Contributions by the Employer | 28 |
| Contributions in respect of Unfunded Benefits | - |
| Actuarial Gains / (Losses) | 328 |
| Assets Distributed on Settlements | - |
| Assets Acquired in a Business Combination | - |
| Exchange Differences | - |
| Estimated Unfunded Benefits Paid | - |
| Estimated Benefits Paid | (11) |
| Closing Fair Value of Employer Assets | 1,465 |
| Net pension liability | (564) |

Analysis of amount recognised in Statement of Total Recognised Gains and Losses

| | 2010 £ |
|--|------------------|
| Actual return less expected return on scheme assets | 328,000 |
| Changes in assumptions underlying the present value of scheme liabilities | (712,000) |
| Actuarial loss recognised in statement of recognised gains and losses | (384,000) |

Notes to the Financial Statements
For the year ended 31st March 2010

21. Pensions (continued)

Analysis of amounts included in Income & Expenditure Account

| | 2010 |
|--|-------------|
| | £000 |
| Expected return on pension scheme assets | 68 |
| Interest on pension scheme liabilities | (84) |
| Current service cost | (23) |
| Past service cost | (10) |
| Contribution by employers | 28 |
| | <hr/> |
| Credit to staff costs | (21) |
| | <hr/> |

22. Property Stock

The number of units of accommodation owned by the Association was as follows:-

| | Units in Management | | Units under Development | |
|--|------------------------|-------|----------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| General Needs Housing | | | | |
| Unimproved | 2 | 2 | - | - |
| New Build | 680 | 680 | 43 | 4 |
| Improved | 685 | 663 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 1367 | 1,345 | 43 | 4 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Shared Ownership Accommodation | 53 | 54 | - | - |
| Supported Housing Accommodation | 30 | 30 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Housing Stock | 1450 | 1,429 | - | 4 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other Property | | | | |
| Commercial | 2 | 2 | - | - |
| Heritable – Association's offices | 4 | 3 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total Other Property | 6 | 5 | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes to the Financial Statements
For the year ended 31st March 2010

23. Revenue Commitments

| Operating Leases which expire: | 2010 Premises £ | 2009 Premises £ |
|--------------------------------|-----------------------|-----------------------|
| Within one year | 15,833 | 10,500 |
| Within one to five years | 8,640 | - |
| After 5 years | - | 8,640 |
| | <u>24,473</u> | <u>19,140</u> |

24. Related party transactions

Fyne Futures Limited

Fyne Futures Limited is a subsidiary undertaking of Fyne Homes Limited.

During the year Fyne Homes Limited charged management fees of £9,000 (2009:£9,000) to Fyne Futures Limited.

During the year, Fyne Futures Limited (Bio-Fuel Section) was charged £1,750 (2009:£nil) for the rental of storage space by Fyne Homes Limited.

During the year payroll costs and other costs were paid on behalf of Fyne Futures Limited by Fyne Homes Limited. These costs were recharged in full to Fyne Futures Limited.

At the balance sheet date the Association was owed £66,806 (2009: £11,344) by Fyne Futures Limited. Also at the year end, included in other debtors is an amount of £1,610 (2009: nil) owed to Fyne Homes Limited.

Fyne Initiatives Limited

Fyne Initiatives Limited is a subsidiary undertaking of Fyne Homes Limited.

During the year Fyne Homes Limited charged management fees of £32,000 (2009: £32,000) to Fyne Initiatives Limited.

During the year housing properties under the course of construction, with cost of £nil (2009: £473,840) and related HAG of £nil (2009: £245,132) were transferred from Fyne Homes Limited to Fyne Initiatives Limited.

Fyne Homes Limited entered into a design and build contract with Fyne Initiatives Limited regarding the development at Lochgilphead High School. £1,265,661 (2009: £nil) was invoiced to Fyne Homes Limited by Fyne Initiatives Limited in respect of work carried out in the year.

During the year expenditure was incurred by Fyne Homes Limited on behalf of Fyne Initiatives Limited. These costs were recharged in full to Fyne Initiatives Limited.

The amount due to Fyne Homes Limited from Fyne Initiatives Limited in respect of the above transactions, at the balance sheet date, was £98,394 (2009: £ nil).

At the balance sheet date, the amount due by Fyne Homes Limited to Fyne Initiatives Limited was £nil (2009: £72,976).

In 2005 Fyne Homes Limited made a commercial loan to Fyne Initiatives Limited for £370,556. The loan is to be repaid over 15 years and the balance outstanding at the balance sheet date was £277,491. (2009: £298,093). £21,704 (2009: £20,602) of this balance is due within one year, with the remainder of the balance, £255,787 (2009: £277,491), is due after more than one year. Interest of £15,948 (2009: £16,994) was paid by Fyne Initiatives Limited in respect of this loan.

**Notes to the Financial Statements
For the year ended 31st March 2010**

24. Related party transactions (continued)

InspirAlba Limited

InspirAlba Limited is a related party by common control. InspirAlba Limited is a company limited by guarantee and incorporated on 26 May 2009.

During the year, Fyne Homes Limited received funding of £23,810 (2009:£nil) on behalf of InspirAlba Limited and incurred costs of £2,447 (2009:£nil) on behalf of InspirAlba Limited.

At the balance sheet date the Association owed £21,363 (2009:£nil) to InspirAlba Limited. This is included within creditors.

25. Legislative Provisions

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