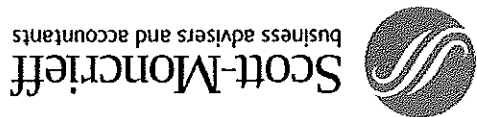


FYNE HOMES LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2013



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Registration Information	Financial Services Authority	Industrial and Provident Societies Act 1965	Registered number 1454 R (S)
The Scottish Housing Regulator	Housing (Scotland) Act 2010	Registered number 321	SC009152
Recognised Scottish Charity			

Members, Executives and Advisers

Management Committee

F Lingard, Chairperson
T McKay, Vice Chairperson

R R Reid, Secretary

I Dunn

R Harding (resigned 17/7/12)

H Kirk

F McGowan

J McMillan

J Pemble (resigned 12/9/12)

P Wallace

T Harrison (appointed 12/9/12)

M Lang (appointed 12/9/12)

D Anderson (appointed 12/9/12)

L Scoullar (appointed 12/9/12)

Executive Officers

C Renfrew, Chief Executive

J McAllister, Technical Services Director

M Bowie, Housing Director

Bankers

Bank of Scotland

36/42 Montague Street

Rothesay

PA20 0BT

Solicitors

T C Young

Solicitors

7 West George Street

Glasgow

G2 1BA

Registered Office

81 Victoria Street

Rothesay

Isle of Bute

PA20 0AP

Auditor

Scott-Moncrieff

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

**Report of the Management Committee
For the year ended 31 March 2013**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2013.

Principal activities

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

Review of business and future developments

Two schemes are currently on site at Lochgilphead which will provide 40 rented units on completion in 2013/14.

A further scheme of 6 rented units at Ardfern has received Argyll & Bute Council Grant Funding approval.

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 Campbeltown 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 Management Committee and executive officers

The Management Committee and executive officers of the Association are listed on page 1.

Each member of the Management Committee 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 Management 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 reviews of financial results compared with an agreed budget and authorisation of all expenditure by senior staff and the Management Committee.

**Report of the Management Committee
For the year ended 31 March 2013**

Disclosure of information to the auditor


To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Management Committee is aware, there is no relevant information of which the Association's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a Committee Member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

Auditor

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

By order of the committee



R R Reid
Secretary

Dated: 4 September 2013

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; and
- * 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 Auditor to the members of Fyne Homes Limited

We have audited the financial statements of Fyne Homes Limited for the year ended 31 March 2013 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the Management Committee and the auditor

As explained more fully in the Management Committee Responsibilities statement set out on page 4, the Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices' Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts, 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator.

Report of the Independent Auditor
To the members of Fyne Homes Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002, require us to report to you if, in our opinion:

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

Scott-Moncrieff

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

Dated: 4 September 2013

**Report of the Auditor 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 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: 4 September 2013

Income and Expenditure Account
For the year ended 31 March 2013

	Notes	2013	2012
		£	£
Turnover	2	5,508,167	5,118,845
Less: Operating costs	2	(4,073,793)	(3,844,503)
Operating surplus	2	<u>1,434,374</u>	<u>1,274,342</u>
Net gain on disposal of fixed assets		56,580	38,824
Interest receivable and other income	5	20,676	28,954
Interest payable and similar charges	6	(614,062)	(620,169)
Surplus for the year		<u>897,568</u>	<u>721,951</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.

Statement of Total Recognised Gains and Losses
For the year ended 31 March 2013

	2013	2012
	£	£
	Note	
Surplus for the year	897,568	721,951
Actuarial loss recognised in the retirement benefit pension scheme	(101,000)	(495,000)
Total recognised gains and losses relating to the year	<u>796,568</u>	<u>226,951</u>
Prior year adjustment	-	647,336
	26	
	<u>796,568</u>	<u>874,287</u>

The notes form part of these financial statements.

Balance Sheet
As at 31st March 2013

	Notes	2013	2012
Tangible fixed assets		£	£
Housing properties – cost less depreciation	9	106,069,491	104,816,906
Less SHG and other grants	9	(81,060,943)	(82,327,675)
Other fixed assets	9	25,008,548	22,489,231
	10	485,425	507,619
		25,493,973	22,996,850
Investments	11	1	1
		25,493,974	22,996,851
Current assets			
Debtors due in more than 1 year	12	363,457	388,834
Debtors due within 1 year	12	1,036,659	1,272,128
Cash at bank and in hand		1,186,519	393,397
Creditors: amounts falling due within one year	13	(2,162,166)	(2,054,359)
Net current assets		424,469	159,126
Total assets less current liabilities		25,918,443	23,155,977
Creditors: amounts falling due after more than one year	14	(18,524,438)	(16,623,532)
Retirement benefit pension scheme deficit	21	(728,000)	(663,000)
Net assets		6,666,005	5,869,445
Capital and reserves			
Share capital	15	156	164
Designated reserves	7	64,600	2,105,675
Revenue reserve	8	7,329,249	4,426,606
Pension reserve	8	(728,000)	(663,000)
		6,666,005	5,869,445

The financial statements were authorised for issue by the Management Committee on 4 September 2013 and were signed on its behalf by:

Chairperson – P Lingard
Secretary – R R Reid
Vice Chairperson – T McKay

The notes form part of these financial statements.

	Notes	2013	2012
		£	£
Net cash inflow from Operating activities	1	2,525,549	1,407,065
Returns on investments and servicing of finance	2	(593,386)	(591,215)
Investing activities	2	(3,143,073)	(1,590,900)
Net cash outflow from Operating activities		(1,210,910)	(775,050)
Financing	2	2,004,032	(418,286)
Increase/(decrease) in cash	4	793,122	(1,193,336)

Notes to the Cash Flow Statements
For the year ended 31st March 2013

	2013	2012
1) Reconciliation of surplus for year to net cash inflow from operating activities		
Operating surplus	1,434,374	1,274,342
Depreciation	702,530	622,059
Decrease/(increase) in debtors	260,846	(695,267)
Increase in creditors	163,799	219,931
Non cash movement relating to pension liability	(36,000)	(14,000)
	<u>2,525,549</u>	<u>1,407,065</u>
2) Gross cash flows	2013	2012
£	£	£
Returns on investments and servicing of Finance	20,676	28,954
Interest received	-	-
Interest paid	(614,062)	(620,169)
	<u>(593,386)</u>	<u>(591,215)</u>
Investing activities	(3,578,096)	(4,174,412)
Purchase and development of housing properties (excluding of transfers)	373,483	2,532,699
SHG received (excluding of transfers)	(29,640)	(30,442)
Payments for other tangible fixed assets	68,481	106,602
Sale of housing properties	-	(44,847)
SHG to be repaid in respect of disposals	22,699	19,500
Sale of other fixed assets	-	-
	<u>(3,143,073)</u>	<u>(1,590,900)</u>
Financing	(8)	(17)
Net (forfeiture)/issue of ordinary share capital	2,775,541	350,000
Loan finance received	(771,501)	(768,269)
Loans repaid	2,004,032	(418,286)

Notes to the Cash Flow Statements
For the year ended 31st March 2013

3) Analysis of Changes in Net Debt

At 1 April 2012	Cash Flow	Other Changes	At 31 March 2013
£ 393,397	£ 793,122	£ -	£ 1,186,519
£ (626,872)	£ (103,134)	£ -	£ (730,006)
£ (16,623,532)	£ (1,900,906)	£ -	£ (18,524,438)
£ (16,857,007)	£ (1,210,918)	£ -	£ (18,067,925)

Cash in hand, at bank
Debt due within 1 year
Debt due after 1 year

4)

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

2013	2012
£ 793,122	£ (1,193,336)
£ (2,775,541)	£ (350,000)
£ 771,501	£ 768,269
£ (1,210,918)	£ (775,067)
£ (16,857,007)	£ (16,081,940)
£ (18,067,925)	£ (16,857,007)

Increase/(decrease) for the year
Loans received
Loans repaid
Change in net debt

Net debt at 1 April 2012

Net debt at 31 March 2013

Notes to the Financial Statements
For the year ended 31st March 2013

1. Accounting policies

(a) Introduction and accounting basis

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

These financial statements are prepared in accordance with applicable accounting standards and comply with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2012 issued by the Scottish Housing Regulator and the Statement of Recommended Practice (SORP) Accounting by registered social housing providers issued in 2010.

(b) Going concern

The Management Committee anticipate that a surplus will be generated in the years to 31 March 2014 and 2015. The Association has a healthy cash position and thus the Management Committee is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Management Committee continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) 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.

(d) 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.

(e) 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 the sale of property, but will normally be restricted to the net proceeds of sale.

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

Notes to the Financial Statements
For the year ended 31st March 2013

1. Accounting policies (continued)

(f) 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; and
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 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.

(g) Depreciation

(i) Housing properties

Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

- Land - not depreciated
- Structure - over 50 years
- Roofs - over 40 years
- Windows - over 25 years
- Bathrooms - over 25 years
- Kitchen - over 20 years
- Central Heating - over 20 years
- Rewiring - over 20 years
- Lifts - over 20 years

(ii) 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 and Other Equipment 33.33% per annum on cost
- Motor Vehicles 25% per annum, reducing balance

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 2013

1. Accounting policies (continued)

(h) Designated Reserves (Note 7)

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.

(i) 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.

(j) Pensions (note 21)

The Association contributes to two defined benefit schemes, namely the Scottish Housing Association Pension Scheme (SHAPS) and the Strathclyde Pension Fund. 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 Scottish Housing Association 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.

(k) Consolidation

The Association and its subsidiary undertakings comprise a group. The accounts represent the results of the Association and not of the group. Consolidated group accounts have been prepared and are publicly available.

(l) Operating leases

Rentals under operating leases are recognised in the Income and Expenditure Account.

Notes to the Financial Statements
For the year ended 31st March 2013

2. Particulars of Turnover, Operating Costs and Operating Surplus

	2013			2012		
	Turnover £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (Note 3)	5,288,889	(3,854,515)	1,434,374	4,916,474	(3,642,132)	1,274,342
Other activities (Note 4)	219,278	(219,278)	-	202,371	(202,371)	-
	<u>5,508,167</u>	<u>(4,073,793)</u>	<u>1,434,374</u>	<u>5,118,845</u>	<u>(3,844,503)</u>	<u>1,274,342</u>

FYNE HOMIES LIMITED

Notes to the Financial Statements
For the year ended 31 March 2013

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2013 Total £	2012 Total £
Income from rent and service charges					
Rent receivable net of service charges	5,063,818	96,178	103,460	5,263,456	4,853,341
Service charges	111,516	4,576	-	116,092	104,779
Gross income from rents and service charges	5,175,334	100,754	103,460	5,379,548	4,958,120
Less voids	(90,659)	-	-	(90,659)	(41,646)
Net income from rents and service charges	5,084,675	100,754	103,460	5,288,889	4,916,474
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	5,084,675	100,754	103,460	5,288,889	4,916,474
Expenditure					
Management and maintenance administration costs	(1,616,065)	(90,298)	(86,380)	(1,792,743)	(1,670,077)
Service charges	(142,585)	(4,576)	-	(147,161)	(104,779)
Planned cyclical maintenance including major repairs	(569,675)	-	-	(569,675)	(674,192)
Reactive maintenance costs	(680,936)	-	-	(680,936)	(602,376)
Bad debts – rents and service charges	(13,304)	-	-	(13,304)	(24,468)
Depreciation of social housing	(627,736)	(5,880)	(17,080)	(650,696)	(566,240)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	(3,650,301)	(100,754)	(103,460)	(3,854,515)	(3,642,132)
Operating Surplus on letting activities, 2013	1,434,374	-	-	1,434,374	-
Operating Surplus on letting activities, 2012	1,274,342	-	-	1,274,342	1,274,342

Notes to the Financial Statements for the year ended 31 March 2013

4. Particulars of turnover, operating costs and operating surplus from other activities

	Grants from Scottish Ministers 2013 £	Other revenue grants 2013 £	Supporting people income 2013 £	Other income 2013 £	Total Turnover 2013 £	2012 £	Other operating costs 2013 £	Other operating costs 2012 £	Operating surplus or (deficit) 2013 £	2012 £
Stage 3 adaptations	110,215	-	-	-	110,215	109,845	(110,215)	(109,845)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	33,739	33,739	33,114	(33,739)	(33,114)	-	-
Development and construction of property activities	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	3,120	-	(3,120)	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	24,094	24,094	27,178	(24,094)	(27,178)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	26,938	24,292	-	-	51,230	29,114	(51,230)	(29,114)	-	-
Total from other activities, 2013	137,153	24,292	-	57,833	219,278	(219,278)			-	-
Total from other activities, 2012						202,371		(202,371)		-

Notes to the Financial Statements
For the year ended 31st March 2013

5.	Interest receivable and other income	2013	2012
	Interest receivable on deposits	1,465	8,519
	Interest receivable on loan to subsidiary	19,211	20,435
		<u>20,676</u>	<u>28,954</u>
6.	Interest payable and similar charges	2013	2012
	On loans from the Scottish Government	19,967	27,473
	On private loans	594,095	592,696
		<u>614,062</u>	<u>620,169</u>
7.	Designated reserves	Transfer to reserves	Transfer from reserves
	Opening balance	£	£
	64,600	-	-
	2,041,075	-	(2,041,075)
	2,105,675	-	(2,041,075)
		<u>£</u>	<u>£</u>
		64,600	64,600
		-	-
		-	64,600
		<u>£</u>	<u>£</u>
		64,600	64,600
8.	Revenue reserves	2013	2012
	As at 31 March 2013	6,601,249	3,763,606
	At 1 April 2012	3,763,606	3,536,655
	Statement of Total Recognised Gains and Losses	796,568	226,951
	Transfer from designated reserves	2,041,075	-
		<u>6,601,249</u>	<u>3,763,606</u>
	Split as follows:		
	Revenue reserve	7,329,249	4,426,606
	Pension reserve	(728,000)	(663,000)
		<u>6,601,249</u>	<u>3,763,606</u>

Following the introduction of component accounting the major repairs reserve is no longer required. As a consequence, the balance has been transferred to revenue reserves.

Notes to the Financial Statements
For the year ended 31st March 2013

9. Tangible Fixed Assets	£		
	Shared Ownership Properties Held for Letting	Properties In Course of Construction	Letting
Cost			
At start of year	107,983,148	2,716,839	95,193,652
Additions during year	3,578,096	-	1,250,157
Transfers in year	-	-	2,327,939
Transfers in year	-	-	(7,423,506)
Eliminated on disposal	(357,005)	-	(2,031,820)
At end of year	109,529,424	2,716,839	101,835,495
Depreciation			
At start of year	3,166,242	122,318	3,043,924
Transfers in year	-	-	-
Provided during year	650,696	17,080	633,616
Eliminated on disposal	(357,005)	-	(357,005)
At end of year	3,459,933	139,398	3,320,535
Housing properties cost less depreciation			
At start of year	106,069,491	2,577,441	98,514,960
SHG and Other Grants			
At start of year	82,327,675	1,960,739	71,984,387
Received during year	373,483	-	(16,293)
Transfers in year	-	-	5,529,326
Disposals	(1,640,215)	-	(1,640,215)
At end of year	81,060,943	1,960,739	75,857,205
Net Book Value			
At end of year	25,008,548	616,702	22,657,755
At start of year	22,489,231	633,782	20,165,341

Development administration costs capitalised amounted to £nil (2012 - £137,518) for which Social Housing Grants amounting to £nil (2012 - £29,114) were received in the year.

The proceeds of sale in respect of the two Right to Buy disposals in the year was £68,481. These two units cost £40,389 and had a net book value of £34,600.

The cost of new components capitalised in the year was £1,200,593.

Components with a cost of £1,991,431, HAAG of £1,640,215 and accumulated depreciation of £351,216 were disposed of in the year.

Notes to the Financial Statements
For the year ended 31st March 2013

10.	Tangible Fixed Assets - Other Assets	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
Cost								
At start of year	556,645	556,645	60,256	463,955	167,185	43,511	20,811	1,312,363
Additions in year	-	-	-	18,068	10,138	-	1,434	29,640
Transfers in year	-	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-	-
At end of year	556,645	556,645	60,256	482,023	177,323	43,511	22,245	1,342,003
Depreciation								
At start of year	247,911	247,911	19,241	333,395	149,510	35,547	3,050	788,654
Provided in year	22,266	22,266	2,410	14,862	9,270	1,991	1,035	51,834
Transfers in year	-	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-	-
At end of year	270,177	270,177	21,651	348,257	158,780	37,538	4,085	840,488
SHG and Other Grants								
At start of year	-	-	-	-	-	-	16,090	16,090
Added in Year	-	-	-	-	-	-	-	-
Transfers in year	-	-	-	-	-	-	-	-
Disposals in year	-	-	-	-	-	-	-	-
At end of year	-	-	-	-	-	-	16,090	16,090
Net Book Value								
At end of year	286,468	286,468	38,605	133,766	18,543	5,973	2,070	485,425
At start of year	308,734	308,734	41,015	130,560	17,675	7,964	1,671	507,619

Notes to the Financial Statements
For the year ended 31st March 2013

	2013	2012
11. Investments	£ 1	£ 1
	Investment in subsidiary undertaking	

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 properly development and the rental of commercial property.

The profit on ordinary activities after taxation of Fyne Initiatives Limited as at 31 March 2013 was £13,684 (2012: a loss of £693). The capital and reserves of Fyne Initiatives Limited as at 31 March 2013 was £140,976 (2012: £127,292).

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 net incoming resources of Fyne Futures Limited as at 31 March 2013 was £2,986 (2012: outgoing resources of £7,946). The capital and reserves of Fyne Futures Limited as at 31 March 2013 was £67,927 (2012: £64,491).

Fyne Homes Limited controls InspirAlba Limited. InspirAlba Limited is a company limited by guarantee and was incorporated on 26 May 2009. The company's financial statements for the period ended 31st August 2012 showed net incoming resources of £10,918. The capital and reserves of InspirAlba Limited as at 31st August 2012 was £48,678. The financial statements for the year to 31st August 2013 are not yet available.

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

	2013	2012
12. Debtors	£ 107,283	£ 104,302
	Rental arrears	
	Less: provision for bad debts	
	57,283	54,302
	Amounts owed by subsidiary undertakings (due within 1 year)	
	549,870	600,698
	19,159	10,576
	Other debtors	
	135,842	120,936
	Prepayments and accrued income	
	274,505	485,616
	363,457	388,834
	Amounts owed by subsidiary undertakings (due in more than 1 year)	
	1,400,116	1,660,962

	2013	2012
13. Creditors – amounts falling due within one year	£ 730,006	£ 626,872
	Bank loans and overdrafts	
	148,698	152,712
	Trade creditors	
	328,771	230,706
	Contract retentions	
	772,896	533,407
	Accruals and deferred income	
	17,234	188,022
	Amounts owed to subsidiary undertakings	
	136,862	122,681
	27,699	40,833
	PAYE/NIC creditor	
	2,162,166	1,895,233

Outstanding retentions will be financed in due course either by further grants or additional loan funding. Included in accruals is £46,174 in respect of pension contributions to be paid to the various pension providers (2012: £19,988).

Notes to the Financial Statements
For the year ended 31st March 2013

14. Creditors – amounts falling due after more than one year

	2013	2012
Bank term loans	18,524,438	16,623,532

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:

	2013	2012
Between one and two years	774,514	643,391
Between two and five years	2,347,978	2,049,355
In five years or more	15,401,946	13,930,786
	18,524,438	16,623,532

15. Share Capital

	2013	2012
Shares of £1 each issued and fully paid	164	181
At beginning of year	164	181
Issued during year	5	8
Shares forfeited in year	(13)	(25)
At end of year	156	164

Each share has the right to one vote. There is no right to receive any dividends or any distribution on wind up.

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 Chief Executive or the Management Committee. No emoluments were paid to any member of the Management Committee during the year.

	2013	2012
Emoluments (excluding pension contributions) of:		
Chief Executive	74,884	74,030

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

	2013	2012
£60,000 - £70,000	-	-
£70,001 - £80,000	1	1
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	-	1

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

2013	1,516
2012	1,809

The total paid to employees whose emoluments, excluding pension contributions, exceeded £60,000 during the year was £74,884 (2012: £184,169). This included a redundancy payment of £nil (2012: £52,645).

The Chief Executive is an ordinary member of the Association's pension scheme described in note 21. The Association's contribution for the Chief Executive in the year amounted to £12,011 (2012: £11,877).

17. Employee Information

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

	2013	2012
Maintenance Operatives	4	4
Administration Staff	33	34
Wardens and Cleaners	2	2
	<u>39</u>	<u>40</u>

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

	2013	2012
Staff costs (including directors' emoluments):	£ 846,963	£ 853,205
Social security costs	92,771	106,300
Pension costs	218,826	164,080
FRS 17 pension adjustment (Note 21)	(36,000)	(14,000)
	<u>1,122,560</u>	<u>1,109,585</u>

Not included above is £nil (2012: £137,518) of development staff costs that have been capitalised in the year and £94,182 (2012: £78,334) of maintenance staff costs which have been allocated to maintenance costs.

18. Operating Surplus

	2013	2012
Operating surplus is stated after charging:	£ 702,530	£ 622,059
Depreciation	702,530	622,059
Repairs: cyclical, major, day to day	1,250,611	1,276,568
Auditor's remuneration	11,000	14,000
- In their capacity as auditors	11,000	14,000
- In respect of other services	500	3,000
	<u>1,964,641</u>	<u>1,929,626</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 2013

20. Capital Commitments

	2013	2012
Capital expenditure which has been contracted for but has not been provided for in the financial statements	1,385,054	3,174,179
Capital expenditure which has been authorised by the Management Committee but is not contracted	-	-
	<u>1,385,054</u>	<u>3,174,179</u>

This is to be funded by:
Funding from the Scottish Government
Other grants
Private Finance

574,464	188,765
210,365	1,196,289
2,389,350	1,385,054
<u>3,174,179</u>	<u>1,385,054</u>

21. Pensions

Scottish Housing Association Pension Scheme (SHAPS)

General

Fyne Homes Limited participates in the Scottish Housing Association 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 offers five 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;
- Career average revalued earnings with a 1/80th accrual rate; and
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

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.

From 1 April 2011, Fyne Homes has operated the career average revalued earnings with a 1/120th accrual rate benefit.

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.

21. Pensions (continued)

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 4.7% of pensionable salaries. Member contributions were 4.7%.

In addition to these contributions, £100,161 was paid in the year as a past deficit contribution.

As at the balance sheet date there were 28 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. As the Scheme is a multi-employer arrangement where the 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 2009 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%. 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 2009.

Financial Assumptions

The financial assumptions underlying the valuation were as follows:-

7.4	- Investment return pre retirement
4.6	- Investment return post retirement – non-pensioners
4.8	- Investment return post retirement – pensioners
4.5	- Rate of salary increases
2.9	- Rate of pension increases
2.2	Pension accrued pre 6 April 2005
	Pension accrued from 6 April 2005
	(for leavers before 1 October 1993 pension increases are 5.0% pa)
3.0	- Rate of price inflation

Notes to the Financial Statements
For the year ended 31st March 2013

21. Pensions (continued)

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.

Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. Minimum improvement

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)	19.2
Final salary 60ths		17.1
Career average 60ths		14.9
Career average 70ths		13.2
Career average 80ths		9.4
Career average 120ths		10.4
Additional rate for deficit contributions		

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 SHAPS based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Fyne Homes Limited was £5,908,337.

The actuarial valuation as at 30 September 2012 is expected to be available in December 2013.

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.

Scottish Life

From 1 April 2011, members of the SHAPS scheme have the option to join the "top up" scheme Fyne Homes Limited has with Scottish Life, employee contribution is their choice and the employer contribution is 2%.

21. Pensions (continued)

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.

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

Assumptions as at	31 March 2013	31 March 2012
Inflation / Pension Increase Rate	2.8%	2.5%
Salary increases	5.1%	4.8%
Expected Return on Assets	5.2%	5.8%
Discount rate	4.5%	4.8%

Mortality

Life expectancy is based on 110% of the PFA92 and PMA92 tables. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Males

Current Pensioners 21.0 years

Future Pensioners 23.3 years

Females

Current Pensioners 23.4 years

Future Pensioners 25.3 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	Value at 31 March 2013	Long term rate of return	Value at 31 March 2012
Equities	5.7%	1,250	6.3%	1,096
Government securities	3.4%	230	3.9%	157
Property	3.9%	115	4.4%	100
Cash	3.0%	49	3.5%	71
Total		1,644		1,424
Present value of scheme liabilities		(2,372)		(2,087)
Net pension liability		(728)		(663)

Notes to the Financial Statements
For the year ended 31st March 2013

21. Pensions (continued)

Reconciliation of defined benefit obligation

	31 Mar 2013	31 Mar 2012
Opening Defined Benefit Obligation	2,087	1,779
Current Service Cost	21	20
Interest Cost	99	97
Contributions by Members	10	10
Actuarial Losses / (Gains)	229	254
Past Service Costs / (Gains)	-	-
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(74)	(73)
Closing Defined Benefit Obligation	2,372	2,087

Reconciliation of fair value of employer assets

	31 Mar 2013	31 Mar 2012
Opening Fair Value of Employer Assets	1,424	1,597
Expected Return on Assets	83	109
Contributions by Members	10	10
Contributions by the Employer	73	22
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains / (Losses)	128	(241)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(74)	(73)
Closing Fair Value of Employer Assets	1,644	1,424
Net pension liability	(728)	(663)

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

	2013	2012
Actual return less expected return on scheme assets	£ 128,000	£ (241,000)
Changes in assumptions underlying the present value of scheme liabilities	(229,000)	(254,000)
Actuarial (loss)/gain recognised in statement of recognised gains and losses	(101,000)	(495,000)

Notes to the Financial Statements
For the year ended 31 March 2013

21. Pensions (continued)

Analysis of amounts included in Income & Expenditure Account

	2013	2012
Expected return on pension scheme assets	83	109
Interest on pension scheme liabilities	(99)	(97)
Current service cost	(21)	(20)
Past service cost	-	-
Contribution by employers	73	22
Credit to staff costs	36	14

22. Property Stock

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

	Units in Management 2013	Units in Management 2012	Units under Development 2013	Units under Development 2012
Unimproved	2	2	-	-
New Build	724	684	40	80
Improved	677	679	-	-
General Needs Housing	1,403	1,365	40	80
Shared Ownership Accommodation	53	53	-	-
Supported Housing Accommodation	30	30	-	-
Total Housing Stock	1,486	1,448	40	80
Other Property	1	1	-	-
Commercial	1	1	-	-
Heritable – Association's offices	4	4	-	-
Total Other Property	5	5	-	-

Notes to the Financial Statements
For the year ended 31 March 2013

23. Revenue Commitments

Operating Leases which expire:

	2013	2012
Premises	£ 17,640	£ 19,560

Within two to five years

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 (2012: £9,000) to Fyne Futures Limited.

During the year, Fyne Homes Limited charged £1,500 (2012: £1,500), for the rental of storage space to Fyne Futures Limited (Bio-Fuel Section).

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 owed £9,166 (2012: £30) to Fyne Futures Limited. This is included within creditors.

Also at the balance sheet date £9,405 (2012: £32,398) was owed to the Association by Fyne Futures Limited. This is included within debtors.

Fyne Initiatives Limited

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

During the year Fyne Homes Limited charged management fees of £7,000 (2012: £9,000) 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. £2,380,069 (2012: £3,752,522) was invoiced to Fyne Homes Limited by Fyne Initiatives Limited in respect of work carried out in the year. An arrangement fee of £3,841 (2012: £6,940) was charged by Fyne Initiatives Limited to Fyne Homes Limited with regards this contract. £8,068 (2012: £187,992) is included within creditors in respect of recharged invoices outstanding.

During the year expenditure relating to shared equity schemes was incurred by Fyne Homes Limited on behalf of Fyne Initiatives Limited. These costs amounted to £60,458 (2012: £68,068) and were not recharged 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 £151,090 (2012: £544,212) and is included within debtors.

In December 2012, Fyne Homes Limited made an unsecured commercial loan to Fyne Initiatives Limited for £458,671. Interest is charged at a rate of 3% above libor with interest being paid from 1 April 2013. There were 2 shared equity sales in February and March 2013 which reduced the outstanding balance to £363,998 at the Balance Sheet date. This balance is included in debtors. The loan will be repaid in full once grant claims have been settled and the remaining shared equity properties are sold at the Lochgilphead High School Phase 1 development contract.

Notes to the Financial Statements
For the year ended 31st March 2013

24. Related party transactions (continued)

Fyne Initiatives Limited (continued)

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 £208,834 (2012: £232,922), £25,377 (2012: £24,088) of this balance is due within one year, with the remainder of the balance, £183,457 (2012: £208,834), due after more than one year. Interest of £12,461 (2012: £13,685) was paid by Fyne Initiatives Limited in respect of this loan.

In December 2010, Fyne Homes made a commercial loan to Fyne Initiatives Limited for £180,000. The loan is to be repaid over 10 years and the balance outstanding at the balance sheet date was £180,000 (2012: £180,000). Interest of £6,750 (2012: £6,750) was paid by Fyne Initiatives Limited in respect of this loan.

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 incurred costs of £8,583 (2012: £10,576) on behalf of InspirAlba Limited which were recharged.

At the balance sheet date the Association was owed £19,159 (2012: £10,576) by InspirAlba Limited. This is included within amounts owed by related parties in debtors

25. Legislative Provisions

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

26. Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Association has implemented component accounting for the first time in the preceding year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the previous year figures via a prior year adjustment.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

The effect of this change in accounting policy on the 2011 financial statements is shown below. The 2011 opening reserves have increased by £423,748 of which £78,905 relates to increased depreciation and £502,653 relates to major repairs previously written off to the Income and Expenditure account now capitalised as components.

The change in accounting policy has also increased the 2010/11 surplus by £223,558 due to the capitalisation of previously expensed repairs of £258,847 offset by an increase in depreciation of £35,259.

Increase in 2011 opening reserves
Increase in 2010/11 surplus

£
423,748
223,588

Increase in Income and Expenditure reserve

647,336

