



FYNE HOMES LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2011

FYNE HOMES LIMITED

**Report and Financial Statements
For the year ended 31 March 2011**

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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

P Lingard, Chairman (appointed 15/9/10)
T McKay, Vice Chairman (appointed 15/9/10)
R R Reid, Secretary
J L Bulloch
S Davies
R Harding (elected 8/9/10)
F McCowan
J McMillan
J McKerral
J Pemble
P Wallace
D O Williams

Executive Officers

C Renfrew, Chief Executive
J McAlister, Technical Services Director
P McDonald, New Business Director
M Bowie, Housing Director

Bankers

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

Registered Office

81 Victoria Street
Rothesay
Isle of Bute
PA20 0AP

Auditors

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

Solicitors

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

**Report of the Management Committee
For the year ended 31 March 2011**

The Committee of Management present their report and the audited financial statements for the year ended 31 March 2011.

Principal activities

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

Review of business and future developments

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

A further scheme of 22 rented units at Lochgilphead has received Scottish Government 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 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 2011**

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, appearing to read 'Robert R. Reid', written in a cursive style.

R R Reid
Secretary
Dated: 31st August 2011

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 of Fyne Homes Limited for the year ended 31 March 2011 which comprise the income and expenditure account, statement of total recognised gains and losses, balance sheet, cash flow statement and related notes. The financial reporting framework that has been applied is applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice - Accounting by Registered Social Landlords issued in 2008.

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 explained more fully in the Management Committee Responsibilities statement set out on page 4, the committee members are 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 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.

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 2011, 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 the Association's affairs as at 31 March 2011 and of its surplus for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice – Accounting by Registered Social Landlords issued in 2008;
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

In our opinion the information given in the Report of the Management Committee for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

Dated: 31st August 2011

**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: 31st August 2011

Income and Expenditure Account
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Turnover	2	4,805,744	4,607,946
Less: Operating costs	2	(3,347,994)	(3,412,844)
Operating surplus	2	1,457,750	1,195,102
Net gain on disposal of fixed assets		30,664	94,794
Interest receivable and other income	5	20,776	18,309
Interest payable and similar charges	6	(597,710)	(611,490)
Surplus for the year		<u>911,480</u>	<u>696,715</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 2011**

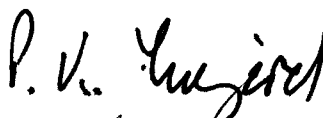
	Note	2011 £	2010 £
Surplus for the year		911,480	696,715
Actuarial gain/(loss) recognised in the retirement benefit pension scheme	21	200,000	(384,000)
Total recognised gains and losses relating to the year		<u>1,111,480</u>	<u>312,715</u>

The notes form part of these financial statements.

Balance Sheet
As at 31st March 2011

	Notes	2011 £	2010 £
Tangible fixed assets			
Housing properties – cost less depreciation	9	100,670,170	97,114,114
Less SHG and other grants	9	(79,946,290)	(78,138,765)
	9	20,723,880	18,975,349
Other fixed assets	10	617,969	641,935
		21,341,849	19,617,284
Investments	11	1	1
		21,341,850	19,617,285
Current assets			
Debtors	12	965,695	650,836
Cash at bank and in hand		1,586,733	1,221,046
		2,552,428	1,871,882
Creditors: amounts falling due within one year	13	(1,815,987)	(1,376,726)
Net current assets		736,441	495,156
Total assets less current liabilities		22,078,291	20,112,441
Creditors: amounts falling due after more than one year	14	(16,901,116)	(15,664,740)
Retirement benefit pension scheme deficit	21	(182,000)	(564,000)
Net assets		4,995,175	3,883,701
Capital and reserves			
Share capital	15	181	187
Designated reserves	7	2,105,675	2,105,675
Revenue reserve	8	3,071,319	2,341,839
Pension reserve	8	(182,000)	(564,000)
		4,995,175	3,883,701

The financial statements were authorised for issue by the Management Committee on 31st August 2011 and were signed on its behalf by:

Chairperson 

Secretary 

Committee Member 

The notes form part of these financial statements.

Cash Flow Statement
For the year ended 31 March 2011

	Notes	2011 £	2010 £
Net cash inflow from Operating activities	1	1,589,789	2,135,902
Returns on investments and servicing of finance	2	(576,934)	(593,181)
Investing activities	2	<u>(2,187,197)</u>	<u>(2,246,547)</u>
Net cash outflow from Operating activities		(1,174,342)	(703,826)
Financing	2	<u>1,540,029</u>	<u>1,794,132</u>
Increase in cash	4	<u><u>365,687</u></u>	<u><u>1,090,306</u></u>

Notes to the Cash Flow Statements
For the year ended 31st March 2011

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

	2011	2010
	£	£
Operating surplus	1,457,750	1,195,102
Depreciation	493,296	429,291
Decrease in debtors	(314,859)	677,571
Increase/(Decrease) in creditors	135,602	(187,062)
Non cash movement relating to pension liability	(182,000)	21,000
	<u>1,589,789</u>	<u>2,135,902</u>

2) Gross cash flows

	2011	2010
	£	£
Returns on investments and servicing of Finance		
Interest received	20,776	18,309
Interest paid	(597,710)	(611,490)
	<u>(576,934)</u>	<u>(593,181)</u>

Investing activities

Purchase and development of housing properties (net of transfers)	(4,206,386)	(3,659,471)
SHG received (net of transfers)	1,807,525	1,334,992
Payments for other tangible fixed assets	(34,001)	(99,411)
Sale of housing properties	58,320	177,343
SHG to be repaid	-	-
Sale of other fixed assets	187,345	-
	<u>(2,187,197)</u>	<u>(2,246,547)</u>

Financing

Net (forfeiture)/ Issue of ordinary share capital	(6)	-
Loan finance received	2,084,255	2,270,936
Loans repaid	(544,220)	(476,804)
	<u>1,540,029</u>	<u>1,794,132</u>

**Notes to the Cash Flow Statements
For the year ended 31st March 2011**

3) Analysis of Changes in Net Debt	At 1 April 2010 £	Cash Flow £	Other Changes £	At 31 March 2011 £
Cash in hand, at bank	1,221,046	365,687	-	1,586,733
Debt due within 1 year	(463,898)	(303,659)	-	(767,557)
Debt due after 1 year	(15,664,740)	(1,236,376)	-	(16,901,116)
	<u>(14,907,592)</u>	<u>(1,174,348)</u>	<u>-</u>	<u>(16,081,940)</u>

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

	2011 £	2010 £
Increase for the year	365,687	1,090,306
Loans received	(2,084,255)	(2,270,936)
Loans repaid	544,220	476,804
	<u>(1,174,348)</u>	<u>(703,826)</u>
Change in net debt	(1,174,348)	(703,826)
Net debt at 1 April 2010	(14,907,592)	(14,203,766)
Net debt at 31 March 2011	(16,081,940)	(14,907,592)

**Notes to the Financial Statements
For the year ended 31st March 2011**

1. Accounting policies

(a) Introduction and accounting basis

The principal accounting policies of the Association are set out in paragraphs (b) to (k) 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) Going concern

The Management Committee anticipate that a surplus will be generated in the year to 31 March 2012. 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 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 2011**

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
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.

(g) 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 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 2011**

1. Accounting policies (continued)

(h) 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.

(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 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.

(k) 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 2011

2. Particulars of Turnover, Operating Costs and Operating Surplus

	Turnover £	2011 Operating Costs £	Operating Surplus £	Turnover £	2010 Operating Costs £	Operating Surplus £
Income and Expenditure From lettings						
Social Lettings (Note 3)	4,681,385	(3,223,635)	1,457,750	4,423,698	(3,024,332)	1,399,366
Other activities (Note 4)	124,359	(124,359)	-	184,248	(388,512)	(204,264)
	<u>4,805,744</u>	<u>(3,347,994)</u>	<u>1,457,750</u>	<u>4,607,946</u>	<u>(3,412,844)</u>	<u>1,195,102</u>

Notes to the Financial Statements
For the year ended 31 March 2011

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2011 Total £	2010 Total £
Income from rent and service charges					
Rent receivable net of service charges	4,461,723	82,261	92,390	4,636,374	4,372,418
Service charges	95,659	3,848	-	99,507	93,457
Gross income from rents and service charges	4,557,382	86,109	92,390	4,735,881	4,465,875
Less voids	(54,496)	-	-	(54,496)	(42,177)
Net income from rents and service charges	4,502,886	86,109	92,390	4,681,385	4,423,698
Grants from the Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	4,502,886	86,109	92,390	4,681,385	4,423,698
Expenditure					
Management and maintenance administration costs	(1,062,433)	(77,613)	(81,805)	(1,221,851)	(1,609,727)
Service charges	(95,659)	(3,848)	-	(99,507)	(93,458)
Planned cyclical maintenance including major repairs	(824,945)	-	-	(824,945)	(384,364)
Reactive maintenance costs	(630,198)	-	-	(630,198)	(533,722)
Bad debts – rents and service charges	(11,460)	-	-	(11,460)	(32,754)
Depreciation of social housing	(420,441)	(4,648)	(10,585)	(435,674)	(370,307)
Impairment of social housing	-	-	-	-	-
Operating costs for social letting activities	(3,045,136)	(86,109)	(92,390)	(3,223,635)	(3,024,332)
Operating Surplus on letting activities, 2011	1,457,750	-	-	1,457,750	
Operating Surplus on letting activities, 2010	1,399,366	-	-		1,399,366

Notes to the Financial Statements for the year ended 31 March 2011

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

	Grants from Scottish Ministers 2011 £	Other revenue grants 2011 £	Supporting people income 2011 £	Other income 2011 £	Total Turnover		Other Operating costs 2011 £	Other operating costs 2010 £	Operating surplus or (deficit)	
					2011 £	2010 £			2011 £	2010 £
Stage 3 adaptations	36,362	-	-	-	36,362	119,455	(36,362)	(119,455)	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	34,124	34,124	31,626	(34,124)	(31,626)	-	-
Development and construction of property activities	-	-	-	-	-	4,762	-	(216,330)	-	(211,568)
Support activities	-	-	6,240	-	6,240	6,240	(6,240)	(6,240)	-	-
Care activities	-	-	-	-	-	-	-	-	-	-
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	28,327	28,327	14,861	(28,327)	(14,861)	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	19,306	19,306	7,304	(19,306)	-	-	7,304
Total from other activities, 2011	<u>36,362</u>	<u>-</u>	<u>6,240</u>	<u>81,757</u>	<u>124,359</u>		<u>(124,359)</u>		<u>-</u>	
Total from other activities, 2010						<u>184,248</u>		<u>(388,512)</u>		<u>(204,264)</u>

Notes to the Financial Statements
For the year ended 31st March 2011

5.	Interest receivable and other income	2011 £	2010 £		
	Interest receivable on deposits	3,680	2,361		
	Interest receivable on loan to subsidiary	17,096	15,948		
		<u>20,776</u>	<u>18,309</u>		
6.	Interest payable and similar charges	2011 £	2010 £		
	On loans from the Scottish Government	45,093	51,555		
	On private loans	552,617	559,935		
		<u>597,710</u>	<u>611,490</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>
8.	Revenue Reserves	2011 £	2010 £		
	At start of the year	1,777,839	1,465,124		
	Statement of Total Recognised Gains and Losses	1,111,480	312,715		
		<u>2,889,319</u>	<u>1,777,839</u>		
	Transfer from/(to) reserves	-	-		
	At end of year	<u>2,889,319</u>	<u>1,777,839</u>		
	Split as follows:				
	Revenue reserve	3,071,319	2,341,839		
	Pension reserve	(182,000)	(564,000)		
		<u>2,889,319</u>	<u>1,777,839</u>		

Notes to the Financial Statements
For the year ended 31st March 2011

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	92,309,654	4,163,523	2,716,839	99,190,016
Additions during year	1,348,939	3,208,449	-	4,557,388
Transfers between companies	-	(351,002)	-	(351,002)
Disposals	(31,328)	(187,000)	-	(218,328)
At end of year	93,627,265	6,833,970	2,716,839	103,178,074
Depreciation				
At start of year	1,982,236	-	93,666	2,075,902
Transfers between companies	-	-	-	-
Provided during year	425,089	-	10,585	435,674
Eliminated on disposal	(3,672)	-	-	(3,672)
At end of year	2,403,653	-	104,251	2,507,904
Housing properties cost less depreciation	91,223,612	6,833,970	2,612,588	100,670,170
SHG and Other Grants				
At start of year	72,131,701	4,046,325	1,960,739	78,138,765
Received during year	4,000	2,154,527	-	2,158,527
Transfers between companies	-	(351,002)	-	(351,002)
Disposals	-	-	-	-
At end of year	72,135,701	5,849,850	1,960,739	79,946,290
Net Book Value				
At end of year	19,087,911	984,120	651,849	20,723,880
At start of year	18,195,717	117,198	662,434	18,975,349

Development administration costs capitalised amounted to £92,029 (2010 - £4,762) for which Social Housing Grants amounting to £15,670 (2010 - £4,762) were received in the year.

Notes to the Financial Statements
For the year ended 31st March 2011

10.	Tangible Fixed Assets - Other Assets	Heritable Property £	Commercial Property £	Office Equipment £	Computer Equipment £	Motor Vans £	Other Equipment £	Total £
	Cost							
	At start of year	550,410	266,747	454,319	129,073	81,464	18,305	1,500,318
	Additions in year	-	-	2,842	23,205	7,954	-	34,001
	Disposals in year	-	-	-	-	(10,907)	-	(10,907)
	At end of year	550,410	266,747	457,161	152,278	78,511	18,305	1,523,412
	Depreciation							
	At start of year	203,629	49,406	303,524	127,069	39,916	2,215	725,759
	Provided in year	22,016	7,409	15,364	9,294	3,539	-	57,622
	Disposals in year	-	-	-	-	(10,562)	-	(10,562)
	At end of year	225,645	56,815	318,888	136,363	32,893	2,215	772,819
	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	324,765	128,398	138,273	15,915	10,618	-	617,969
	At start of year	346,781	135,807	150,795	2,004	6,548	-	641,935

Notes to the Financial Statements
For the year ended 31st March 2011

11. Investments

	2011	2010
	£	£
Investment in subsidiary undertaking	1	1

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 2011 was £51,239. The capital and reserves of Fyne Initiatives Limited as at 31 March 2011 was £127,985.

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 2011 was £15,433. The capital and reserves of Fyne Futures Limited as at 31 March 2011 was £72,887.

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 2010 showed net incoming resources of £27,778. The capital and reserves of InspirAlba Limited as at 31st August 2010 was £27,778. The financial statements for the year to 31st August 2011 are not yet available.

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

12. Debtors

	2011	2010
	£	£
Amounts falling due within one year:		
Rental arrears	95,422	86,923
Less: provision for bad debts	(50,000)	(50,000)
	45,422	36,923
Amounts owed by subsidiary undertakings	743,193	442,691
Amounts owed by related parties	10,571	-
Other debtors	132,329	134,293
Prepayments and accrued income	34,180	36,929
	965,695	650,836

Included within the amounts owed by subsidiary undertakings is £412,922 (2010: £255,787) from Fyne Initiatives Limited which is due in more than 1 year.

13. Creditors – amounts falling due within one year

	2011	2010
	£	£
Bank loans and overdrafts	767,557	463,898
Trade creditors	69,862	110,055
Contract retentions	178,685	195,953
Accruals and deferred income	658,945	471,421
Rent in advance	116,654	114,036
PAYE/NIC creditor	24,284	-
Amounts owed to related parties	-	21,363
	1,815,987	1,376,726

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 2011**

14. Creditors – amounts falling due after more than one year	2011 £	2010 £
Bank term loans	16,901,116	15,664,740

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	794,584	494,525
Between two and five years	1,952,390	1,628,132
In five years or more	14,154,142	13,542,083
	16,901,116	15,664,740

15. Share Capital	2011 £	2010 £
Shares of £1 each issued and fully paid		
At beginning of year	187	187
Issued during year	5	18
Shares forfeited in year	(11)	(18)
At end of year	181	187

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.

	2011 £	2010 £
Emoluments (excluding pension contributions) of:		
Chief Executive	74,030	65,536
Director (retired January 2010)	-	77,646

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

Total expenses reimbursed in so far as not chargeable to U.K. Income Tax	977	1,051
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The Chief Executive 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 Chief Executive in the year amounted to £12,156 (2010: £9,932).

Notes to the Financial Statements
For the year ended 31st March 2011

17. Employee Information

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

	2011 Number	2010 Number
Maintenance Operatives	4	4
Administration Staff	34	38
Wardens and Cleaners	3	3
	<u>41</u>	<u>45</u>

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

<u>34</u>	<u>40</u>
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	2011 £	2010 £
Staff costs (including directors' emoluments):	959,075	1,059,973
Social security costs	78,227	89,163
Pension costs	140,441	154,167
FRS 17 pension adjustment (Note 21)	(182,000)	21,000
	<u>995,743</u>	<u>1,324,303</u>

Included in the above is £92,029 of development staff costs that have been capitalised in the year.

18. Operating Surplus

	2011 £	2011 £
Operating surplus is stated after charging:		
Depreciation	493,296	429,291
Repairs: cyclical, major, day to day	1,418,780	918,086
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	265	-
	<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 2011

20. Capital Commitments	2011 £	2010 £
Capital expenditure which has been contracted for but has not been provided for in the financial statements	3,985,670	3,954,356
Capital expenditure which has been authorised by Committee of Management but is not contracted	-	-
	<u>3,985,670</u>	<u>3,954,356</u>
This is to be funded by:		
Funding from the Scottish Government	2,496,421	871,496
Other grants	66,264	801,868
Private Finance	1,422,985	2,280,992
	<u>3,985,670</u>	<u>3,954,356</u>

21. Pensions

SFHA Pension Scheme

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.
- Career average revalued earnings with a 1/120th 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. From the 1st April 2011 Fyne Homes will operate 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.

**Notes to the Financial Statements
For the year ended 31st March 2011**

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

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 2010. As of this date the estimated employer debt for Fyne Homes Limited was £4,894,626.

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.

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.

**Notes to the Financial Statements
For the year ended 31st March 2011**

21. Pensions (continued)

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 2011	31 March 2010
Inflation / Pension Increase Rate	2.8%	3.8%
Salary increases	5.1%	5.3%
Expected Return on Assets	6.9%	7.2%
Discount rate	5.5%	5.5%

Mortality

Life expectancy is based on the PFA92 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	26.0 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 2011	Value at 31 March 2011 £000	Long term rate of return 31 March 2010	Value at 31 March 2010 £000
Equities	7.5%	1,229	7.8%	1,128
Government securities	4.9%	208	5.0%	190
Property	5.5%	96	5.8%	103
Cash	4.6%	64	4.8%	44
Total		1,597		1,465
 Present value of scheme liabilities		 (1,779)		 (2,029)
 Net pension liability		 (182)		 (564)

Notes to the Financial Statements
For the year ended 31st March 2011

21. Pensions (continued)

Reconciliation of defined benefit obligation

	31 Mar 2011 (£'000)	31 Mar 2010 (£'000)
Opening Defined Benefit Obligation	2,029	1,195
Current Service Cost	26	23
Interest Cost	105	84
Contributions by Members	10	16
Actuarial Losses / (Gains)	(189)	712
Past Service Costs / (Gains)	(190)	10
Liabilities Extinguished on Settlements	-	-
Liabilities Assumed in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(12)	(11)
Closing Defined Benefit Obligation	<u>1,779</u>	<u>2,029</u>

Reconciliation of fair value of employer assets

	31 Mar 2011 £(000)	31 Mar 2010 £(000)
Opening Fair Value of Employer Assets	1,465	1,036
Expected Return on Assets	106	68
Contributions by Members	10	16
Contributions by the Employer	17	28
Contributions in respect of Unfunded Benefits	-	-
Actuarial Gains / (Losses)	11	328
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded Benefits Paid	-	-
Estimated Benefits Paid	(12)	(11)
Closing Fair Value of Employer Assets	<u>1,597</u>	<u>1,465</u>
Net pension liability	<u>(182)</u>	<u>(564)</u>

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

	2011 £	2010 £
Actual return less expected return on scheme assets	11,000	328,000
Changes in assumptions underlying the present value of scheme liabilities	189,000	(712,000)
Actuarial gain/(loss) recognised in statement of recognised gains and losses	<u>200,000</u>	<u>(384,000)</u>

**Notes to the Financial Statements
For the year ended 31st March 2011**

23. Revenue Commitments

Operating Leases which expire:	2011 Premises £	2010 Premises £
Within one year	3,500	15,833
Within two to five years	17,560	8,640
After 5 years	-	-
	<u>21,060</u>	<u>24,473</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 (2010: £9,000) to Fyne Futures Limited.

During the year, Fyne Futures Limited (Bio-Fuel Section) was charged £3,500 (2010: £1,750) 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 £16,725 (2010: £66,806) by Fyne Futures Limited. Also at the year end, included in other debtors is an amount of £71 (2010: £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 £9,000 (2010: £32,000) to Fyne Initiatives Limited.

During the year, housing properties under the course of construction, with cost of £351,002 (2010: £nil) and related HAG of £351,002 (2010: £nil) 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. £2,905,094 (2010: £1,265,661) was invoiced to Fyne Homes Limited by Fyne Initiatives Limited in respect of work carried out in the year. An arrangement fee of £12,500 (2010: £12,500) was charged by Fyne Initiatives Limited to Fyne Homes Limited with regards this contract.

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 £290,681 (2010: £ 98,394).

**Notes to the Financial Statements
For the year ended 31st March 2011**

24. Related party transactions (cont'd)

Fyne Initiatives Limited (cont'd)

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 £255,787 (2010: £277,491). £22,865 (2010: £21,704) of this balance is due within one year, with the remainder of the balance, £232,922 (2010: £255,787), due after more than one year. Interest of £14,846 (2010: £15,948) 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. Interest of £2,250 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 received funding of £nil (2010: £23,810) on behalf of InspirAlba Limited and incurred costs of £10,571 (2010: £2,447) on behalf of InspirAlba Limited.

At the balance sheet date the Association was owed £10,571 (2010: £nil) by InspirAlba Limited. This is included within amounts owed by related parties in debtors

At the balance sheet date the Association owed £nil (2010: £21,363) to InspirAlba Limited.

25. Legislative Provisions

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