

Fife Housing Association Limited

Report of the Board of Management
and
Financial Statements



FIFE

HOUSING

Live Somewhere Special

For the year ended 31st March 2010

Registered Office

7 Pitreavie Court
Pitreavie Business Park
Dunfermline
KY11 8UU

Registered No.2476R(S)
Scottish Charity No.SC025647
Scottish Housing Regulator Registered No. HAL295

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Members, Executive and Advisers

Lorna Paterson	(Chair)
Gary Guichan	(Vice-Chair/Secretary)
Alex Condie	(Treasurer, until 21 st September 2009)
Margaret Cunningham	(Treasurer, Elected 21 st September 2009, Resigned 25 th January 2010)
Andrew Baillie	
Alistair Berwick	
Jim Buchanan	(Co-opted 21st September 2009)
Ian Green	(Resigned 29 th March 2010)
Linda Greig	
Cllr Alice McGarry	(Resigned 16th February 2010)
Jack Jones	(Resigned 27th April 2009)
David Cross	(Elected 21st September 2009)
Maureen Kernaghan	(Resigned 27th April 2009)
Douglas Normand	(Elected 21st September 2009)
George Fisher	(Elected 21st September 2009)
Philip Shave	(Elected 21st September 2009)
William Spence	(Elected 21st September 2009)

Executive Officers

Bryan K. Hay	(Chief Executive)
Andrew Clark	(Corporate Services Director)
Thomas W Hainey	(Technical Services Director)
Helen P. Barclay	(Housing Services Director)

Auditors

Findlay & Company, 11 Dudhope Terrace, Dundee, DD3 6TS

Bankers

Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR

Solicitors

Harper MacLeod, The CA'D'ORA, 45 Gordon Street, Glasgow
G1 3PE

Solicitors

Morton Fraser, 30-31 Queen Street Edinburgh, EH2 1JX

Report to the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31st March 2010.

Structure, Governance and Management

Fife Housing Association (formerly known as Fife Special Housing Association) is a charitable registered social landlord which was first registered in June 1996 with Scottish Homes and ownership and management of the properties commenced on 29th January 1997. The Association was formed for the benefit of the community. Fife Housing Association is registered with the Financial Services Authority as an Industrial and Provident Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord. The Association has set up a non-charitable trading subsidiary (PACT Enterprises) which is dormant at 31st March 2010.

Appointment of Trustees

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

Each member of the Board of Management (other than those co-opted) holds one fully paid share of £1.00 in the Association. No financial or other benefit is obtained by being a member of the Board of Management. 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 Board.

Anyone over the age of 18 (tenants of the Association aged 16) can apply for membership.

Trustee Induction and Training

The Association provides relevant training as required for Board Members, ranging from induction training for new members to specific skills/topics, including attendance at conferences and seminars.

A training needs analysis will be developed for each individual Board member and these will be updated on a regular basis, including a personal training history and meetings held to discuss future personal development and also specific training requirements. A programme of training will be delivered annually to meet any identified needs as well as to accommodate any legislative changes or current issues which need to be brought to the Board's attention.

A Board Members' "Away Day" will be arranged annually. This will give the Board an opportunity to review its structure and performance, the skills and experience of its members and, amongst other things, any weaknesses together with the Association's future overall strategy.

Organisational Management

The Board of Management must have a minimum of 7 and a maximum (including co-optees) of 17 members, 6 of these may be individuals from the wider community who are not tenants of the Association.

The Association can decide at a general meeting to increase or decrease the maximum number of Board Members. The Board can also co-opt to the Board anyone who is suitable to become a Board Member.

The Board of Management is a strategic body responsible for strategy and performance. To monitor operational matters, there are seven committees:

- Emergency Standing Committee
- Staffing Committee
- Health and Safety Committee
- Audit Committee
- Customer Services Committee
- Asset Management Committee
- Corporate Services Committee.

Risk Management

The Association has a formal risk management process which assesses business risks and implements risk management strategies, which involves identifying the types of risk the organisation faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying ways of mitigating risk each year. The Board has adopted a risk based approach to internal controls which is consistent with the Turnbull principles. The Association has a disaster recovery plan in place.

Objectives and Activities

Charitable Objects

The Association is formed for the benefit of the community. Our mission statement is 'To contribute to a better quality of life by providing homes and services for customers by shaping communities with our partners'.

Its objects are to carry on for the benefit of the community:-

- The business of providing housing, accommodation, and assistance to help house people and associated families, and providing associated facilities and amenities for people on low incomes, and providing for the relief of the elderly, disabled, handicapped (whether physically or with a learning disability), or chronically sick people and as a means of achieving these objects;
- To provide, build and improve and manage housing and associated facilities specially designed or adapted for such people who are on low incomes, elderly, sick or who have a physical or learning disability;

- To provide or arrange home maintenance, repair and improvement services for such people who are on low incomes, elderly, sick or who have a physical or learning disability;
- To carry out any activity allowed under Section 58 of the Housing (Scotland) Act 2001 which is charitable;
- To provide land and buildings to meet the needs of such people who are on low incomes, elderly, sick or who have a physical or learning disability;
- To provide facilities and services for the benefit of such people either exclusively for them or together with other persons;
- We are a non surplus distributing organisation.

Aims and intended Impact

The Association's aims are:

- To be recognised as an exemplar Housing Association covering its roles as a landlord, developer, employer and governing body;
- As a registered charity to provide affordable quality housing and housing services that are accessible to those in the community;
- To assist Fife Partnership and the Scottish Government with delivering their respective plans and agendas;
- To maintain community involvement in the Association's activities.
- To assist Fife Council in delivering key outcomes identified in the Single Outcome Agreement, Fife Community Plan and Local Housing Strategy.

Objectives for the year

- To provide sustainable, energy-efficient, quality housing, accessible to people in housing need that is affordable especially to those on low incomes;
- To ensure all existing housing meets the Scottish Housing Quality Standard by 2015;
- To provide quality, professional, accessible and responsive services to tenants and future tenants;
- To provide a cost effective, efficient and responsive repairs service to our tenants;
- To develop affordable rented housing and home ownership options for those in housing need;
- To contribute to community care initiatives and promote independence and choice for people through working in partnership with other agencies to meet Wider Action objectives;
- To improve the general environment and associated amenities in areas of Fife where the Association is active;
- To re-profile the Associations stock by reducing the percentage of pre-1920 houses and increasing the percentage of new build houses and achieving an absolute increase in stock numbers;
- To develop as part of our equal opportunities commitment the Association's activities and standards out of respect for the people housed or in need of housing;
- To fulfil our duties and responsibilities efficiently and professionally and in such a manner that the Scottish Housing Regulator would report positively about the Association;
- To promote good employment practices, fulfil employees' potential and retain Investor in People (IiP) status.

- To identify business opportunities that will add value to the organisation and its stakeholders.
- The Subsidiary Company will enable income generation, diversification, property investment, development and new tenures

Strategies to achieve the year's objectives

The Association will, as an active participant in the Fife Housing Partnership, deliver quality housing solutions and provide input into the local Housing Strategy to achieve healthy, balanced and sustainable communities.

The Association is part of the Fife Housing Association Alliance which is currently the preferred development partner to deliver the Housing Association Grant funded new build programme.

Fife Housing Association continues to work in partnership with Fife Council and the other indigenous housing associations to implement the Fife Housing Register and the related Joint Allocations Policy.

The Association will continue to develop in two regeneration areas, Abbeyview and Dysart with grant support from the Government and Fife Council.

The Association has a tenant and resident involvement policy in place supported by systems and structures to ensure consultation and the effective handling and transfer of information with specified targets in an action plan.

The Association has submitted a plan which was approved for the delivery of the Scottish Housing Quality Standard (SHQS).

Partnership working is recognised as a critical factor associated with successful delivery of the common Alliance objectives. The Fife Housing Association Alliance is the delivery partnership for affordable housing in Fife and the model builds upon other successful partnership initiatives developed and implemented by the participating organisations.

To enable the Association to seize opportunities in the market place, a non-charitable trading subsidiary (PACT Enterprises) has been set up.

Principal activities of the year

Achievements and performance

The Association had a number of successes in 2009-10

- Continued to achieve a high level of Board member commitment and competency;
- Has delivered improved outcomes on key performance indicators;
- Successfully reduced cost of borrowing during the financial year;
- Successfully reduced the void rent loss;
- Successfully worked in partnership with the Fife Alliance of Housing Associations;
- Has been successful in seizing opportunities in the Wider Role area of activity through the Fife Housing Association Alliance. The Alliance Associations jointly fund a Wider Role post, and has been successful in attracting hundreds of

thousands of pounds in grant, and has a long list of projects geared to help people and communities flourish.

- The Alliance has developed 38 properties in Dunfermline and the Association took ownership of these properties between May and August 2009.
- At 31st March 2010 the Association had received £290k from the sale of the remaining 5 Shared Equity properties in Dunfermline and Dysart.

Future plans

Fife Housing Association is one of four Fife based Housing Associations that form the Fife Housing Association Alliance. The Alliance has been chosen as preferred Partner by Fife Council in the delivery of new affordable housing in Fife.

The Association's development programme for 2010-11 includes the next phase of the Abbeyview Dunfermline and the completion of the Lower Dysart Regeneration scheme.

The Association proposes to demolish the first phase of the defective housing in Crombie next year.

The Association plans to invest £2.6m in the year ended 31st March 2011 and £2.5m each year for the following four years in planned maintenance and property improvements in order to meet the Scottish Housing Quality Standard. A 30-year Life Cycle Costing Model has been completed to ensure that our properties are maintained to the specified standard.

The Scottish Government has issued the document 'Firm Foundations' which sets out its proposals for new housing in Scotland. As the Association has a sizeable land bank and, if planning consent can be obtained for residential use, we will be well placed to help the Government achieve its aims. The Association has arranged for its land bank to be valued. If the land could be utilised for residential developments it would be valued at £5.45m.

(PACT Enterprises) may be able to take advantage of the following business opportunities:

- Repairs and Maintenance Services for owner occupiers and other landlords;
- Housing Management Services
- Housing for mid-market rent, market rent and sale;
- Three year lets of accommodation to the Local Authority to fulfil its homelessness obligations.

Details of the Capital Commitments are disclosed in Note 21 to the accounts.

Financial Review

The Board is satisfied with the Association's performance during the year. The Association has generated a deficit of £121,877 (2009 - surplus of £194,867).

Turnover decreased by 17% whilst operating costs fell by 16% resulting in a 23% decrease in the operating surplus from £1,300,227 in 2009 to £1,000,664 in 2010.

The total deficit recognised in the Statement of Total Recognised Surpluses and Deficits is £2,274,877 in 2009 there was a deficit of £750,133. Details of the movements are set out in page 16.

The deficit for the year has been taken to revenue reserves. The Association's net assets are now £2,576,983 (2009 - £5,061,864).

Asset Value

The Board appointed external valuers, DTZ, to value the Association's housing properties as at 31st March 2010. The value of the properties, on an existing use basis (Social Housing) (EUV-SH) was £46.6m (2009 £44.5m) and the carrying value of our stock was £36.1m (2009 £34.1m).

Impairment Review

In accordance with FRS 15, the Association has carried out an impairment review of its housing properties as no depreciation has been charged on the basis that it would be immaterial due to the length of the remaining useful economic life and because of the estimated residual values of the properties. The impairment review at 31st March 2010 showed that the value in use of the properties exceeded the carrying value of the properties in the balance sheet therefore no impairment adjustment was required.

Rental Income

The Association applied a rent increase of 4% on 1st April 2009. Our gross rental income increased from £7,278,879 to £7,826,962. There has been a decrease in void rent loss from £43,577 to £36,962. The bad debts written off by the Association has increased from £71,635 to £72,357. A review of the rent arrears has been carried out and the Bad Debt provision has increased from £165,000 to £230,000.

Right to Buy House Sales

The Association has charitable status and only those tenants with the preserved right to buy (i.e. those tenants who transferred from Scottish Homes) can exercise this right. In the twelve months to 31st March 2010, 5 tenants exercised their right to buy and the Association received £155,288 net of selling costs. The Association has generated excess RTB income of £1,034m and have legal advice to the effect that under the terms of the contract this cannot be claimed by the Scottish Government (Note 28).

Void Sales

The Association sold 4 of our older void properties to help us meet the Scottish Housing Quality Standard and received £233,783 net of selling costs.

Pension Fund

The Association operates a defined benefit pension scheme which is open to all its permanent employees. In common with most employers adopting Financial Reporting Standard 17 – Retirement Benefits, the scheme has produced a deficit. This deficit has

increased from £1,285,000 at 31st March 2009 to £3,397,000 at 31st March 2010. Full details have been provided in Note 23.

Policy on Payment of Creditors

The Association agrees payment terms in advance of any commitment being entered into with suppliers or sub-contractors and makes payment in accordance with its obligations.

Charitable Donations

During the year the Association made charitable donations totalling £1,122 (2009 £5,028). The Association did not make any donations to a political party.

Post Balance Sheet Events

There have been no important events since the financial year end that have had an impact on the financial position of the Association.

Going Concern

After reviewing detailed Income & Expenditure and Business Plan projections and taking account of available Bank facilities and making such further enquiries as they consider appropriate, the Board of Management is satisfied that the Association has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Reserves Policy

The Association has no designated reserves.

Treasury Management

The Association operates in accordance with its Treasury Management policy to ensure effective use of the organisation's cash flows and borrowings, and the effective control of the risks associated with these activities. The Association's objective is to ensure it has appropriate funding facilities to enable it at all times to have the level of funds necessary for the achievement of its business / service objectives. It will hold its surplus funds in cash or short-term deposits such as a high interest bearing account or a term deposit. At 31st March 2010 there was £12.75m in undrawn facilities with Lloyds TSB Scotland.

Derivatives

The Association is not permitted to enter into speculative transactions with financial instruments. The Association follows the guidance set out by the Scottish Housing Regulator. Any financial instrument entered into by the Association is covered by an underlying loan.

As part of its Treasury Management Policy the Association uses financial derivatives to achieve interest rate certainty.

At 31st March 2010 the Association has 4 interest rate SWAPs as follows:-

- A 25 year fixed interest rate SWAP from August 2007 for £10m until August 2010 increasing to £20m from August 2010 at 6.936%;
- A 25 year fixed interest rate SWAP from August 2007 for £5m at 4.49% with a 12 month non call period and thereafter the counter-party has the right to terminate the SWAP at 3 monthly intervals;
- A 12 month fixed interest rate SWAP from 1st April 2009 for £5m at 2.225% with a 12 month non call period.
- On 29th January 2010 the Association entered into a 25 year Inflation-Linked SWAP for £5m at RPI +1.19% .If RPI is in excess of 5% interest is limited to 5% + 1.19% with an RPI floor set at 0% and a cap at 5%.

Staff

The Association promotes equality and diversity for all and aims to eliminate unlawful discrimination in all areas of its work. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are applicants irrespective of sex, race, colour, marital status, sexual orientation, religion/belief or age.

The Association recognises that it is the quality and commitment of its employees that allows it to meet its objectives and meet its commitments to tenants and other stakeholders in an efficient and effective manner.

The Association successfully retained its Investor in People status following re-assessment against the standard in August 2008. The award demonstrates the Association's commitment to training and development for staff.

Employee Involvement

The Association encourages staff involvement in all initiatives and holds staff meetings quarterly, as well as holding regular team talkbacks to inform staff of matters affecting them and the Association. The Association holds an annual staff conference where topical initiatives are discussed.

Health and Safety

The Association is aware of its responsibilities on Health & Safety matters and has a comprehensive management system and policy in place. Employees are provided with instruction, training and supervision to secure health and safety.

Statement of Board of Management's Responsibilities

Housing Association legislation requires the Board 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 surplus or deficit of the Association for the period ended on that date. In preparing those financial statements the Board of Management is required to:

- Select suitable accounting policies and 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.

In so far as the Board of Management is aware:

- There is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board members have taken all reasonable steps that they ought to have taken to make themselves aware of the relevant audit information and to establish that the Association's auditors are aware of that information.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2008.

The Board of Management acknowledges that it has ultimate responsibility for ensuring that the Association has in place a system of internal financial control that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to: -

- The reliability of the financial information used within the Association or for publication.
- The maintenance of proper accounting records.
- The safeguarding of assets against unauthorised use or disposal.

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. The Board has adopted a risk based approach to internal controls and is consistent with Turnbull principles. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that: -

- Management responsibility has been clearly defined for the identification, evaluation and control of significant risks.

- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and prohibit the unauthorised use of the Association's assets.
- Experienced and suitably qualified and trained staff take responsibility for important business functions and have been provided with comprehensive guidance on the standards to be applied throughout the Association. Development reviews have been established on at least an annual basis and are designed to assist staff achieve their potential whilst assisting the organisation to achieve its objectives.
- Forecasts and budgets are prepared which allow the Board of Management to monitor the financial objectives and key business risks and progress towards financial plans set for the year and the medium term. Regular quarterly management accounts comparing actual results against budget are prepared promptly and presented to the Board of Management to provide relevant reliable and up-to-date financial information. Significant variances from budget are investigated as appropriate. The Board also regularly reviews key performance indicators to assess progress towards the achievement of objectives, targets and outcomes.
- All significant new initiatives, major commitments and investment projects and their financial implications are assessed and are subject to formal authorisation procedures through the Board of Management.

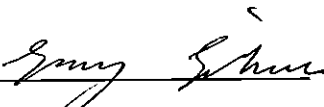
The Audit Committee reviews reports from the external auditors, the internal auditors and from management, to provide reasonable assurance that control procedures are in place and are being followed. The Audit Committee also receives progress reports on areas where the external auditors have commented and ensure that action is taken where considered appropriate.

Acting on behalf of the Board of Management, the Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2010 and until 31st August 2010. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Auditors

The external audit service is out to tender and the auditor will be appointed at the annual general meeting.

By order of the Board



A handwritten signature in black ink, appearing to read "Gary Guichan", written over a horizontal line.

Gary Guichan Secretary

31st August 2010



Independent Auditors' Report to the Members of Fife Housing Association Limited

We have audited the financial statements of Fife Housing Association Limited for the year ended 31 March 2010 on pages 16 to 42. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 we might state to the Association's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept 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 Directors and Auditors

As described on pages 10 to 12 the Association's Board of Management is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008. We also report to you if, in our opinion, the Board of Management report is not consistent with financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding officers' remuneration and transactions with the Association is not disclosed.

We read the Board of Management report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.



Basis of Audit Opinion

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

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

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 2010 and of its deficit for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords 2008.

Findlay & Company
Chartered Accountants & Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

31st AUGUST 2010



Report by the auditors on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Board of Management's statement on internal controls set out on pages 10 to 12. The object of our review is to draw attention to any non-compliance with the information required by the section of Internal Financial Control within SFHA's publication "Raising Standards in Housing".

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance 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 systems of internal financial control or its corporate governance procedures.

With respect to the Board of Management's statement on internal control on pages 10 to 12, in our opinion the Board of Management has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board of Management's members and officers of the Association, and examination of relevant documents, in our opinion the Board of Management's statement on pages 10 to 12 appropriately reflects the Association's compliance with the information required by the section of Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Findlay & Company
Chartered Accountants & Statutory Auditor
11 Dudhope Terrace
Dundee
DD3 6TS

31st AUGUST 2010

Income & Expenditure account for the year ended 31st March 2010

		2010	Restated 2009
	Notes	£	£
Turnover	1a	8,633,621	10,352,807
Less: Operating Costs	1a	7,632,957	9,052,580
Operating surplus	6	1,000,664	1,300,227
Gain/(Loss) on realisation of assets	11	167,477	301,092
Interest receivable and other income	8	5,702	38,154
Interest payable and similar charges	7	(1,195,720)	(1,434,606)
Net return on pension assets	23	(100,000)	(10,000)
Surplus / (Deficit) on ordinary activities before taxation		(121,877)	194,867
Tax on surplus on ordinary activities	9	-	-
Surplus/(Deficit) for the period		(121,877)	194,867

The Association's turnover and expenses for the period relate wholly to continuing activities.

The notes on pages 19 to 42 form part of these financial statements.


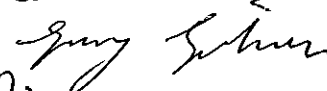
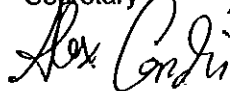
Statement of total recognised surpluses and deficits for the year ended 31 March 2010

		2010 £	2009 £
Surplus/(Deficit) for the year		(121,877)	194,867
Unrealised surplus/(deficit) on revaluation of housing properties		-	-
Deferred tax		-	-
Unrealised surplus/(deficit) on investments		-	-
Actual return less expected return on pension scheme assets	23	1,205,000	(1,364,000)
Effect of changes in the actuarial assumptions	23	(3,358,000)	419,000
Total recognised surpluses/(deficits) for the year		(2,274,877)	(750,133)
Prior year adjustment		-	-
Total surpluses/(deficits) recognised since last annual report	26	(2,274,877)	(750,133)

Balance sheet as at 31st March 2010

	Notes	2010 £	2009 £
Tangible fixed assets			
Housing properties - gross cost	10	59,636,373	51,950,709
Less: Depreciation		(3,762,292)	(3,776,441)
		55,874,081	48,174,268
Less: Grants		(19,746,094)	(14,031,049)
	10	36,127,987	34,143,219
Fixed Asset Investments			
	12		
Investments Shared Equity		820,895	
Investments Shared Equity Grants		(820,895)	
Investments Subsidiary	12	1	-
Other	13	1,135,904	1,184,123
		37,263,892	35,327,342
Current assets			
Work in Progress - Homestake Costs	14	279,605	229,174
Housing Stock Held for Sale	14	33,482	6,844
Debtors	15	1,113,508	915,994
Cash at bank & in hand	16	1,353,554	670,893
		2,780,149	1,822,905
Creditors: amounts falling due within one year	17	1,992,335	1,975,660
Net current assets excluding pension asset/liability		787,814	(152,755)
	23	(3,397,000)	(1,285,000)
Net current assets including pension asset/liability		(2,609,186)	(1,437,755)
Total assets less current liabilities		34,654,706	33,889,587
Creditors: amounts falling due after more than one year	18	32,077,723	28,827,723
Provision for liabilities and charges	19	-	-
Net assets		2,576,983	5,061,864
Capital and reserves			
Share Capital	20	142	146
Revenue reserve	26	2,576,841	4,851,718
Revaluation Reserve	26		210,000
		2,576,983	5,061,864

The financial statements on pages 16 to 42 were approved by the Board of Management on 31st August 2010 and were signed on its behalf by:

Lorna Paterson Chair 
 Gary Gulchan Secretary 
 Alex Condie 

The notes on pages 19 to 42 form part of these financial statements.

Cash flow statement for the year ended 31st March 2010

	Notes	2010 £	Restated 2009 £
Reconciliation of operating surplus to net cash flow from operating activities	1a	1,000,664	1,300,227
Depreciation charges		101,890	106,046
(Increase)/decrease in debtors		(274,583)	74,705
Increase/(decrease) in creditors		16,675	383,464
Increase /decrease in pensions		(141,000)	(43,000)
Net cash inflow from operating activities		703,646	1,821,442
CASHFLOW STATEMENT			
Net cash inflow from operating activities		703,646	1,821,442
Returns on investments and servicing of finance	27.1	(1,190,018)	(1,396,452)
Taxation		-	-
Capital expenditure	27.1	(2,080,963)	(2,758,333)
Management of liquid resources	27.1	-	-
Financing	27.1	(4)	(5)
Increase/(Decrease) in cash		(2,567,339)	(2,333,348)
Reconciliation of net cash flow to movement in net debt	27.2	(2,567,339)	(2,333,348)
Increase/(Decrease) in cash in the period		(2,567,339)	(2,333,348)
Cash used to increase liquid resources		-	-
Change in net debt		(2,567,339)	(2,333,348)
Net debt at 31.3.09		(28,156,830)	(25,823,482)
Net funds at 31.3.10		(30,724,169)	(28,156,830)

Notes to the financial statements

Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards, Statement of Recommended Practice: Accounting by Registered Social Landlords revised in 2008 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The principal Accounting Policies of the Association are set out below.

Basis of accounting

The Financial Statements are prepared on the historical cost basis of accounting.

Subsidiary

The Subsidiary PACT Enterprises Limited is a dormant company as at 31st March 2010 and accordingly the Association has not prepared consolidated statements.

Turnover

Turnover represents rental income from leasing residential property, fees receivable and revenue grants from Scottish Ministers, Local Authorities and other agencies and proceeds from sale of shared equity properties which are part of the Low Cost Home Ownership Initiative (LIFT).

Loans

Loans are advanced by private lenders, under the terms of individual mortgage deeds in respect of each property.

Land

The Association's land banks previously stated its land banks at existing use value.

SORP 2008 requires interim valuations to be carried out in years 1, 2 and 4 with a full valuation in year 5 for those assets held in the balance sheet on valuation basis. We consider that the costs of carrying the valuation outweigh the benefits and have therefore removed the land from the balance sheet.

Fixed assets - Housing properties

Tangible fixed assets are stated at cost less accumulated depreciation and capital grants. Housing properties classified as under development are stated at cost and not depreciated. Housing properties are transferred to completed properties when they are ready for letting.

Fixed Assets – Shared Ownership

Shared Ownership properties are split proportionately between current and fixed assets based on first tranche proportion.

First tranche proportions are treated as current assets and the related sales proceeds shown in turnover. The remaining element of the SO property must be accounted for as a fixed asset and any subsequent sale as part disposal of a fixed asset.

Shared Equity LIFT

Shared Equity, Low Cost Home Ownership Initiative for First Time Buyers (LIFT) properties are treated as current assets during construction. When the equity share is purchased the income from sale is included in turnover. The amount funded by grant is shown as a fixed asset investment and the grant received as a deduction from such.

Depreciation - Housing properties

Tangible fixed assets are depreciated to write off the cost less the residual value of the assets over their estimated useful lives. The useful economic lives and residual values of all tangible fixed assets are reviewed annually. This year no depreciation has been charged on our housing properties as in the opinion of the Board of Management the depreciation charge is considered to be immaterial due to the long useful life and high residual value of the properties. In accordance with FRS 15 - Tangible Fixed Assets, depreciation is considered immaterial as:

The Association has a policy of regular maintenance and repair (charges for which are made to the Income and Expenditure Account) such that the property is retained at its previously assessed standard of performance.

- The properties are unlikely to suffer from technological or economic obsolescence due to changes in demand.
- The estimated residual values are material as the disposal proceeds of similar assets have not historically been materially less than their carrying values.
- No depreciation is charged on land.

Impairment

An impairment review is carried out annually at the balance sheet date with any impairment recognised by a charge to the Income and Expenditure Account in accordance with FRS15- Tangible Fixed Assets, when no depreciation charge is made on the grounds that it is immaterial and FRS11, Impairment of Fixed Assets, if there is some indication that impairment has occurred. An impairment review was carried out and no impairment was noted.

Depreciation - Office properties

Depreciation is charged on a straight line basis over the expected useful life of the property being 50 years. No depreciation is charged on land.

Depreciation - Other fixed assets

The depreciation bases for the other classes of assets are as follows:

Computer Software & Equipment	-	20%	Straight line
Furniture, Fittings & Office Equipment	-	10%	Straight line

Repairs and maintenance

Costs for reactive and planned maintenance are charged to the Income and Expenditure Account as they are incurred.

Property Improvements are capitalised if they result in an enhancement of the economic benefits of the property which can occur if the improvement results in:

- o an increase in rental income or
- o a material reduction in future maintenance costs or
- o a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

The Association maintains its properties in a state of repair that maintains their residual value.

Grants

Where grants of a capital nature have been received towards the cost of developments, the cost of these developments has been reduced by the amount of the grant receivable. This amount is shown separately on the balance sheet. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Grants are repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

Pensions

The Association operates a defined benefit Pension Scheme, the cost of which is written off on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund. The disclosure in the accounts meets the requirements of Financial Reporting Standard 17, Retirement Benefits. It is a requirement that quoted securities are valued at bid price.

Operating leases

Rental applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

Research and development expenditure

Research and development expenditure is written off in the Income and Expenditure Account in the year in which it is incurred, with the exception of expenditure incurred on individual development projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with turnover from the relevant projects.

1a. Particulars of turnover, operating costs and operating surplus or deficit

	2009-10		2008-09 (Restated)	
	Turnover	Operating Costs	Operating Surplus or (Deficit)	Operating Surplus or (Deficit) for previous year
	£	£	£	£
Social lettings	8,039,865	7,139,041	900,824	863,599
Other activities	593,756	493,916	99,840	436,628
Total	8,633,621	7,632,957	1,000,664	1,300,227
Total for 2008-09	10,352,807	9,052,580	1,300,227	

2. Particulars of income and expenditure from lettings

	General needs £	Shared ownership housing £	Total 2010 £	Total 2009 £
Rent receivable net of service charges	7,728,860	8,200	7,737,060	7,183,632
Service charges receivable	86,684	3,218	89,902	95,247
Gross income from rents and service charges	7,815,544	11,418	7,826,962	7,278,879
Less rent losses from voids	(36,962)	-	(36,962)	(43,577)
Net income from rents and service charges	7,778,582	11,418	7,790,000	7,235,302
Grants from the Scottish Ministers	249,865	-	249,865	62,544
Other revenue grants	-	-	-	-
Total turnover from social letting activities	8,028,447	11,418	8,039,865	7,297,846
No of units managed by the Association	2,429	5	2,434	2,390
Management and maintenance administration costs	2,036,003	2,731	2,038,734	2,031,491
Service costs	96,869	2,706	99,575	90,197
Planned and cyclical maintenance including major repair costs	3,273,615	-	3,273,615	2,656,691
Reactive maintenance costs	1,653,887	383	1,654,270	1,583,600
Bad debts – rent and service charges	72,357	-	72,357	71,635
Depreciation of housing properties	490	-	490	633
Impairment of housing properties	-	-	-	-
Operating costs for social letting activities	7,133,221	5,820	7,139,041	6,434,247
Operating surplus or (deficit) for social lettings	895,226	5,598	900,824	863,599
Operating surplus or (deficit) for social lettings for previous period of account	858,280	5,319	863,599	-

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

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or (deficit)	Operating surplus or (deficit) previous period (Restated)
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	9,830	-	-	-	9,830	-	31,059	(21,229)	(38,675)
Care and repair of property	-	-	-	15,775	15,775	-	12,695	3,080	(152)
Factoring	-	-	-	-	-	-	-	-	-
Development and Construction of property activities	-	-	-	566	566	-	117,370	(116,804)	(237,840)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/ management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Sale of LIFT Properties	-	-	-	289,575	289,575	-	289,575	-	-
Other activities	-	-	-	1,010	1,010	-	-	1,010	4,091
Sale of Vacant Properties	-	-	-	277,000	277,000	-	43,217	233,783	709,204
Total from other activities	9,830	-	-	583,926	593,756	-	493,916	99,840	436,628
Total from other activities for previous period of account	48,829	-	-	3,006,132	3,054,961	-	2,618,333	436,628	-

4. Officers' Emoluments

The aggregate amount of emoluments payable to, or receivable by the officers and former officers of the registered social landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions are:

	2010	2009
	£	£
Total emoluments (excluding pension contributions)	71,630	70,459

The emoluments of the officers (excluding pension contributions) were within the following ranges:-

£		£	2010	2009
60,001	to	70,000	-	-
70,001	to	80,000	1	1

The emoluments (excluding pension contributions) of the Chief Executive amounted to :-

2010	2009
£	£
71,630	70,459

The pension contributions made by the Association to officers whose total emoluments (excluding pension contributions) are £60,000 or more were:

£	£
13,935	11,710

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 23. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes.

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

	2010	2009
	£	£
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax:-	4,527	4,254

Expenses of £2,901 (2009 £2,618) were paid to Board Members.

Loans to directors

	Rate of interest	Amount outstanding		Maximum
		31/03/2009	31/03/2010	Outstanding During
		£	£	the Year
B Hay Car Purchase Loan	4.750%	11,030	8,990	£ 11,030
A Clark Car Purchase Loan	5.250%	11,410	8,009	11,410
R Milne Car Purchase Loan	4.750%	5,845	-	5,845
		<u>28,285</u>	<u>16,999</u>	<u>28,285</u>

The loans made were for the purchase of a car. The loans were made by the Association on the same terms as were available to other employees who were essential car users.

5. Employee information

The average weekly number of persons employed during the period (Full Time Equivalent) was	2010	2009
	61.4	60.2

Office Staff

Staff Costs during the period	£	£
Wages and salaries	1,135,691	1,102,221
Social Security Costs	90,456	87,170
Pension Costs (Note 23)	265,951	187,397
Temporary Staff Costs	<u>42,594</u>	<u>95,047</u>
	<u>1,534,692</u>	<u>1,471,835</u>

Maintenance Services Department

Wages and salaries	581,122	548,163
Social Security Costs	41,765	40,574
Pension Costs (Note 23)	109,428	83,460
Temporary Staff Costs	<u>4,018</u>	<u>4,792</u>
	<u>736,333</u>	<u>676,989</u>
	<u>2,271,025</u>	<u>2,148,824</u>

6. Operating surplus

	2010	2009
	£	£
Operating surplus is stated after charging /crediting :		
Depreciation of housing properties	490	632
Depreciation on disposal of housing properties	(14,639)	(29,761)
Depreciation of other assets	101,400	105,413
Depreciation on disposal of other assets	(3,002)	(103,695)
Impairment of housing properties	-	-
Repairs: cyclical, major, day to day	5,389,318	4,246,171
Auditor's remuneration in their capacity as auditors	10,090	9,696
Auditor's remuneration in respect of other services	-	-
Receipt of grant	259,694	111,373
Operating lease rentals	251,440	241,492

7. Interest payable and similar charges

	2010	2009
	£	£
Long term bank loan	1,195,720	1,434,606
Other interest payable	-	-
	1,195,720	1,434,606

8. Interest receivable and other income

	2010	2009
	£	£
Interest receivable	5,702	38,154

9. Taxation

Fife Housing Association Ltd. was accorded charitable status for taxation purposes by the Inland Revenue. In the period to 31st March 2010 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary.

10. Tangible fixed assets

	Land	Housing Properties Held for Letting	Housing Stock Under Development	Shared Ownership	Total
Cost or revaluation	£	£	£	£	£
At 1st April 2009	210,000	51,376,391	91,173	273,145	51,950,709
Additions	-	324,980	7,698,244	-	8,023,224
Transfers	-	4,643,445	(4,698,662)	-	(55,217)
Disposals	-	(72,343)	-	-	(72,343)
Revaluation	(210,000)	-	-	-	(210,000)
As at 31st March 2010	-	56,272,473	3,090,755	273,145	59,636,373
Depreciation					
As at 1st April 2009	-	(3,774,162)	-	(2,279)	(3,776,441)
Charge for Year	-	(490)	-	-	(490)
Disposals	-	14,639	-	-	14,639
Impairment provision	-	-	-	-	-
At 31st March 2010	-	(3,760,013)	-	(2,279)	(3,762,292)
Grants					
As at 1 st April 2009	-	(13,797,425)	(7,765)	(225,859)	(14,031,049)
Additions	-	-	(5,715,045)	-	(5,715,045)
Transfers	-	(3,892,672)	3,892,672	-	-
At 31st March 2009	-	(17,690,097)	(1,830,138)	(225,859)	(19,746,094)
Net Book Value at 31st March 2010	-	34,822,363	1,260,617	45,007	36,127,987
Net Book Value at 31st March 2009	210,000	33,804,804	83,408	45,007	34,143,219

The Association has capitalised £46k of major component replacement expenditure in 2010 and none in 2009.

The Association previously stated its land banks at existing use value. The land has now been removed from the balance sheet as the cost of carrying out valuations outweighs the benefits.

11. Gain / Loss on Sale of Assets

	RTB Sales	Shared ownership	Land	Other assets	Total 2009-10	Total (Restated) 2008-09
	£	£	£	£	£	£
Income	216,410	-	13,488	-	229,898	501,262
Legal Expenses	(2,321)	-	-	-	(2,321)	(4,663)
Cost of Sale	(57,733)	-	-	(1,299)	(59,032)	(188,768)
Other Costs	(1,068)	-	-	-	(1,068)	(6,739)
Discount repaid by owner	-	-	-	-		
Gain / Loss on Disposal of Assets	155,288	-	13,488	(1,299)	167,477	301,092

12. Fixed Asset Investments – Shared Equity (LIFT)

	Total £
Cost	
As at 1 st April 2009	670,363
Transfer from Current Assets WIP	<u>150,532</u>
As At 31st March 2009	<u>820,895</u>
Grant	
As at 1 st April 2009	(670,363)
Transfer from Current Assets WIP	<u>(150,532)</u>
As At 31st March 2009	<u>(820,895)</u>
Net Book Value as at 31/3/10	=
Net book Value as at 31/3/09	=

Fixed asset Investments - Subsidiary

Cost	2010 £	2009 £
PACT Enterprises Ltd	1	0

13. Tangible fixed assets

	Office land & Buildings Leasehold	Office land & buildings	Computer software	Furniture & fittings	Total
Cost	£	£	£	£	£
As at 1 st April 2009	40,030	1,039,698	500,003	120,861	1,700,592
Additions	-	-	49,337	5,143	54,480
Disposals	-	-	(3,860)	(237)	(4,097)
As at 31st March 2010	40,030	1,039,698	545,480	125,767	1,750,975
Depreciation					
As at 1st April 2009	(400)	(129,296)	(308,631)	(78,142)	(516,469)
Charge for year	(800)	(19,310)	(70,431)	(10,859)	(101,400)
Disposals	-	-	2,765	33	2,798
As at 31st March 2010	(1,200)	(148,606)	(376,297)	(88,968)	(615,071)
Net Book Value as at 31st March 2010	38,830	891,092	169,183	36,799	1,135,904
Net Book Value as at 31 st March 2009	39,630	910,402	191,372	42,719	1,184,123

14. Work in Progress / Stock

	As at 1 st April 2009 £	Additions £	Trans to/from Fixed assets £	Disposals £	As at 31 st March 2010 £
Work in Progress - Cost	333,685	485,295	(44,110)	(289,575)	485,295
Work in Progress - HAG	(104,511)	(205,690)	104,511		(205,690)
	229,174	279,605	60,401	(289,575)	279,605
Housing Properties Held for Sale	6,844	-	55,217	(28,579)	33,482

15. Debtors

	2010	2009
	£	£
Amounts falling due within one year:-		
Debtors rental income	434,282	426,187
Bad debt provision	(230,000)	(165,000)
Prepayments and accrued income	227,474	202,065
Other debtors	300,884	411,322
Grants receivable	380,868	41,420
	1,113,508	915,994

16. Cash on deposit

Included within cash at bank and in hand is the following:-

	2010	2009
	£	£
Short term deposits	1,353,554	670,893

In the above are balances totalling £12,291 (2009 £10,494) which are held in trust for shared ownership proprietors.

17. Creditors: Amounts falling due within one year

	2010	2009
	£	£
Loan interest payable	145,364	106,959
Accruals and deferred income	277,774	130,599
Rent in advance	270,338	250,767
Trade creditors	963,752	1,087,485
Taxation & social security	44,144	43,116
Other creditors	290,963	356,734
	1,992,335	1,975,660

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

Loans are secured by specific charges on the Association properties and are repayable at fixed and varying rates of interest.

	As at 31 st March 2010 £	As at 31 st March 2009 £
Fixed Rate SWAP	15,000,000	10,000,000
RPI SWAP	5,000,000	-
Fixed (Callable) Rate SWAP	5,000,000	10,000,000
Variable Rate	7,077,723	8,827,723
	32,077,723	28,827,723

Analysis of duration of loans

Loans due within 1 year	-	-
Loans due within 1 and 2 years	-	-
Loans due within 2 and 5 years	-	-
Loans due after 5 years	32,077,723	28,827,723

19. Provisions for liabilities and charges

	2010 £	2009 £
At start of year	-	-
Transfer from Income and Expenditure Account	-	-
Utilised in the year	-	-
At the end of year	-	-

20. Called up share capital

	2010 £	2009 £
Allotted, issued and fully paid at 1st April 2009	146	151
Issued in period	6	4
Redeemed in period	(10)	(9)
At 31st March 2010	142	146

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member the £1 paid becomes the property of the Association. Members are eligible to stand for election to the Board of Management and can vote for candidates at the Annual General Meeting.

21. Capital commitments

At 31st March 2010 commitments outstanding were as follows: -

	2010	2009
	£	£
Authorised and Contracted for		
Planned Maintenance	1,001,532	639,229
Developments	1,152,903	1,373,861
	<u>2,154,435</u>	<u>2,013,090</u>

The commitment of £1,002k relates to Planned Maintenance Contracts which were contracted for last year but were still uncompleted at 31st March. This will be funded from our bank balance. The Association has a £12.75m facility remaining from Lloyds TSB Bank to fund the development programme after the remaining grant funding has been drawn down.

22. Lease obligations

The Association's annual commitments under non-cancellable operating leases are as follows:

	2010		2009	
	Land & buildings £	Other operating leases £	Land & buildings £	Other operating leases £
Operating leases which expire :-				
Within one year	12,396	152,519	3,037	69,123
In the second to fifth year exclusive	-	14,747	36,786	95,006
Over five years	28,132	-	27,050	-
	<u>40,528</u>	<u>167,266</u>	<u>66,873</u>	<u>164,129</u>

23. Pensions

The Association is an admitted body to the Fife Council Superannuation Fund which is a defined benefit pension scheme providing benefits based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary based on the triennial valuation at March 2008 as required under FRS17 and are charged to the Income and Expenditure Account as they are incurred. The pension costs for the period were £375,379 (2009 - £270,857).

The fund is actuarially valued on a triennial basis with the most recent being at 31st March 2008. Local Government Pension Scheme (LGPS) benefits are linked to price inflation and salary inflation and the real discount rate applied to changes in assumptions on liabilities. The real discount rate in 2010 has decreased significantly from 3.7% p.a. to 1.6% due to a fall in corporate bond yields combined with an increase in inflation which has increased the value of the liabilities by approximately 40-45%, however the investment return on LGPS funds has not been as unfavourable with investment return in the region of 30-40%. The mortality assumptions have changed to reflect higher life expectancies. This has also led to an increase in liabilities. The combined impact of the investment returns, financial assumptions and the strengthened post retirement mortality has had a negative impact on the balance sheet. The decrease in the real discount rate will significantly increase the projected service cost for next year. The bid value of the Fund's assets at 31st March 2010 is £1,173m based on information provided by the Administering Authority. The actuary recommended future employer's contribution rates of 20%, 21.6% and 23.3% of employee's pensionable payments for the years to 31st March 2010, 2011 and 2012 respectively.

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31st March 2010 for Financial Reporting Standard 17 purposes were:

	2010	2009	2008	2007	2006
Main Assumptions	%	%	%	%	%
Discount rate	5.5	6.9	6.9	5.4	4.9
Retail price inflation	3.8	3.1	3.6	3.2	3.1
Rate of increase for pensions in payment	3.8	3.1	3.6	3.2	3.1
Salary increases	5.3	4.6	5.1	4.7	4.6

The expected rate of return and the assets in the scheme at 31st March 2010 were:

	2010		2009	
	Long term rate of return	% split of assets	Long term rate of return	% split of assets
Equities	7.8%	75%	7.0%	71%
Bonds	5.0%	17%	5.4%	20%
Property	5.8%	6%	4.9%	6%
Cash	4.8%	2%	4.0%	3%

Mortality

The actuary has assumed that life expectancy will continue to increase in future years which has an adverse effect on the funding position of the pension scheme. The average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.8 years	24.1 years
Future Pensioners	22.3 years	25.7 years

Balance Sheet

	31st March 2010 £000	31st March 2009 £000
Fair Value of Employer Assets	5,574	3,827
Present Value of Funded Liabilities	(8,971)	(5,112)
Net Asset / Liability	(3,397)	(1,285)

Analysis of the amount charged to Operating Surplus

	2010 £000	2009 £000
Current service cost	186	227
Impact of Settlements and Curtailments	-	-
Total operating charge	186	227

Analysis of the amount credited to other Finance Income

	31 st March 2010 £000	31 st March 2009 £000
Expected return on pension scheme assets	(258)	(343)
Interest on pension scheme liabilities	358	353
Net return	(100)	(10)

Reconciliation of Defined Benefit Obligation

	31 March 2010 £000	31 March 2009 £000
Opening Defined Benefit Obligation	5,112	5,052
Current Service Cost	186	227
Interest Cost	358	353
Contributions by members	108	95
Actuarial Losses / (Gains)	3,358	(419)
Past Service Costs	-	-
Impact of settlements and curtailments	-	-
Estimated Benefits Paid	(151)	(196)
Closing Defined Benefit Obligation	8,971	5,112

Reconciliation of Fair Value of Employer Assets

	31 March 2010 £000	31 March 2009 £000
Opening Fair Value of Employer Assets	3,827	4,679
Expected Return on Assets	258	343
Contributions by members	108	95
Contributions by Employer	327	270
Actuarial Losses / (Gains)	1,205	(1,364)
Benefits paid	(151)	(196)
Closing Defined Benefit Obligation	5,574	3,827

History of Gains and Losses

	Year to 31/3/10 £000	Year to 31/3/09 £000	Year to 31/3/08 £000	Year to 31/3/07 £000	Year to 31/3/06 £000
Fair value of Employer Assets	5,574	3,827	4,679	4,524	4,070
Present Value of Defined Benefit Obligation	(8,971)	(5,112)	(5,052)	(5,528)	(5,560)
Surplus / (Deficit)	(3,397)	(1,285)	(373)	(1,004)	(1,490)
Experience Gains / (Losses) on Assets	1,205	(1,364)	(532)	20	500
Experience Gains Losses on Liabilities	-	(137)	1	1	57

**Analysis of amount recognised in statement of total recognised surpluses and
 deficits (STRSD)**

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Actual return less expected return on pension scheme assets	1,205	(1364)	(532)	20	500
Changes in assumptions underlying the present value of scheme liabilities	(3358)	419	1162	444	(643)
Actuarial Gain / (Loss) in Pension Plan Increase/ (Decrease) in irrecoverable surplus from membership fall and other factors	(2153)	(945)	630	464	(143)
Actuarial Gain / (Loss) Recognised in STRSD	(2,153)	(945)	630	464	(143)
Cumulative Actuarial Gains and Losses	(2,836)	(683)	262	(368)	(832)

24. Legislation provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and was registered with Scottish Homes on 3rd June 1996.

25. Designated reserve

The Association has not made an allocation to designated reserves in the financial year as a programme of expenditure relating to the rehabilitation of the stock has already been planned to take place. The effect of this programme on the need to designate reserves will be assessed on an ongoing basis with the intention that, when rehabilitation of the various units is complete, reserves will be designated to cover future life cycle costing and major repairs.

26. Reconciliation of movement in reserves

	Revenue Reserve 2010 £	Revenue Reserve 2009 £	Revaluation Reserve 2010 £	Revaluation Reserve 2009 £
Opening balance at 1st April	4,851,718	5,601,851	210,000	210,000
Surplus/(Deficit) for the year	(2,274,877)	(750,133)	-	-
Revaluation reversed	-	-	(210,000)	-
Utilised during year	-	-	-	-
Closing balance at 31st March 2010	2,576,841	4,851,718	-	210,000

The revaluation reversal relates to land banking (note 10 refers)

27. Cash Flow Notes

27.1

	2010	Restated 2009
	£	£
Gross cash flow		
Returns on investments and servicing of finance		
Interest received	5,702	38,154
Interest paid	(1,195,720)	(1,434,606)
	<u>(1,190,018)</u>	<u>(1,396,452)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	Note 10 & 12 (8,077,705)	(5,906,859)
Grants received	Note 10 5,715,045	2,565,724
Receipts from sales of tangible fixed assets	281,697	582,802
	<u>(2,080,963)</u>	<u>(2,758,333)</u>
Management of liquid resources		
Financing		
Issue of ordinary share capital/change in reserves	(4)	(5)

27.2

Analysis of changes in net debt	At 31st March 2009	Cash flows	Other changes	At 31st March 2010
	£	£	£	£
Cash in hand /at bank	670,893	682,661	-	1,353,554
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(28,827,723)	(3,250,000)	-	(32,077,723)
Current asset investments	-	-	-	-
Total	<u>(28,156,830)</u>	<u>(2,567,339)</u>	-	<u>(30,724,169)</u>

28. Contingent assets / liabilities

The Association entered into a Sale & Purchase Agreement (the Agreement) on 29th January 1997 with Scottish Homes who acted on behalf of the Scottish Ministers. The terms and conditions of the Agreement determine the activities the Association can undertake. The Agreement allowed for a certain level of sales through right to buy. However if this level was breached there is a formula for calculating the liability arising from the excess right to buy sales. There are clauses within the Agreement to protect the Association from material adverse effect and legal opinion supports the Association's view that the excess right to buy liability of £1.034m represents a material adverse effect and the Association is in discussions with the Scottish Government to resolve this issue.

The Scottish Executive introduced the Scottish Housing Quality Standard in 2005 with a target that all the Association's homes are compliant by 2015. The Association has presented its Standard Delivery Plan to Communities Scotland demonstrating how it can meet this timetable. The costs of meeting this initiative are significantly in excess of the sums budgeted for in the Association's initial Business Plan that was accepted by Scottish Homes at the time we acquired the properties. In view of the increased costs the Association considers that the comfort clauses contained in the Agreement are triggered and result in a material adverse effect on the Association. The Association is in discussions with the Scottish Government to address this issue and have legal advice to the effect that under the terms of the contract the £1.034m excess RTB income cannot be claimed by the Scottish Government.

Due to the uncertainty surrounding this issue, no asset or liability has been recognised in the financial statements.

29. Subsidiaries Information

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

Name of Company	Country of Registration or Incorporation	Date of Incorporation	Proportion of Voting Rights	Nature of Business
Subsidiary Undertakings				
PACT Enterprises	Scotland	Mar-10	Wholly Controlled	Dormant since incorporation

30. Related Parties

The tenants who sit on the Board of Management have entered into tenancies on the Association's normal terms and conditions and they gain no advantage from their involvement on the Board.

Transactions with the Association are undertaken on standard terms applicable to all tenants.

No member of the Board including any Local Authority representative can influence the decision making process to their own advantage.

The following board members have involvement with other organisations.

- Lorna Paterson is also Chairperson of SFHA and on the board of EVH and TPAS.
- Alex Condie is on the advisory board of the Scottish Housing Regulator.
- Alex Condie and Jim Buchanan are also on the board of FFOTRA.

PACT Enterprises is a wholly owned and controlled Subsidiary of Fife HA. The following members of the Board of Management and officers of Fife HA are also officers of PACT Enterprises:

Andrew Baillie
Alistair Berwick
Alex Condie
Linda Greig
Bryan Hay
Andrew Clark

There were no material transactions between the Association and PACT Enterprises during the year.

31. Prior Year Adjustment

The Association has made a change to the accounting procedure in regards to the Sale of Vacant Properties in accordance with the SORP 2008.

- In the previous financial year the profit on the disposal was shown as gain /loss on fixed assets.
- As current assets the related sales proceeds are now shown in turnover and the cost of sales as other operating costs.

The Association has restated the amounts for the previous financial year, but it has had no impact on the surplus/ deficit.