

Fife Housing Association Limited

Group Report and Financial Statements



For the year ended 31st March 2012

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)
Philip Shave	(Secretary Appointed 27 th June 2011)
Gary Guichan	(Vice-Chair/Secretary Resigned 14 th June 2011)
Alex Condie	(Resigned 1 st April 2011)
Alistair Berwick	(Resigned 18 th June 2012)
Andrew Baillie	
Anila Ahmad	(Elected 19 th September 2011)
Colin McNeill	(Elected 19 th September 2011)
David Watson	(Elected 19 th September 2011)
Douglas Normand	
Derek Moore	(Co-opted 19 th September 2011)
George Fisher	
Jack Jones	(Deceased 29 th June 2011)
Janet Temple	(Elected 19 th September 2011)
Jim Buchanan	(Co-opted 19 th September 2011)
Pat Dickson	(Co-opted 19 th September 2011)
William Rennie	(Elected 19 th September 2011)
William Spence	(Resigned 8 th March 2012)
<u>Executive Officers</u>	
Bryan K. Hay	(Chief Executive)
Andrew Clark	(Corporate Services Director)
Thomas W. Hainey	(Technical Services Director)
Helen P. Barclay	(Housing Services Director) Resigned 7 th October 2011
Craig W. Stirrat	(Housing Services Director) Started 9 th January 2012
<u>Auditors</u>	Findlay & Company, 11 Dudhope Terrace, Dundee, DD3 6TS
<u>Bankers</u>	Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR
<u>Solicitors</u>	Harper Macleod, The Ca'd'ora, 45 Gordon Street, Glasgow G1 3PE
<u>Solicitors</u>	Morton Fraser, 30-31 Queen Street Edinburgh, EH2 1JX

Attendance at Board and Committee Meetings

	Board Meeting		Customer Services		Corporate Services		Asset Management		Audit		Emergency Standing	
	Poss	Act	Poss	Act	Poss	Act	Poss	Act	Poss	Act	Poss	Att
Lorna Paterson	9	9			4	3	4	3	2	0	8	7
Philip Shave	9	7	4	4			4	3			8	8
Gary Guichan	1	1	1	1							1	1
Alistair Berwick	9	8			4	2			2	2		
Andrew Baillie	9	7			4	3						
Anila Ahmad	5	3										
Colin McNeill	5	5										
David Watson	5	4										
Douglas Normand	9	3					4	3				
Derek Moore	5	4										
George Fisher	9	9	4	4	3	3	4	3	2	2	7	7
Jack Jones	2	0	1	1								
Janet Temple	5	5										
Jim Buchanan	9	9	4	4	4	4	4	4	1	1*	1	1
Patricia Dickson	5	4										
William Rennie	9	5										
William Spence	8	8	4	4			4	4	2	2	4	3

* Extra members attended meetings following the decision at the Board Meeting held 26 April 2011 inviting all Board Members to attend all Committee Meetings with full delegated powers to decide whilst the numbers on the Committees remained small.

There were no Staffing Committee Meetings held in 2011/12.



Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31st March 2012.

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 a wholly owned non-charitable trading subsidiary (PACT Enterprises).

Organisational Management

The Board of Management must have a minimum of 7 and a maximum (including co-optees) of 15 members.

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 7 committees:

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

Members of the committees are listed on Page 2.

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 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.

Risk Management

The Group 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

The vision of Fife Housing Group is that it will be a provider of choice offering a wide range of housing and related services for the whole community with a focus on low cost housing solutions for people in the greatest need.

Our mission statement is "to listen, demonstrate that we care and work hard and effectively every day to achieve excellence in all that we do".

The Association was formed for the benefit of the community and 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;
- The Association is a non-surplus distributing organisation.

Aims and Intended Impact

The Group's aims are to make the business stronger, to help people and communities flourish.

Our Underpinning Values

- Customer Service – We are passionate about providing exceptional customer service to everyone who contacts us and / or receives a service from us.
- Sustainability – We recognise the link between vibrant communities and sustainable tenancies and the need for us to play our part in delivering economic and environmental benefits for the future.
- Openness & Accountability - We operate in an open and transparent way making our decision on the basis of accurate and timely information in an objective and accountable manner.
- Equalities – We seek to promote diversity and equal opportunities and eliminate unfair discrimination in all areas of our operation.
- Continuous Improvement – We strive to be rigorous and aim to be systematic in our approach to managing our performance and continue to plan and manage our work to achieve improvements in our service delivery.
- Community empowerment – We welcome individual tenant and resident groups participating in the issues that affect the communities in which our houses are located.
- Partnerships- We believe in the importance of working in partnership to deliver good quality homes and services to our tenants and other customers.

Our Strategic Objectives

- To become a provider of choice
- Deliver business strength and growth
- Achieve operational excellence in our internal processes
- Foster a positive working environment

Our Future Plans

- 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 Association's 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;
- PACT Enterprises, our wholly owned subsidiary, will enable income generation, diversification, property investment, development.

Strategies to achieve the year's objectives

The Group will be able to extend the range of services provided through PACT Enterprises through property investment, development, property management and maintenance services.

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 a member of the Fife Housing Alliance, where Kingdom Housing Association acts as lead developer of new build housing with the transfer of ownership taking place on completion.

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 the Abbeyview regeneration area with grant support from the Government.

Fife Housing Association will continue to purchase properties under the Scottish Government's *Mortgage to Rent* scheme.

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 an agreed Standard Delivery Plan to meet the Scottish Housing Quality Standard and Major Component Replacement Plan. To assist the Association in its delivery it is rolling out Stock Condition Surveys and has created a database within its IT system to ensure good planning.

The Association jointly funds a Wider Action Post and works with a range of voluntary sector and statutory sector partners to deliver specialist services.

The Association and its subsidiary company PACT Enterprises have explored and seized mid – market and market rented new build housing.

Achievements and Performance

The Group had a number of successes in 2011-12

- ✓ Continued to achieve a high level of Board member commitment and competency;
- ✓ Has delivered improved outcomes on key performance indicators;
- ✓ Successfully worked in partnership with the Fife Alliance of Housing Associations;
- ✓ The Association purchased 7 properties under the Mortgage to Rent Scheme;



- ✓ The Association's technical department moved to premises in Lochgelly and joined our in-house maintenance department to form PRISM Property Solutions;
- ✓ A commercial unit has been let as a chemist;
- ✓ PACT has purchased and successfully let 6 properties for market rent and purchased 8 vacant properties in Old Rosyth for market rent;
- ✓ PACT is currently developing 15 properties at Hugh Place Lochgelly for private residential sale, rent to buy or shared equity.

Future Plans

The Association has demolished the first phase of the defective housing in Crombie and Kingdom Housing Association are developing the site through the Fife Housing Alliance, with the 15 rented and 3 Shared Equity properties being handed over in May.

The Association has commenced with the development of 4 properties in Inchkeith Drive, Dunfermline.

Grant funding has been secured for the development of 38 houses at Abbeyview, Phase 4. This is due to commence later this year.

The Association plans to invest £7.5m in the next three 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.

PACT Enterprises will take advantage of the following business opportunities:

- 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 23 to the accounts.

The Association believes it is operating in the most challenging environment since its creation and will continue to assess and monitor the "risks" facing the Association and by identifying the risks increases our ability to manage our way through them.

Financial Review - Fife Housing Group

The Board is satisfied with the Group's performance during the year. The Group has generated a surplus of £548,661 (2011 - surplus of £1,386,621).

Turnover increased by £230,385 and operating costs by £793,265, however if last year's past service cost adjustment is disregarded the operating costs have decreased by £15,735. The operating surplus decreased from £3,045,160 in 2011 to £2,482,280 in 2012.

The total surplus recognised in the Statement of Total Recognised Surpluses and Deficits is £2,135,552 in 2011 there was a surplus of £2,219,621. Details of the movements are set out in page 17.

The surplus for the year has been taken to revenue reserves. The Group's net assets are now £6,573,965 (2011 - £5,618,644).

Asset Value

The Board appointed external valuers, DTZ, to value the Association's housing properties as at 31st March 2012. The value of the properties, on an existing use basis (Social Housing) (EUV-SH) was £53.9m (2011 £52.3m) and the carrying value of our stock after component accounting was applied was £39.1 (2011 £38.4m).

Impairment Review

The impairment review carried out at 31st March 2012 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 6% on 1st April 2011. Our gross rental income increased from £8,203,772 to £8,844,432. There has been an increase in void rent loss from £43,877 to £75,082. The bad debts written off by the Association has decreased from £91,190 to £73,839. A review of the rent arrears has been carried out and the Bad Debt provision has increased from £230,000 to £310,000.

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 2012, six tenants exercised their right to buy and the Association received £113,189 net of selling costs.

Void Sales

The Association sold eleven of our older void properties to help us meet the Scottish Housing Quality Standard and received £629,178 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 funding deficit. This deficit has increased from £1,754,000 at 31st March 2011 to £1,987,000 at 31st March 2012. Full details have been provided in Note 25.

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 £1,360 (2011 £2,098). 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 and 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.

Prior Year Adjustment

The Association has introduced Component Accounting this year and this has resulted in a prior year adjustment to the reserves of £1.18m. The opening reserves have been restated as if Component Accounting had always been applied. Full details are provided in Note 15.

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 2012 there was £4.25m in undrawn facilities with Lloyds TSB Scotland to fund the Association's development programme and a further £4.6m to on lend to PACT Enterprises Ltd.

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 2012 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;



- The Association entered into a 25 year Inflation-Linked SWAP from 29th January 2010, 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%;
- A 20 year fixed interest rate SWAP from 31st January 2013 for £5m at 4.96% with a 24 month non call period and thereafter the counter-party has the right to terminate the SWAP at 3 monthly intervals.

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 2011. 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 Housing Providers Update 2010.

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.

Statement of Board of Management's Responsibilities (cont.)

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 2012 and until 28th August 2012. 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.

Statement of Board of Management's Responsibilities (cont.)

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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 2012 and until 28th August 2012. 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.



Independent Auditor's 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 2012 which comprise Group & Association Income and Expenditure Account, the Group & Association Balance Sheet, the Group & Association Cash flow Statement, the Group & Association Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 11-13, the board is responsible for the preparation of financial statements which 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 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 group and association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and association's affairs as at 31 March 2012 and of the group's and association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001, and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.



Matters on which we are required to report by exception

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

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

Joan Williamson

JOAN WILLIAMSON, CA (SENIOR STATUTORY AUDITOR)
For and on behalf of
FINDLAY & COMPANY
CHARTERED ACCOUNTANTS AND STATUTORY AUDITORS
11 DUDHOPE TERRACE
DUNDEE
DD3 6TS

Date: 28th August 2012



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 11 to 13. 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 11 to 13, 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 11 to 13 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".

JOAN WILLIAMSON, CA (SENIOR STATUTORY AUDITOR)
For and on behalf of
Findlay & Company
Chartered Accountants & Statutory Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

28th August 2012

Financial Statements:

Group Income and Expenditure Account for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Turnover	2a	9,258,208	9,027,823
Less: Operating costs		6,775,928	6,791,663
Operating costs – exceptional			(809,000)
Operating costs	2a	6,775,928	5,982,663
Operating surplus	7	2,482,280	3,045,16
Gain/(Loss) on realisation of assets	12	109,892	63,239
Interest receivable and other income	9	10,684	4,691
Interest payable and similar charges	8	(2,045,001)	(1,672,137)
Net return on pension assets	25	(11,000)	(56,000)
Surplus/(Deficit) on ordinary activities before taxation		546,855	1,384,953
Tax on surplus on ordinary activities	10a	1,806	1,668
Surplus/(Deficit) for the period		548,661	1,386,621

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

The notes on pages 25 to 51 form part of these financial statements.

Group Statement of total recognised surpluses and deficits for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Surplus/(Deficit) for the year		548,661	1,386,621
Unrealised surplus/(deficit) on revaluation of housing properties	27	694,676	-
Deferred tax		-	-
Unrealised surplus/(deficit) on investments		-	-
Actual return less expected return on pension scheme assets	25	(67,000)	(16,000)
Effect of changes in the actuarial assumptions	25	(221,000)	921,000
Total recognised surpluses/(deficits) for the year		955,337	2,219,621
Prior year adjustment	15	1,180,215	-
Total Surpluses (Deficits) recognised since last annual report		2,135,552	2,219,621

Association Income and Expenditure Account for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Turnover	2b	9,772,089	9,009,108
Less: Operating costs		6,774,287	6,771,401
Operating costs - exceptional		-	(809,000)
Operating costs	2b	6,774,287	5,962,401
Operating surplus	7	2,997,802	3,046,707
Gain/(Loss) on realisation of assets	12	109,892	63,239
Interest receivable and other income	9	45,486	11,778
Interest payable and similar charges	8	(2,044,972)	(1,672,137)
Net return on pension assets	25	(11,000)	(56,000)
Surplus/(Deficit) on ordinary activities before taxation		1,097,208	1,393,587
Tax on surplus on ordinary activities	10b	-	-
Surplus/(Deficit) for the period		1,097,208	1,393,587

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

The notes on pages 25 to 51 form part of these financial statements.

Association Statement of total recognised surpluses and deficits for the year ended 31st March 2012

		2012	2011 As restated (see Note 15)
	Notes	£	£
Surplus/(Deficit) for the year		1,097,208	1,393,587
Unrealised surplus/(deficit) on revaluation of housing properties			-
Deferred tax			-
Unrealised surplus/(deficit) on investments			-
Actual return less expected return on pension scheme assets	25	(67,000)	(16,000)
Effect of changes in the actuarial assumptions	25	(221,000)	921,000
Total recognised surpluses/(deficits) for the year		809,208	2,298,587
Prior year adjustment	15	1,180,215	-
Total Surpluses/(Deficits) recognised since last annual report		1,989,423	2,298,587

Group Balance Sheet as at 31st March 2012

		2012	2011 As Restated (see Note 15)
	Notes	£	£
Tangible Fixed Assets			
Housing properties - gross cost	11	73,598,328	71,018,175
Less: Depreciation		(11,203,873)	(9,836,898)
		62,394,455	61,181,277
Less:			
SHG		(22,031,160)	(21,473,361)
Other Public Grants		(1,277,561)	(1,277,561)
	11	39,085,734	38,430,355
Other Fixed Assets	14a	1,362,083	1,098,859
Investments – Shared Equity	13a	-	-
Investments Properties	13c	2,027,204	419,811
		42,475,021	39,949,025
Current Assets			
Work in Progress	16	1,171,344	-
Debtors	17a	884,451	828,975
Cash at Bank & in Hand	18	1,809,483	2,080,422
Debtors : falling due after more than one year	17b	3,730	1,668
		3,869,008	2,911,065
Creditors: amounts falling due within one year	19	1,805,085	1,509,723
Net current assets excluding pension asset/(liability)		2,063,923	1,401,342
Pension Liability	25	(1,987,000)	(1,754,000)
Net current assets including pension asset/(liability)		76,923	(352,658)
Total assets less current liabilities		42,551,944	39,596,367
Debtors: falling due after more than one year			
Creditors: falling due after more than one year	20	(35,977,723)	(33,977,723)
Provisions for liabilities and Charges	21	(256)	
Net assets		6,573,965	5,618,644
Capital and Reserves			
Share Capital	22	103	118
Revenue Reserve	27	5,879,186	5,618,526
Revaluation Reserve	27	694,676	-
		6,573,965	5,618,644

The financial statements on pages 17 to 51 were approved by the Board of Management on 28th August 2012 and were signed on its behalf by:

Lorna Paterson	Chair	
Philip Shave	Secretary	
Andrew Baillie	Corporate Services Convener	

The notes on pages 25 to 51 form part of these financial statements.

Association Balance Sheet as at 31st March 2012

	Notes	2012 £	2011 As Restated (see Note 15) £
Tangible Fixed Assets			
Housing properties - gross cost	11	73,598,328	71,018,175
Less: Depreciation		(11,203,873)	(9,836,898)
		62,394,455	61,181,277
Less: SHG		(22,031,160)	(21,473,361)
Other Public Grants		(1,277,561)	(1,277,561)
	11	39,085,734	38,430,355
Other Fixed Assets	14b	1,360,801	1,098,859
Investments – Shared Equity	13a	-	-
Investments - Subsidiary	13b	1	1
		40,446,536	39,529,215
Current Assets			
Work in Progress	16	24,740	-
Debtors	17a	1,051,137	865,464
Cash at Bank & in Hand	18	1,715,088	2,051,185
Debtors : falling due after more than one year	17b	2,886,000	400,000
		5,676,965	3,316,649
Creditors: amounts falling due within one year	19	1,723,976	1,488,531
Net current assets excluding pension asset/(liability)		3,952,989	1,828,118
Pension Liability	25	(1,987,000)	(1,754,000)
Net current assets including pension asset/(liability)		1,965,989	74,118
Total assets less current liabilities		42,412,525	39,603,333
Debtors: falling due after more than one year			
Creditors: falling due after more than one year	20	(35,977,723)	(33,977,723)
Net assets		6,434,802	5,625,610
Capital and Reserves			
Share Capital	22	103	118
Revenue Reserve	27	6,434,699	5,625,492
		6,434,802	5,625,610

The financial statements on pages 17 to 51 were approved by the Board of Management on 28th August 2012 and were signed on its behalf by:

Lorna Paterson

Chair



Philip Shave

Secretary



Andrew Baillie

Corporate Services Convener



The notes on pages 25 to 51 form part of these financial statements.

Group Cashflow Statement for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Reconciliation of operating surplus to net cashflow from operating activities	a	2,482,280	3,045,160
Depreciation charges		1,566,580	1,457,230
(Increase)/decrease in debtors		(1,228,882)	595,952
(Increase)/decrease in creditors		295,618	(482,612)
Increase /(decrease) in provisions		1,805	1,668
(Increase) /decrease in pensions		(66,000)	(794,000)
Net cash inflow from operating activities		3,051,401	3,823,398
CASHFLOW STATEMENT			
Net cash inflow from operating activities		3,051,401	3,823,398
Returns on investments and servicing of finance (note a)		(2,034,318)	(1,667,446)
Taxation		-	-
Capital expenditure (note a)		(3,288,007)	(3,329,060)
Management of liquid resources		-	-
Financing (note a)		1,999,985	1,899,976
Increase/(Decrease) in cash		(270,939)	726,868
Reconciliation of net cashflow to movement in net debt (note b)	b		
Increase/(Decrease) in cash in the period		(270,939)	726,868
Cash used to increase liquid resources		(2,000,000)	(1,900,000)
Change in net debt		(2,270,939)	(1,173,132)
Net debt at 31.3.11		(31,897,301)	(30,724,169)
Net funds at 31.3.12		(34,168,240)	(31,897,301)

Association Balance Sheet as at 31st March 2012

		2012	2011 As Restated (see Note 15)
	Notes	£	£
Tangible Fixed Assets			
Housing properties - gross cost	11	73,598,328	71,018,175
Less: Depreciation		(11,203,873)	(9,836,898)
		62,394,455	61,181,277
Less:			
SHG		(22,031,160)	(21,473,361)
Other Public Grants		(1,277,561)	(1,277,561)
	11	39,085,734	38,430,355
Other Fixed Assets	14b	1,360,801	1,098,859
Investments – Shared Equity	13a	-	-
Investments - Subsidiary	13b	1	1
		40,446,536	39,529,215
Current Assets			
Work in Progress	16	24,740	-
Debtors	17a	1,051,137	865,464
Cash at Bank & in Hand	18	1,715,088	2,051,185
Debtors : falling due after more than one year	17b	2,886,000	400,000
		5,676,965	3,316,649
Creditors: amounts falling due within one year	19	1,723,976	1,488,531
Net current assets excluding pension asset/(liability)		3,952,989	1,828,118
Pension Liability	25	(1,987,000)	(1,754,000)
Net current assets including pension asset/(liability)		1,965,989	74,118
Total assets less current liabilities		42,412,525	39,603,333
Debtors: falling due after more than one year			
Creditors: falling due after more than one year	20	(35,977,723)	(33,977,723)
Net assets		6,434,802	5,625,610
Capital and Reserves			
Share Capital	22	103	118
Revenue Reserve	27	6,434,699	5,625,492
		6,434,802	5,625,610

The financial statements on pages 17 to 51 were approved by the Board of Management on 28th August 2012 and were signed on its behalf by:

Lorna Paterson Chair *L. Paterson*
Philip Shave Secretary *P. Shave*
Andrew Baillie Corporate Services Convener *A. Baillie*

The notes on pages 25 to 51 form part of these financial statements.

Group Cashflow Statement for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Reconciliation of operating surplus to net cashflow from operating activities	a	2,482,280	3,045,160
Depreciation charges		1,566,580	1,457,230
(Increase)/decrease in debtors		(1,228,882)	595,952
(Increase)/decrease in creditors		295,618	(482,612)
Increase /(decrease) in provisions		1,805	1,668
(Increase) /decrease in pensions		(66,000)	(794,000)
Net cash inflow from operating activities		3,051,401	3,823,398
CASHFLOW STATEMENT			
Net cash inflow from operating activities		3,051,401	3,823,398
Returns on investments and servicing of finance (note a)		(2,034,318)	(1,667,446)
Taxation		-	-
Capital expenditure (note a)		(3,288,007)	(3,329,060)
Management of liquid resources		-	-
Financing (note a)		1,999,985	1,899,976
Increase/(Decrease) in cash		(270,939)	726,868
Reconciliation of net cashflow to movement in net debt (note b)	b		
Increase/(Decrease) in cash in the period		(270,939)	726,868
Cash used to increase liquid resources		(2,000,000)	(1,900,000)
Change in net debt		(2,270,939)	(1,173,132)
Net debt at 31.3.11		(31,897,301)	(30,724,169)
Net funds at 31.3.12		(34,168,240)	(31,897,301)

Group Cashflow Statement

A. Gross Cashflow

	2012	2011 As restated (See Note 15)
	£	£
Returns on investments and servicing of finance		
Interest received	10,684	4,691
Interest paid	(2,045,002)	(1,672,137)
	(2,034,318)	(1,667,446)
Capital expenditure		
Payments to acquire tangible fixed assets Note 11 & 14	(4,258,221)	(6,516,859)
Grants received Note 11	557,799	3,004,828
Receipts from sales of tangible fixed assets	412,415	182,971
	(3,288,007)	(3,329,060)
Management of liquid resources	-	-
Financing	2,000,000	1,900,000
Issue of ordinary share capital/change in reserves	(15)	(24)
	1,999,985	1,899,976

B. Analysis of changes in net debt

	At 31st March 2011	Cashflows	Other changes	At 31st March 2012
	£	£	£	£
Cash in hand /at bank	2,080,422	(270,939)	-	1,809,483
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(33,977,723)	(2,000,000)	-	(35,977,723)
Current asset investments	-	-	-	-
Total	(31,897,301)	(2,270,939)	-	(34,168,240)

Association Cashflow Statement for the year ended 31st March 2012

		2012	2011 As restated (See Note 15)
	Notes	£	£
Reconciliation of operating surplus to net cashflow from operating activities	a	2,997,802	3,046,707
Depreciation charges		1,566,580	1,457,230
(Increase)/decrease in debtors		(2,696,413)	161,131
Increase/(decrease) in creditors		235,445	(503,804)
Increase /decrease in pensions		(66,000)	(794,000)
Net cash inflow from operating activities		2,037,414	3,367,264
CASHFLOW STATEMENT			
Net cash inflow from operating activities		2,037,414	3,367,264
Returns on investments and servicing of finance (note a)		(1,999,486)	(1,660,359)
Taxation		-	-
Capital expenditure (note a)		(2,374,010)	(2,909,250)
Management of liquid resources		-	-
Financing (note a)		1,999,985	1,899,976
Increase/(Decrease) in cash		(336,097)	697,631
Reconciliation of net cashflow to movement in net debt	b		
Increase/(Decrease) in cash in the period		(336,097)	697,631
Cash used to increase liquid resources		(2,000,000)	(1,900,000)
Change in net debt		(2,336,097)	(1,202,369)
Net debt at 31.3.11		(31,926,538)	(30,724,169)
Net funds at 31.3.12		(34,262,635)	(31,926,538)

Association Cashflow Statement

A. Gross Cashflow

	2012	2011 As restated (See Note 15)
	£	£
Returns on investments and servicing of finance		
Interest received	45,486	11,778
Interest paid	(2,044,972)	(1,672,137)
	(1,999,486)	(1,660,359)
Capital expenditure		
Payments to acquire tangible fixed assets Note 11 & 14	(3,344,224)	(6,097,049)
Grants received Note 11	557,799	3,004,828
Receipts from sales of tangible fixed assets	412,415	182,971
	(2,374,010)	(2,909,250)
Management of liquid resources		
Financing	2,000,000	1,900,000
Issue of ordinary share capital/change in reserves	(15)	(24)
	1,999,985	1,899,976

B. Analysis of changes in net debt

	At 31 st March 2011	Cashflows	Other changes	At 31 st March 2012
	£	£	£	£
Cash in hand /at bank	2,051,185	(336,097)	-	1,715,088
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(33,977,723)	(2,000,000)	-	(35,977,723)
Current asset investments	-	-	-	-
Total	(31,926,538)	(2,336,097)	-	(34,262,635)

Notes to the Financial Statements

Note 1. Accounting Policies

Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards, Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The principal Accounting Policies of the Association are set out below.

For consolidation, the non-charitable subsidiary has been prepared in accordance with the Financial Reporting Standards for Smaller entities (effective April 2008).

Basis of Consolidation

The group accounts consolidate the accounts of Fife Housing Association Limited and its subsidiary company PACT Enterprises Limited. Profits or losses on intra-group transactions and all inter-company debts are eliminated in full.

Basis of Accounting

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

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.

VAT

The Association is VAT registered and has a group structure however as the majority of the Association's income is rental income and is exempt for VAT purposes. Expenditure is shown inclusive of VAT.

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Component Accounting

The Statement of Recommended Accounting Practice (SORP) 2010 recognises that housing properties consist of a number of main components with substantially different lives and that each component should be identified and separately depreciated. The SORP states that component accounting must be adopted for accounting periods after 1st April 2011.

A total of 9 major components have been identified as follows:

<u>Component</u>	<u>Useful Economic Life</u>
Land	Not applicable
Main Structure	50 years
Roof	40 years
Render	35 years
Doors	30 years
Kitchen	15 years
Bathroom	30 years
Heating	18 years
Windows	30 years

Land will not be depreciated in accordance with Financial Reporting Standard 15.

The Association commences depreciation only on completion of the development or the component replacement contract.

The Stock Transfer Properties were acquired from Scottish Homes in 1997. It has been assumed that the short life value of components were "Nil" or fully written down at the date of transfer due to the stock condition and reflected in the transfer price. The only components that were transferred with value were the land and main structure.

All new build stock comprises of the main components identified above. The total capital cost of each new build scheme has been identified using the original purchase costs. The component capital cost for each property has then been allocated on a percentage apportionment basis of total work costs using an average of costs across all development schemes. This has been identified as follows:

Component	% Split of Original Costs
Land	£7,500
Remaining balance split as follows:	
Main Structure	77%
Roof	6%
Render	3%
Doors	3%
Kitchen	3%
Bathroom	2%
Heating	4%
Windows	2%
Total	100%

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. It has been assumed that the HAG on developments relates to the acquisition of the land and structure and not the short life components. 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.

Prior Year Adjustment

Although the Association has previously capitalised major repairs, the Association stopped when the SORP 2005 ended this approach. Accordingly under the requirements of Financial Reporting Standard 3 represents a change in accounting policy and thus a prior year adjustment must be made to the financial statements to reflect the Financial Statements as if Component Accounting had always been in place. For further details on the prior year adjustment see Note 15.

Stage 3 Medical Adaptations

Traditionally all Stage 3 medical adaptations and the HAG received have been capitalised. It is now the Association's policy to write off the cost and HAG to the income and expenditure account as adaptations tend to relate to a part component replacement rather than a full upgrade.

Fixed Assets - Shared Ownership

Shared Ownership Properties are split proportionately between current and fixed assets determined by the percentage of the property to be sold under a first tranche sale and subsequent tranches in proportion to the share of equity sold. Proceeds from the first tranche sales are accounted for in Turnover and costs in Operating Costs in the period in which the sale occurs. Subsequent sales are accounted for in Income and Expenditure Account on Sale of Fixed Assets.

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.

Investment Properties

Investment properties are reflected using a market value basis. In accordance with Statement of Standard Accounting Practice SSAP 19, no depreciation has been charged in respect of investment properties. This policy represents a departure from the requirements of the Companies Act 2006 to provide systematic annual depreciation for fixed assets. However, as these properties are held for investment and not consumption, the Board of Management consider the adoption of this policy appropriate to provide a true and fair view.

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 Financial Reporting Standard (FRS) 15 - Tangible Fixed Assets, when no depreciation charge is made on the grounds that it is immaterial and Financial Reporting Standard (FRS) 11, 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 at 2% on a straight line basis over the remaining expected useful life of the property.

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
White Goods supplied to Investment Properties	-	20%	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 it replaces a component that has been treated separately for depreciation purposes or if they result in an enhancement of the economic benefits of the property which can occur if the improvement results in:

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

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

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 (FRS) 17, Retirement Benefits. It is a requirement that quoted securities are valued at bid price.

Following a Government announcement in 2010 the methodology for calculating future pension increases are to be based on Consumer Price Index (CPI) rather than the Retail Price Index (RPI) which was previously applied.

The change to CPI last year resulted in a material past service cost gain. In accordance with FRS17 and in line with actuarial advice it was considered this gain represented a change in benefit and as such the gain was allocated to the Income and Expenditure Account and disclosed as an exceptional item (see Note 7).

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.

2a. Particulars of turnover, operating costs and operating surplus or deficit - Group

	2011-2012			2010-11 As restated (See Note 15)
	Turnover	Operating Costs	Operating Surplus or (Deficit)	Operating Surplus or (Deficit) for previous year
	£	£	£	£
Social lettings	8,950,020	6,529,871	2,420,149	2,855,855
Other activities	308,188	246,057	62,131	189,305
Total	9,258,208	6,775,928	2,482,280	3,045,160
Total for 2010-11	9,027,823	5,982,663	3,045,160	

2b. Particulars of turnover, operating costs and operating surplus or deficit - Association

	2011-12			2010-11 As restated (See Note 15)
	Turnover	Operating Costs	Operating Surplus or (Deficit)	Operating Surplus or (Deficit) for previous year
	£	£	£	£
Social lettings	8,950,020	6,529,871	2,420,149	2,855,855
Other activities	822,069	244,416	577,653	190,852
Total	9,772,089	6,774,287	2,997,802	3,046,707
Total for 2010-11	9,009,108	5,962,401	3,046,707	

3. Particulars of income and expenditure from lettings - Group and Association

	General needs	Shared ownership housing	Total 2012	Total 2011 As restated (See Note 15)
	£	£	£	£
Rent receivable net of service charges	8,743,142	8,904	8,752,046	8,111,179
Service charges receivable	87,812	4,574	92,386	92,593
Gross income from rents and service charges	8,830,954	13,478	8,844,432	8,203,772
Less rent losses from voids	(75,082)	-	(75,082)	(43,877)
Net income from rents and service charges	8,755,872	13,478	8,769,350	8,159,895
Grants from the Scottish Ministers	180,626	-	180,626	154,739
Other revenue grants	44	-	44	-
Total turnover from social letting activities	8,936,542	13,478	8,950,020	8,314,634
No of units managed by the Group	2,439	5	2,444	2,480
Management and maintenance administration costs	2,445,724	5,378	2,451,102	2,393,339
Past service costs pensions	-	-	-	(809,000)
Service costs	80,513	1,780	82,293	76,777
Planned and cyclical maintenance including major repair costs	746,209	-	746,209	769,378
Reactive maintenance costs	1,628,665	1,937	1,630,602	1,574,273
Bad debts – rent and service charges	153,839	-	153,839	91,190
Depreciation of housing properties	1,464,881	945	1,465,826	1,362,822
Impairment of housing properties	-	-	-	-
Operating costs for social letting activities	6,519,831	10,040	6,529,871	5,458,779
Operating surplus or (deficit) for social lettings	2,416,711	3,438	2,420,149	2,855,855
Operating surplus or (deficit) for social lettings for previous period of account	2,855,476	379	2,855,855	

4a. Particulars of turnover, operating costs & operating surplus or deficit from other activities – Group

	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 year As restated (See Note 15) £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	11,932	-	-	-	11,932	-	28,516	(16,584)	(7,686)
Care and repair of property	-	-	-	20,855	20,855	-	14,651	6,204	2,870
Factoring	-	-	-	-	-	-	49,682	(49,682)	(30,228)
Development and construction of property activities	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	29,647	29,647	-	34,745	(5,098)	-
Agency/ management services for registered social landlords	-	-	-	97,119	97,119	-	71,664	25,455	(1,547)
Other agency / management services - PACT	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Sale of LIFT properties	-	-	-	13,635	13,635	-	-	13,635	2,315
Other activities	-	-	-	135,000	135,000	-	46,799	88,201	223,581
Sale of vacant properties	-	-	-	296,256	308,188	-	246,057	62,131	189,305
Total from other activities	11,932	-	-	688,589	713,189	-	523,884	189,305	
Total from other activities for previous period of account	24,600	-	-	688,589	713,189	-	523,884	189,305	

4b. Particulars of turnover, operating costs & operating surplus or deficit from other activities – Association.

	Grants from Scottish Ministers £	Other revenue grants £	Supporting income £	Other income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus or deficit £	Operating surplus or deficit) previous period As restated (See Note 15) £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	11,932	-	-	-	11,932	-	28,516	(16,584)	(7,686)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	20,855	20,855	-	14,651	6,204	2,870
Development and construction of property activities	-	-	-	-	-	-	49,682	(49,682)	(30,228)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/ management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency / management services	-	-	-	29,647	29,647	-	34,745	(5,098)	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non-registered social landlords	-	-	-	-	-	-	-	-	-
Sale of LIFT properties	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	3,004	3,004	-	-	3,004	1,315
Other Activities – Commercial rents	-	-	-	10,631	10,631	-	-	10,631	1,000
Sale of vacant properties	-	-	-	746,000	746,000	-	116,822	629,178	223,581
Total from other activities	11,932	-	-	810,137	822,069	-	244,416	577,653	190,852
Total from other activities for previous period of account	24,600	-	-	669,874	694,474	-	503,622	190,852	

5. Officers' Emoluments (Group and Association)

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:

	2012	2011		
	£	£		
Total emoluments (excluding pension contributions)	138,339	73,323		
The emoluments of the officers (excluding pension contributions) were within the following ranges:				
£	£	2012	2011	
60,001	to	70,000	1	-
70,001	to	80,000	1	1
The emoluments (excluding pension contributions) of the Chief Executive amounted to :	75,840	73,323		
The pension contributions made by the Association to officers whose total emoluments (excluding pension contributions) are £60,000 or more were:	31,301	15,389		

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 25. 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.

	2012	2011
	£	£
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax:	2,069	5,115

Expenses of £3,047 (2011 £2,807) were paid to Board Members.

Loans to directors

		Rate of interest	Amount outstanding		Maximum Outstanding During the Year
			31/03/2011	31/03/2012	
			£	£	£
B Hay	Car Purchase Loan	4.75%	6,851	4,608	6,851
A Clark	Car Purchase Loan	5.25%	4,425	649	4,425
T Hainey	Car Purchase Loan	3.50%	11,078	8,618	11,078
			22,354	13,875	22,354

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.

6. Employee Information

The average weekly number of persons employed during the period (Full Time Equivalent) was	Group		Association	
	2012	2011	2012	2011
	64.6	60.8	64.6	60.8
Office Staff				
Staff Costs during the period	£	£	£	£
Wages and salaries	1,209,857	1,143,653	1,147,781	1,130,585
Social security costs	100,086	93,583	100,086	93,583
Pension costs (Note 25)	269,608	238,615	269,608	238,615
Adjustment to current service costs	(44,375)	15,000	(44,375)	15,000
Adjustment to past services costs	-	(532,241)	-	(532,241)
Temporary staff costs	27,449	48,336	27,449	48,336
Sub total	1,562,625	1,006,946	1,500,549	993,878
Maintenance Services Department				
Wages and salaries	661,865	602,879	661,865	602,879
Social security costs	48,033	43,769	48,033	43,769
Pension costs (Note 25)	135,606	124,079	135,606	124,079
Adjustment to past/current services costs	(21,625)	(276,759)	(21,625)	(276,759)
Temporary staff costs	31,005	30,504	31,005	30,504
Sub total	854,884	524,472	854,884	524,472
Total	2,417,509	1,531,418	2,355,433	1,518,350

7. Operating Surplus

Operating surplus is stated after charging /crediting :	Group		Association	
	2012	2011 (Restated)	2012	2011 (Restated)
	£	£	£	£
Exceptional item (see Note 1)	-	(809,000)	-	(809,000)
Depreciation of housing properties	1,465,826	1,391,467	1,465,826	1,362,822
Depreciation of other assets	100,754	94,408	100,754	94,408
Impairment of housing properties	-	-	-	-
Repairs: cyclical, major, day to day	2,456,845	2,343,650	2,449,314	2,343,650
Auditor's remuneration in their capacity as auditors	14,540	13,055	13,000	11,375
Auditor's remuneration in respect of other services	8,172	-	8,172	-
Receipt of grant	(192,602)	(179,338)	(192,602)	(179,338)
Operating lease rentals	337,679	293,952	337,679	293,952

8. Interest payable and similar charges

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Long term bank loan	2,045,001	1,672,137	2,044,972	1,672,137
Other interest payable	-	-	-	-

9. Interest receivable and other income

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Interest receivable	10,684	4,691	45,486	11,778

10a. Taxation- Group

Tax on profit/ (loss) on ordinary activities

Analysis of charge in period	2012 £	2011 £
Current Tax		
UK Corporation tax	-	-
Total current tax charge	-	-
Deferred Tax		
Timing differences, origination and reversal	1,806	1,668
Tax on profit on ordinary activities	1,806	1,668

10b. Taxation- Association

Fife Housing Association Ltd. was accorded charitable status for taxation purposes by the Inland Revenue. In the period to 31st March 2012 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary.

11. Tangible Fixed Assets – Group and Association

	Housing Properties Held for Letting	Housing Stock Under Development	Shared Ownership	Total
	£	£	£	£
Cost or revaluation				
At 1st April 2011 – Restated (See Note 15)	70,301,657	443,373	273,145	71,018,175
Additions	2,774,677	287,515	-	3,062,192
Transfers	(85,488)	-	-	(85,488)
Disposals	(396,551)	-	-	(396,551)
Revaluation	-	-	-	-
As at 31st March 2012	72,594,295	730,888	273,145	73,598,328
Depreciation				
As at 1st April 2011 Restated – (See Note 15)	(9,829,886)	-	(7,012)	(9,836,898)
Charge for Year	(1,464,881)	-	(945)	(1,465,826)
Disposals	98,851	-	-	98,851
Impairment provision	-	-	-	-
At 31st March 2012	(11,195,916)	-	(7,957)	(11,203,873)
Social Housing Grants				
As at 1 st April 2011	(21,105,000)	(142,502)	(225,859)	(21,473,361)
Additions	(278,237)	(289,502)	-	(567,739)
Disposal	9,940	-	-	9,940
At 31 st March 2012	(21,373,297)	(432,004)	(225,859)	(22,031,160)
Other Public Grants				
As at 1 st April 2011	(1,277,561)	-	-	(1,277,561)
Additions	-	-	-	-
Transfers	-	-	-	-
At 31 st March 2012	(1,277,561)	-	-	(1,277,561)
Total Grants as at 31st March 2012	(22,650,858)	(432,004)	(225,859)	(23,308,721)
Net Book Value at 31st March 2012	38,747,521	298,884	39,329	39,085,734
Net Book Value at 31st March 2011 Restated	38,089,210	300,871	40,274	38,430,355

The Association capitalised £2.2million in 2011-12 (2010-11 £1.9million) of major component replacement expenditure.

12. Gain/Loss on Sale of Assets (Group and Association)

	RTB Sales	Shared ownership	Land	Other assets	Total 2011-12	Total 2010-11 As restated (See Note 15)
	£	£	£	£	£	£
Income	195,490	-	-	-	195,490	127,800
Expenses	(3,244)	-	-	-	(3,244)	(2,468)
Cost of sale	(78,717)	-	-	(3,297)	(82,014)	(60,369)
Abortive costs	(340)	-	-	-	(340)	(1,724)
Discount repaid by owner	-	-	-	-	-	--
Gain / Loss on disposal of assets	113,189	-	-	(3,297)	109,892	63,239

13a. Fixed Asset Investments – Shared Equity (LIFT) (Group and Association)

	Total
Cost	£
As at 1 st April 2011	1,166,499
Transfer from current assets work in progress	-
As at 31st March 2012	1,166,499
Grant	
As at 1 st April 2011	(1,166,499)
Transfer from current assets work in progress	-
As at 31st March 2012	(1,166,499)
Net Book Value as at 31/3/12	-
Net Book Value as at 31/3/11	-

13b. Fixed Asset Investments – Subsidiary (Association only)

Cost	2012	2011
	£	£
PACT Enterprises	1	1

13c. Fixed Assets – Investment Properties (Group only)

	Investment Properties
	£
As at 1st April 2011	419,811
Additions	912,717
Revaluation	694,676
Disposals	-
As at 31st March 2012	2,027,204
As at 31 st March 2011	419,811

14a. Tangible Fixed Assets – Group

	Office land & Buildings Leasehold	Tenant Improvements	Office land & buildings	Commercial Properties	Computer software	Furniture & fittings	Total
Cost	£	£	£	£	£	£	£
As at 1 st April 2011	40,030	-	1,039,698	-	527,263	127,671	1,734,662
Additions	-	46,840	89,327	-	109,146	38,000	283,313
Transfer from Developments	-	-	-	85,488	-	-	85,488
Disposals	-	-	-	-	(127,884)	-	(127,884)
As at 31st March 2012	40,030	46,840	1,129,025	85,488	508,525	165,671	1,975,579
Depreciation	-	-	-	-	-	-	-
As at 1 st April 2011	(2,001)	-	(167,916)	-	(366,677)	(99,209)	(635,803)
Charge for year	(800)	(538)	(21,096)	(2,730)	(68,295)	(7,295)	(100,754)
Disposals	-	-	-	-	123,061	-	123,061
As at 31st March 2012	(2,801)	(538)	(189,012)	(2,730)	(311,911)	(106,504)	(613,496)
Net Book Value as at 31st March 2012	37,229	46,302	940,013	82,758	196,614	59,167	1,362,083
Net Book Value as at 31 st March 2011	38,029	-	871,78	-	160,586	28,462	1,098,859

14b. Tangible Fixed Assets – Association

	Office land & Buildings Leasehold	Tenant Improvements	Office land & buildings	Commercial Properties	Computer software	Furniture & fittings	Total
Cost	£	£	£	£	£	£	£
As at 1 st April 2011	40,030	-	1,039,698	-	527,263	127,671	1,734,662
Additions	-	46,840	89,327	-	109,146	36,718	282,031
Transfer from Developments	-	-	-	85,488	-	-	85,488
Disposals	-	-	-	-	(127,884)	-	(127,884)
As at 31st March 2012	40,030	46,840	1,129,025	85,488	508,525	164,389	1,974,297
Depreciation	-	-	-	-	-	-	-
As at 1 st April 2011	(2,001)	-	(167,916)	-	(366,677)	(99,209)	(635,803)
Charge for year	(800)	(538)	(21,096)	(2,730)	(68,295)	(7,295)	(100,754)
Disposals	-	-	-	-	123,061	-	123,061
As at 31st March 2012	(2,801)	(538)	(189,012)	(2,730)	(311,911)	(106,504)	(613,496)
Net Book Value as at 31st March 2012	37,229	46,302	940,013	82,758	196,614	57,885	1,360,801
Net Book Value as at 31 st March 2011	38,029	-	871,782	-	160,586	28,462	1,098,859

15. Prior Year Adjustment

The prior year adjustment reflects the introduction of component accounting in accordance with SORP update 2010 which confirms that housing properties always comprise of several components.

The Association has determined that its properties include major components as set out in note 1 to these financial statements. The SORP 2010 requires these components to be accounted for separately to the land and structure of the building for depreciation purposes.

The effect of this change in accounting policy is to increase the Association surplus for the year ending 31 March 2011 by £430,151.

The cumulative effect on the Association reserves is to increase by £1,180,215.

Impact of component accounting - Group

	Cumulative Prior Year Adjustment to 31 st March 2010	Prior Year Adjustment for 2010/11	Cumulative Prior Year Adjustment to 31 st March 2011
Income and Expenditure Account			
Operating costs - depreciation charge	4,754,396	1,362,533	6,116,929
Operating costs - major improvement expenditure	(5,548,975)	(1,804,098)	(7,353,073)
Operating costs - sale of vacant properties	34,296	2,879	37,175
Gain or Loss on realisation of assets	10,219	8,535	18,754
Impact on operating surplus	(750,064)	(430,151)	(1,180,215)
Balance Sheet Housing Properties (cost)			
At 31 March as previously stated	59,636,373	-	63,753,600
Additional capitalisation of components	5,548,975	1,804,098	7,353,073
Disposal of components	(52,396)	(36,102)	(88,498)
At 31 March as restated	65,132,952		71,018,175
Housing Properties (Depreciation)			
At 31 March as previously stated	3,762,292	-	3,752,538
Additional depreciation	4,754,396	1,362,533	6,116,929
Depreciation on disposals	(7,881)	(24,688)	(32,569)
At 31 March as restated	8,508,807		9,836,898
Revenue Reserves			
Revenue reserve at 31 st March as previously stated	2,576,841	-	4,438,311
Impact on operating surplus	750,064	430,151	1,180,215
Revenue Reserves at 31 March as restated	3,326,905		5,618,526

Impact of component accounting - Association

	Cumulative Prior Year Adjustment to 31 st March 2010	Prior Year Adjustment for 2010/11	Cumulative Prior Year Adjustment to 31 st March 2011
Income and Expenditure Account			
Operating costs - depreciation charge	4,754,396	1,362,533	6,116,929
Operating costs - major improvement expenditure	(5,548,975)	(1,804,098)	(7,353,073)
Operating costs - sale of vacant properties	34,296	2,879	37,175
Gain or Loss on realisation of assets	10,219	8,535	18,754
Impact on operating surplus	(750,064)	(430,151)	(1,180,215)
Balance Sheet Housing Properties (cost)			
At 31 March as previously stated	59,636,373	-	63,753,600
Additional capitalisation of components	5,548,975	1,804,098	7,353,073
Disposal of components	(52,396)	(36,102)	(88,498)
At 31 March as restated	65,132,952		71,018,175
Housing Properties (Depreciation)			
At 31 March as previously stated	3,762,292	-	3,752,538
Additional depreciation	4,754,396	1,362,533	6,116,929
Depreciation on disposals	(7,881)	(24,688)	(32,569)
At 31 March as restated	8,508,807		9,836,898
Revenue Reserves			
Revenue reserve at 31 March as previously stated	2,576,841	-	4,445,277
Impact on operating surplus	750,064	430,151	1,180,215
Revenue Reserves at 31 March as restated	3,326,905		5,625,492

16. Work in Progress / Stock

Group

	As at 1 st April 2011	Additions	Transfer to Fixed assets	Disposals	As at 31 st March 2012
	£	£	£	£	£
Work in Progress - Cost	-	1,188,333	-	-	1,188,333
Work in Progress - HAG	-	(16,989)	-	-	(16,989)
	-	1,171,344	-	-	1,171,344
Housing properties held for sale	-	-	-	-	-

Association

	As at 1 st April 2011	Additions	Transfer to Fixed assets	Disposals	As at 31 st March 2012
	£	£	£	£	£
Work in Progress - Cost	-	41,729	-	-	41,729
Work in Progress - HAG	-	(16,989)	-	-	(16,989)
	-	24,740	-	-	24,740
Housing properties held for sale	-	-	-	-	-

17a. Debtors

	Group		Association	
	2012	2011	2012	2011
Amounts falling due within one year:	£	£	£	£
Debtors rental income	475,100	446,854	474,304	446,854
Bad debt provision	(310,000)	(230,000)	(310,000)	(230,000)
Prepayments and accrued income	194,576	222,801	194,576	222,801
Intercompany debtors	-	-	168,496	55,066
Other debtors	524,775	389,320	523,761	370,743
Grants receivable	-	-	-	-
	884,451	828,975	1,051,137	865,464

17b. Debtors: Amounts falling due after more than one year

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Deferred tax asset	3,730	1,668	-	-
Intercompany loan to Subsidiary	-	-	2,886,000	400,000

18. Cash on Deposit

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

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Short term deposits	1,809,483	2,080,422	1,715,088	2,051,185

In the above are balances totalling £15,888 (2011 - £14,089) which are held in trust for shared ownership owners.

19. Creditors: Amounts falling due within one year

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Loan interest payable	264,220	343,974	264,220	343,974
Accruals and deferred income	704,816	452,734	703,682	444,748
Rent in advance	297,962	275,900	297,962	275,900
Trade creditors	285,209	215,429	251,394	204,021
Taxation & social security	56,036	48,024	55,486	46,785
Intercompany creditors	-	-	-	-
Other creditors	196,842	173,662	151,232	173,103
	1,805,085	1,509,723	1,723,976	1,488,531

20. 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.

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Housing Loans				
Fixed rate	20,000,000	20,000,000	20,000,000	20,000,000
Callable SWAP	5,000,000	5,000,000	5,000,000	5,000,000
RPI SWAP	5,000,000	5,000,000	5,000,000	5,000,000
Variable rate	3,077,723	3,577,723	3,077,723	3,577,723
Variable facility B	2,900,000	400,000	2,900,000	400,000
	35,977,723	33,977,723	35,977,723	33,977,723

Analysis of duration of loans

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Loans due within 1 year	-	-	-	-
Loans due within 1 and 2 years	-	-	-	-
Loans due within 2 and 5 years	-	-	-	-
Loans due after 5 years	35,977,723	33,977,723	35,977,723	33,977,723

21. Provisions for liabilities and charges (Group only)

	2012	2011
	£	£
Accelerated capital allowances	256	-
Tax losses carried forward	(3,730)	(1,668)
Provision for deferred taxation	(3,474)	(1,668)
Provision at 1 April 2011	(1,668)	-
Deferred tax charge in profit & loss account	(1,806)	(1,668)
Provision at 31 March 2012	(3,474)	(1,668)

Deferred tax is split as £256 liability and £3,730 asset.

22. Called up share capital (Group and Association)

	2012	2011
	£	£
Allotted, issued and fully paid at 1 st April 2011	118	142
Issued in period	6	4
Redeemed in period	(21)	(28)
At 31 st March 2012	103	118

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.

23. Capital Commitments – Group and Association

At 31st March 2012 commitments outstanding were as follows:

	Group		Association	
	2012	2011	2012	2011
	£	£	£	£
Authorised and Contracted for				
Planned Maintenance	-	97,178	-	97,178
Developments	2,970,943	-	2,908,988	-
	2,970,943	97,178	2,908,988	97,178
Authorised but not contracted				
Developments	182,568	-	182,568	-

The Association will receive £1.48m of HAG funding, £272k of other grants and £173k from Shared Equity Sales proceeds towards the above noted developments. There is a £4.25m facility remaining from Lloyds TSB Bank to fund the Association's development programme.

24. Lease Obligations – Group and Association

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

	2012		2011	
	Land & buildings	Other operating leases	Land & buildings	Other operating leases
	£	£	£	£
Operating leases which expire:				
Within one year	2,916	135,239	10,806	144,703
In the second to fifth year exclusive	-	6,172	60,000	11,362
Over five years	127,079	-	28,216	-
	129,995	141,411	99,022	156,065

25. Pensions – Group and Association

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 last formal valuation at 31st March 2011 and are charged to the Income and Expenditure Account as they are incurred as required under (FRS) 17. The pension costs for the period were £339,214 (2011 - £431,305 credit).

The fund is actuarially valued on a triennial basis with the most recent being at 31st March 2011. 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. There has been a deterioration in the balance sheet position this year due to financial assumptions at 31st March 2012 being less favourable than 2011. The real discount rate in 2012 has decreased from 2.7% p.a. to 2.3%. A lower real discount rate leads to a higher value being placed on the liabilities therefore the change in real discount rate will have a substantial negative impact on the balance sheet.

The actuary recommended employer's contribution rates of 23.3% of employee's pensionable payments for the years to 31st March 2013 and 2014 respectively.

Assumptions

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31st March 2012 for Financial Reporting Standard (FRS) 17 purposes were:

Valuations

	2012	2011	2010	2009	2008	2007
Main Assumptions	%	%	%	%	%	%
Discount rate	4.8	5.5	5.5	6.9	6.9	5.4
Retail price inflation/ Consumer price inflation	2.5	2.8	3.8	3.1	3.6	3.2
Rate of increase for pensions in payment	2.5	2.8	3.8	3.1	3.6	3.2
Salary increases	4.8	5.1*	5.3	4.6	5.1	4.7

* The salary increase assumption for 31st March 2011 is 1% for the first 2 years

The expected rate of return and the assets in the scheme at 31st March 2012 were:

	2012		2011	
	Long term rate of return	% split of assets	Long term rate of return	% split of assets
Equities	6.1%	69%	7.5%	72%
Bonds	4.2%	17%	4.9%	16%
Property	4.2%	11%	5.5%	10%
Cash	3.2%	3%	4.6%	2%

The above asset values at 31st March 2012 are at bid value as required under FRS17.

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	23.0 years	25.8 years
Future pensioners	24.9 years	27.7 years

Balance Sheet

	31 Mar 2012	31 Mar 2011
	£000	£000
Fair Value of Employer Assets	6,940	6,291
Present Value of Funded Liabilities	(8,927)	(8,045)
Net Asset/(Liability)	(1,987)	(1,754)

Analysis of the amount charged to operating surplus

	2012	2011
	£000	£000
Current service cost	341	379
Past service cost	-	(809)
Impact of settlements and curtailments	-	-
Total operating charge	341	(430)

Analysis of the amount credited to other finance income

	2012	2011
	£000	£000
Expected return on pension scheme assets	(437)	(413)
Interest on pension scheme liabilities	448	469
Net return	11	56

Reconciliation of Defined Benefit Obligation

	31 March 2012	31 March 2011
	£000	£000
Opening Defined Benefit Obligation	8,045	8,971
Current service cost	341	379
Interest cost	448	469
Contributions by members	116	112
Actuarial Losses/(Gains)	221	(921)
Past service Costs/(Gains)	-	(809)
Impact of settlements and curtailments	-	-
Estimated benefits paid	(244)	(156)
Closing Defined Benefit Obligation	8,927	8,045

Reconciliation of Fair Value of Employer Assets

	31 March 2012	31 March 2011
	£000	£000
Opening Fair Value of Employer assets	6,291	5,574
Expected return on assets	437	413
Contributions by members	116	112
Contributions by employer	407	364
Actuarial Losses/(Gains)	(67)	(16)
Benefits paid	(244)	(156)
Closing Defined Benefit Obligation	6,940	6,291

Amount Recognised in Statement of Total Recognised Gains and losses

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Actual Return less expected return on pension scheme assets	(67)	(16)	1,205	(1,364)	(532)
Change in assumptions underlying the present value of scheme liabilities	(221)	921	(3,358)	419	1,162
Actuarial Gains /(Losses)	(288)	905	(2,153)	(945)	630
Increase / Decrease in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial Gains /(Losses) recognised in STRGL	(288)	905	(2,153)	(945)	630
Cumulative Actuarial Gains and (Losses)	(2,219)	(1,931)	(2,836)	(683)	262

History of Gains and Losses

	2012	2011	2010	2009	2008
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	6,940	6,291	5,574	3,827	4,679
Present value of defined benefit obligations	(8,927)	(8,045)	(8,971)	(5,112)	(5,052)
Surplus/(Deficit)	(1,987)	(1,754)	(3,397)	(1,285)	(373)
Experience Gains/(Losses) on Assets	(67)	(16)	1,205	(1,364)	(532)
Experience Gains/(Losses) on Liabilities	612	-	-	(137)	1

26. Legislative Provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. It is registered with the Scottish Housing Regulator. The Association is recognised as a charity by the Office of the Scottish Charity Regulator.

27. Reconciliation of movement in reserves

Group				
	Revenue Reserve	Revenue Reserve Restated (see Note 15)	Revaluation Reserve	Revaluation Reserve
	2012	2011	2012	2011
	£	£	£	£
Opening balance at 1st April	5,618,526	3,326,905	-	-
Surplus/(Deficit) for the year	260,660	2,291,621	694,676	-
Transfer to/(from) reserves	-	-	-	-
Utilised during year	-	-	-	-
Closing balance at 31st March 2012	5,879,186	5,618,526	694,676	-

Association				
	Revenue Reserve	Revenue Reserve Restated (see Note 15)	Revaluation Reserve	Revaluation Reserve
	2012	2011	2012	2011
	£	£	£	£
Opening balance at 1st April	5,625,492	3,326,905	-	-
Surplus/(Deficit) for the year	809,207	2,298,587	-	-
Transfer to/(from) reserves	-	-	-	-
Utilised during year	-	-	-	-
Closing balance at 31st March 2012	6,434,699	5,625,492	-	-

28. Subsidiaries Information - Group and Association

Details of the investments in which the Association 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	March 2010	100%	Property investment and property management and maintenance.

29. Related Parties – Group and Association

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 can influence the decision making process to their own advantage.

The following board members have involvement with other organisations:

- Lorna Paterson is a member of the board of EVH and TPAS.
- Philip Shave and Jim Buchanan are on the management committee of FFOTRA.

William Rennie is a member of the Scottish Parliament. He is currently leader of the Liberal Democrat Party.

PACT Enterprises is a wholly owned and controlled subsidiary of Fife Housing Association. The following members of the Board of Management of Fife Housing Association are also Directors of PACT Enterprises:

- Andrew Baillie
- Alistair Berwick (Resigned 18th June 2012 from Fife Housing Association and PACT Enterprises)
- Alex Condie (Resigned 1st April 2011 from Fife Housing Association)

Fife Housing Association has agreed to make available to PACT a loan facility of £3m, to date PACT has drawn down £2.88m. Interest is charged at LIBOR plus 2.5% margin.

PACT Enterprises Limited acquired eight vacant properties from Fife Housing Association Limited for a consideration of £611,000. The price paid was the open market value of the properties and the valuation was carried out by the DVS which is the commercial arm of the Valuation Office Agency.

Fife Housing Association has levied fees for the following amounts to PACT Enterprises during the period 1st April 2011 to 31st March 2012:

- Staff and overhead costs for services provided to PACT of £69,251 (2011 - £13,068)
- Repairs carried out by Fife HA on behalf of PACT of £3,104 (2011 - £41,097)
- Interest payable on loan £ 34,802 (2011 - £7,087)

The balance outstanding from PACT Enterprises at 31st March 2012 was £168,496 (2011 - £55,066).