

Fife Housing Association Group

Group Report and Financial Statements



For the year ended 31st March 2013

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

Fife Housing Association Group

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Members, Executive and Advisers

| | |
|----------------------------------|---|
| Lorna Paterson | (Chair) |
| Philip Shave | (Vice Chair/ Secretary) |
| Alex Condie | (Re-appointed 17 th September 2012) (Resigned 29 th April 2013) |
| Alistair Berwick | (Resigned 18 th June 2012) |
| Andrew Baillie | (Resigned 26 th November 2012) |
| Anila Ahmad | |
| Colin McNeill | |
| David Watson | |
| Douglas Normand | (Resigned 25 th March 2013) |
| Derek Moore | |
| George Fisher | |
| Janet Temple | |
| Michael Paterson | |
| Patricia Dickson | (Elected 17 th September 2012) |
| William Rennie | (Resigned 28 th August 2012) |
| Donald McAndie | (Co-opted 17 th December 2012) (Resigned 25 th March 2013) |
| Iain McGhee | (Co-opted 25 th March 2013) |
| Stephen Clark | (Co-opted 17 th September 2012) |
| Roy Walker | (Co-opted 17 th December 2012) |
| | |
| <u>Executive Officers</u> | |
| Bryan K. Hay | (Chief Executive) (Retired 15 th April 2013) |
| Edward Duguid | (Interim Chief Executive) (Appointed 9 th November 2012) |
| Andrew Clark | (Corporate Services Director) |
| Thomas W. Hainey | (Technical Services Director) |
| Craig W. Stirrat | (Housing Services Director) |
| | |
| <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

* 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.

| Board/Committee | Board Meeting | | Housing Services | | Corporate Services | | Asset Management | | Audit | | Emergency Standing | | Staffing | |
|------------------|---------------|--------|------------------|--------|--------------------|--------|------------------|--------|----------|--------|--------------------|--------|----------|--------|
| | Possible | Actual | Possible | Actual | Possible | Actual | Possible | Actual | Possible | Actual | Possible | Actual | Possible | Actual |
| Lorna Paterson | 14 | 14 | 3 | 3 | 4 | 4 | 3 | 3 | 3 | 3 | 8 | 7 | | |
| Philip Shave | 14 | 12 | | | | | 4 | 4 | 2 | 2 | 8 | 6 | 1 | 1 |
| Alistair Berwick | 2 | 1 | | | | | | | 1 | 1 | | | | |
| Andrew Baillie | 8 | 3 | | | 2 | 1 | | | | | | | | |
| Anila Ahmad | 14 | 8 | 4 | 3 | | | 3 | 3 | | | | | 1 | 0 |
| Colin McNeill | 14 | 13 | 4 | 4 | | | | | 3 | 3 | 8 | 7 | | |
| David Watson | 14 | 14 | 4 | 4 | 4 | 4 | | | 3 | 3 | 1 | 1 | | |
| Douglas Normand | 13 | 1 | | | | | 4 | 1 | | | | | | |
| Derek Moore | 5 | 4 | | | 2 | 1 | | | | | | | | |
| George Fisher | 14 | 14 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 8 | 6 | 1 | 1 |
| Janet Temple | 14 | 13 | 4 | 4 | 4 | 4 | 2 | 2 | 2 | 2 | | | 1 | 1 |
| Jim Buchanan | 6 | 6 | 2 | 2 | 2 | 2 | 2 | 2 | | | | | | |
| Patricia Dickson | 14 | 12 | 4 | 4 | | | 4 | 4 | | | | | 1 | 0 |
| William Rennie | 3 | 0 | | | | | | | | | | | | |
| Alex Condie | 8 | 2 | | | | | | | | | | | | |
| Stephen Clark | 9 | 8 | | | | | | | | | | | | |
| Michael Paterson | 8 | 4 | | | | | | | | | | | | |
| Roy Walker | 5 | 5 | | | | | | | 1 | 1 | | | | |
| Donald McAndie | 4 | 1 | | | | | | | 1 | 0 | | | | |



Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31st March 2013.

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 Conduct 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 Board can 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
- Housing 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 "to be an organisation that makes a positive contribution to the creation and viability of vibrant and successful communities within Fife".

Our mission statement is "to be a provider of excellent housing and related services to the People of Fife, with a continued focus on those in greatest need".

The Association was formed for the benefit of the community and its objectives 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 24 of the Housing (Scotland) Act 2010 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 decisions 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 and 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 and property management 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.

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.

A Residents Scrutiny Panel has been formed which will assist the Fife Housing Group to increase participation and become more customer focused. 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 facilitate 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 has secured grant funding for "Canny Budgeting" - this will help tenants through the difficulties they have with the economic conditions, welfare reform, etc.

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 2012-13

- ✓ Continued to achieve a high level of Board member commitment and competency;
- ✓ Has delivered improved outcomes on key performance indicators;
- ✓ Completed and 18 properties at Phase 1 in Crombie, let 15 and sold 3 properties on a Shared Equity Basis; Kingdom Housing Association developed the site through the Fife Housing Alliance, with the 15 rented and 3 Shared Equity properties being handed over in May;
- ✓ Completed and let 4 properties at Inchkeith Drive Dunfermline;
- ✓ The Association purchased a further property under the Mortgage to Rent Scheme;

- ✓ PRISM Property Solutions provided reactive and void repair services to Ore Valley Housing Association (OVHA) on an informal basis. A formal Service Sharing Agreement was put in place in May 2013 to provide OVHA with a full range of technical services;
- ✓ PACT has purchased from the Association 6 properties in Crombie for market rent and purchased 3 vacant properties in Old Rosyth for market rent;
- ✓ PACT has developed 15 properties at Hugh Place Lochgelly. One property has been sold outright, one on a shared equity basis, 6 properties have been let under the Rent to Buy scheme and the remaining 5 properties are currently being let at market rent on short term leases until market conditions improve.

Future Plans

Grant funding has been secured for the development of 36 houses at Abbeyview, Phase 4. This is due to commence later this year.

The Association plans to invest £5m over the next two years in planned maintenance and property improvements in order to meet the Scottish Housing Quality Standard. A stock condition survey was carried out this year and the results have been input into our Life Cycle Costing Model to ensure that our properties are maintained to the Association's specified standard.

PACT Enterprises will take advantage of the following business opportunities:

- 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 22 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 £1,003,192 (2012 - surplus of £548,661).

Turnover increased by £838,361 and operating costs by £287,466. The operating surplus increased from £2,482,280 in 2012 to £3,033,175 in 2013.

The total surplus recognised in the Statement of Total Recognised Surpluses and Deficits is £734,973 in 2012 there was a surplus of £2,135,552. Details of the movements are set out in page 16.

The surplus for the year has been taken to revenue reserves. The Group's net assets are now £7,308,926 (2012 - £6,573,965).

Going Concern

The Association was the subject of an Inquiry Report by the Scottish Housing Regulator (SHR). This set off a sequence of events that resulted in high Board turnover, the Bank issuing "Reservation of Rights" letters, the appointment of an Interim Chief Executive and the requirement for a Financial Viability Report to be produced.

Discussions have taken place with Lloyds Banking Group and revised terms have been agreed and a revised Funding agreement for a £46m facility from Bank of Scotland has been executed.

After reviewing the results of the Financial Viability Exercise, the detailed Income and Expenditure and Business Plan projections and the revised terms and facility available from the bank 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.

Asset Value

A valuation of the Association's housing properties was carried out by Jones Lang LaSalle at 31st March 2013. The value of the properties, on an existing use basis (Social Housing) (EUV-SH) was £56.5m (2012 £53.9) and the carrying value of our stock after component accounting was applied was £40.0m (2012 £39.1m).

Impairment Review

The impairment review carried out at 31st March 2013 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 4.5% on 1st April 2012. Our gross rental income increased from £8,844,432 to £9,330,604. There has been an increase in void rent loss from £75,082 to £77,294. No bad debts were written off by the Association this year however a review of the rent arrears has been carried out and the bad debt provision has been increased by £80k to £390k.

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 2013 nine tenants exercised their right to buy and the Association received £127,029 net of selling costs.

Void Sales

The Association sold nine of our older void properties to PACT Enterprises Ltd to help us meet the Scottish Housing Quality Standard and to invest in our properties and received £372,556 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 £1,987,000 at 31st March 2012 to £2,651,000 at 31st March 2013. Full details have been provided in Note 24.

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 £1,050 (2012 £1,360). 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.

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.

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 2013 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 and carries out recruitment in line with the Equality Act.

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 has successfully retained its Investor in People status. 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. Regular one to one meetings have been introduced for all staff as this is seen as the most effective way of improving and maintaining performance.

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.

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 2010, the Determination of Accounting Requirements 2012 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.

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.

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

- 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 takes 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 to 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 2013 and until 26th August 2013. 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

A resolution to appoint the auditors, Findlay & Company will be proposed at the Annual General Meeting.

By order of the Board



A handwritten signature in blue ink, appearing to read 'P. Shave', written over a horizontal line.

Philip Shave
Secretary



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 2013 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 of Management's Responsibilities set out on pages 11-12, 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 2013 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, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements 2012.



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 & Statutory Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

28 August 2013



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 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 11 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".

Joan E. Williamson

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

28 August 2013

Financial Statements:

Group Income and Expenditure Account for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|------------------|------------------|
| | Notes | £ | £ |
| Turnover | 2a | 10,096,569 | 9,258,208 |
| Less: Operating costs | | 7,063,394 | 6,775,928 |
| Operating surplus | 7 | 3,033,175 | 2,482,280 |
| Gain/(Loss) on realisation of assets | 12 | 128,575 | 109,892 |
| Interest receivable and other income | 9 | 5,323 | 10,684 |
| Interest payable and similar charges | 8 | (2,129,296) | (2,045,001) |
| Net return on pension assets | 24 | (45,000) | (11,000) |
| Surplus/(Deficit) on ordinary activities before taxation | | 992,777 | 546,855 |
| Tax on surplus on ordinary activities | 10a | 10,415 | 1,806 |
| Surplus/(Deficit) for the period | | 1,003,192 | 548,661 |

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

The notes on pages 24 to 47 form part of these financial statements.

Group Statement of total recognised surpluses and deficits for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|----------------|------------------|
| | Notes | £ | £ |
| Surplus/(Deficit) for the year | | 1,003,192 | 548,661 |
| Unrealised surplus/(deficit) on revaluation of housing properties | 26 | 393,781 | 694,676 |
| Deferred tax | | - | - |
| Unrealised surplus/(deficit) on investments | | - | - |
| Actual return less expected return on pension scheme assets | 24 | 509,000 | (67,000) |
| Effect of changes in the actuarial assumptions | 24 | (1,171,000) | (221,000) |
| Total recognised surpluses/(deficits) for the year | | 734,973 | 955,337 |
| Prior year adjustment | | - | 1,180,215 |
| Total Surpluses (Deficits) recognised since last annual report | | 734,973 | 2,135,552 |

Association Income and Expenditure Account for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|------------------|------------------|
| | Notes | £ | £ |
| Turnover | 2b | 10,228,891 | 9,772,089 |
| Less: Operating costs | | 6,845,770 | 6,774,287 |
| Operating surplus | 7 | 3,383,121 | 2,997,802 |
| Gain/(Loss) on realisation of assets | 12 | 128,575 | 109,892 |
| Interest receivable and other income | 9 | 92,156 | 45,486 |
| Interest payable and similar charges | 8 | (2,129,296) | (2,044,972) |
| Net return on pension assets | 24 | (45,000) | (11,000) |
| Surplus/(Deficit) on ordinary activities before taxation | | 1,429,556 | 1,097,208 |
| Tax on surplus on ordinary activities | 10b | - | - |
| Surplus/(Deficit) for the period | | 1,429,556 | 1,097,208 |

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

The notes on pages 24 to 47 form part of these financial statements.

Association Statement of total recognised surpluses and deficits for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|----------------|------------------|
| | Notes | £ | £ |
| Surplus/(Deficit) for the year | | 1,429,556 | 1,097,208 |
| Unrealised surplus/(deficit) on revaluation of housing properties | | - | - |
| Deferred tax | | - | - |
| Unrealised surplus/(deficit) on investments | | - | - |
| Actual return less expected return on pension scheme assets | 24 | 509,000 | (67,000) |
| Effect of changes in the actuarial assumptions | 24 | (1,171,000) | (221,000) |
| Total recognised surpluses/(deficits) for the year | | 767,556 | 809,208 |
| Prior year adjustment | | - | 1,180,215 |
| Total Surpluses/(Deficits) recognised since last annual report | | 767,556 | 1,989,423 |

Group Balance Sheet as at 31st March 2013

| | Notes | 2013 £ | 2012 £ |
|---|-------|------------------|-------------------|
| Tangible Fixed Assets | | | |
| Housing properties - gross cost | 11 | 77,779,754 | 73,598,328 |
| Less: Depreciation | | (12,595,812) | (11,203,873) |
| | | 65,183,942 | 62,394,455 |
| Less: | | | |
| SHG | | (23,349,724) | (22,031,160) |
| Other Public Grants | | (1,739,561) | (1,277,561) |
| | 11 | 40,094,657 | 39,085,734 |
| Other Fixed Assets | 14a | 1,670,109 | 1,362,083 |
| Investments – Shared Equity | 13a | - | - |
| Investments Properties | 13c | 2,508,842 | 2,027,204 |
| | | 44,273,608 | 42,475,021 |
| Current Assets | | | |
| Work in Progress | 15 | - | 1,171,344 |
| Held for Sale | 15 | 1,015,647 | - |
| Debtors | 16a | 2,426,527 | 884,451 |
| Cash at Bank & in Hand | 17 | 3,975,559 | 1,809,483 |
| Debtors : falling due after more than one year | 16b | 14,596 | 3,730 |
| | | 7,432,329 | 3,869,008 |
| Creditors: amounts falling due within one year | 18 | 41,745,304 | 1,805,085 |
| Net current assets excluding pension asset/(liability) | | (34,312,975) | 2,063,923 |
| Pension Liability | 24 | (2,651,000) | (1,987,000) |
| Net current assets including pension asset/(liability) | | (36,963,975) | 76,923 |
| | | | |
| Total assets less current liabilities | | 7,309,633 | 42,551,944 |
| Debtors: falling due after more than one year | | | |
| Creditors: falling due after more than one year | 19 | - | (35,977,723) |
| Provisions for liabilities and Charges | 20 | (707) | (256) |
| Net assets | | 7,308,926 | 6,573,965 |
| | | | |
| Capital and Reserves | | | |
| Share Capital | 21 | 91 | 103 |
| Revenue Reserve | 26 | 6,220,378 | 5,879,186 |
| Revaluation Reserve | 26 | 1,088,457 | 694,676 |
| | | 7,308,926 | 6,573,965 |

The financial statements on pages 16 to 47 were approved by the Board of Management on 26th August 2013 and were signed on its behalf by:

Lorna Paterson

Chair

L. Paterson

Philip Shave

Secretary

P. Shave

David Watson

Corporate Services Convener

D. Watson

The notes on pages 24 to 47 form part of these financial statements.

Association Balance Sheet as at 31st March 2013

| | Notes | 2013 £ | 2012 £ |
|---|-------|------------------|-------------------|
| Tangible Fixed Assets | | | |
| Housing properties - gross cost | 11 | 77,779,754 | 73,598,328 |
| Less: Depreciation | | (12,595,812) | (11,203,873) |
| | | 65,183,942 | 62,394,455 |
| Less: SHG | | (23,349,724) | (22,031,160) |
| Other Public Grants | | (1,739,561) | (1,277,561) |
| | 11 | 40,094,657 | 39,085,734 |
| Other Fixed Assets | 14b | 1,666,576 | 1,360,801 |
| Investments – Shared Equity | 13a | | |
| Investments - Subsidiary | 13b | 1 | 1 |
| | | 41,761,234 | 40,446,536 |
| Current Assets | | | |
| Work in Progress | 15 | - | 24,740 |
| Housing Stock Held for Sale | 15 | 10,972 | |
| Debtors | 16a | 2,674,540 | 1,051,137 |
| Cash at Bank & in Hand | 17 | 3,949,214 | 1,715,088 |
| Debtors : falling due after more than one year | 16b | 3,148,400 | 2,886,000 |
| | | 9,783,126 | 5,676,965 |
| Creditors: amounts falling due within one year | 18 | 41,691,014 | 1,723,976 |
| Net current assets excluding pension asset/(liability) | | (31,907,888) | 3,952,989 |
| Pension Liability | 24 | (2,651,000) | (1,987,000) |
| Net current assets including pension asset/(liability) | | (34,558,888) | 1,965,989 |
| Total assets less current liabilities | | 7,202,346 | 42,412,525 |
| Debtors: falling due after more than one year | | | |
| Creditors: falling due after more than one year | 19 | - | (35,977,723) |
| Net assets | | 7,202,346 | 6,434,802 |
| Capital and Reserves | | | |
| Share Capital | 21 | 91 | 103 |
| Revenue Reserve | 26 | 7,202,255 | 6,434,699 |
| | | 7,202,346 | 6,434,802 |

The financial statements on pages 16 to 47 were approved by the Board of Management on 26th August 2013 and were signed on its behalf by:

Lorna Paterson

Chair

L. Paterson

Philip Shave

Secretary

P.M. Shave

David Watson

Corporate Services Convener

David Watson

The notes on pages 24 to 47 form part of these financial statements.

Group Cashflow Statement for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|--------------|--------------|
| | Notes | £ | £ |
| Reconciliation of operating surplus to net cashflow from operating activities | | 3,033,175 | 2,482,280 |
| Depreciation charges | | 1,651,002 | 1,566,580 |
| (Increase)/decrease in debtors | | (1,123,979) | (1,228,882) |
| Increase/(decrease) in creditors | | 162,496 | 295,618 |
| Increase/(decrease) in provisions | | - | 1,805 |
| (Increase)/decrease in pension | | (43,000) | (66,000) |
| Net cash inflow from operating activities | | 3,679,694 | 3,051,401 |
| CASHFLOW STATEMENT | | | |
| Net cash inflow from operating activities | | 3,679,694 | 3,051,401 |
| Returns on investments and servicing of finance (note a) | a | (2,123,973) | (2,034,318) |
| Taxation | | - | - |
| Capital expenditure (note a) | a | (2,927,233) | (3,288,007) |
| Management of liquid resources | | | |
| Financing (note a) | a | 3,537,588 | 1,999,985 |
| Increase/(decrease) in cash | | 2,166,076 | (270,939) |
| Reconciliation of net cashflow to movement in net debt (note b) | b | | |
| Increase/(decrease) in cash in the period | | 2,166,076 | (270,939) |
| Cash used to increase liquid resources | | (3,800,000) | (2,000,000) |
| Change in net debt | | (1,633,924) | (2,270,939) |
| Net debt at 31 st March 2012 | | (34,168,240) | (31,897,301) |
| Net funds at 31 st March 2013 | | (35,802,164) | (34,168,240) |

Group Cashflow Statement

A. Gross Cashflow

| | 2013 | 2012 | |
|--|---------------|-------------|-------------|
| | £ | £ | |
| Returns on investments and servicing of finance | | | |
| Interest received | 5,323 | 10,684 | |
| Interest paid | (2,129,296) | (2,045,002) | |
| | (2,123,973) | (2,034,318) | |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | Note 11 & 14a | (5,007,342) | (4,258,221) |
| Grants received | Note 11 | 1,780,564 | 557,799 |
| Receipts from sales of tangible fixed assets | | 299,545 | 412,415 |
| | (2,927,233) | (3,288,007) | |
| Management of liquid resources | | - | |
| Financing | 3,800,000 | 2,000,000 | |
| Issue of ordinary share capital/change in reserves | (12) | (15) | |
| | 3,799,988 | 1,999,985 | |

B. Analysis of changes in net debt

| | At 31st March 2012 | Cashflows | Other changes | At 31st March 2013 |
|---------------------------|--------------------------|--------------------|---------------|--------------------------|
| | £ | £ | £ | £ |
| Cash in hand /at bank | 1,809,483 | 2,166,076 | - | 3,975,559 |
| Debt due within 1 year | - | (39,777,723) | - | (39,777,723) |
| Debt due after 1 year | (35,977,723) | 35,977,723 | - | - |
| Current asset investments | - | - | - | - |
| Total | (34,168,240) | (1,633,924) | - | (35,802,164) |

Association Cashflow Statement for the year ended 31st March 2013

| | | 2013 | 2012 |
|---|-------|--------------|--------------|
| | Notes | £ | £ |
| Reconciliation of operating surplus to net cashflow from operating activities | | 3,383,121 | 2,997,802 |
| Depreciation charges | | 1,650,585 | 1,566,580 |
| (Increase)/decrease in debtors | | (1,609,635) | (2,696,413) |
| Increase/(decrease) in creditors | | 189,315 | 235,445 |
| (Increase)/decrease in pensions | | (43,000) | (66,000) |
| Net cash inflow from operating activities | | 3,570,386 | 2,037,414 |
| CASHFLOW STATEMENT | | | |
| Net cash inflow from operating activities | | 3,570,386 | 2,037,414 |
| Returns on investments and servicing of finance (note a) | a | (2,037,140) | (1,999,486) |
| Taxation | | - | - |
| Capital expenditure (note a) | a | (2,836,708) | (2,374,010) |
| Management of liquid resources | | - | - |
| Financing (note a) | a | 3,537,588 | 1,999,985 |
| Increase/(decrease) in cash | | 2,234,126 | (336,097) |
| Reconciliation of net cashflow to movement in net debt | b | | |
| Increase/(decrease) in cash in the period | | 2,234,126 | (336,097) |
| Cash used to increase liquid resources | | (3,800,000) | (2,000,000) |
| Change in net debt | | (1,565,874) | (2,336,097) |
| Net debt at 31 st March 2012 | | (34,262,635) | (31,926,538) |
| Net funds at 31 st March 2013 | | (35,828,509) | (34,262,635) |

Association Cashflow Statement

A. Gross Cashflow

| | | 2013 | 2012 |
|--|---------------|-------------|-------------|
| | | £ | £ |
| Returns on investments and servicing of finance | | | |
| Interest received | | 92,156 | 45,486 |
| Interest paid | | (2,129,296) | (2,044,972) |
| | | (2,037,140) | (1,999,486) |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | Note 11 & 14b | (4,990,710) | (3,344,224) |
| Grants received | Note 11 | 1,780,564 | 557,799 |
| Receipts from sales of tangible fixed assets | Note 11 & 12 | 373,438 | 412,415 |
| | | (2,836,708) | (2,374,010) |
| Management of liquid resources | | | |
| Financing | | 3,800,000 | 2,000,000 |
| Loan to Subsidiary | | (262,400) | |
| Issue of ordinary share capital/change in reserves | | (12) | (15) |
| | | 3,537,588 | 1,999,985 |

B. Analysis of changes in net debt

| | At 31 st March 2012 | Cashflows | Other changes | At 31 st March 2013 |
|---------------------------|--------------------------------|--------------------|---------------|--------------------------------|
| | £ | £ | £ | £ |
| Cash in hand /at bank | 1,715,088 | 2,234,126 | - | 3,949,214 |
| Debt due within 1 year | - | (39,777,723) | - | (39,777,723) |
| Debt due after 1 year | (35,977,723) | 35,977,723 | - | - |
| Current asset investments | - | - | - | - |
| Total | (34,262,635) | (1,565,874) | - | (35,828,509) |

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 Determination of Accounting Requirements 2012. 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 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 from the first period of the financial year following 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.

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 was made in 2012 to the financial statements to reflect the Financial Statements as if Component Accounting had always been in place.

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.

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 |
| Vehicles | - | 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.

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.

Going Concern

The Financial Statements have been prepared on a going concern basis. The Board have assessed the Group and Association's ability to continue as a going concern and after taking into account the financial position of the Association and the impact of any perceived weakness on viability and based on consideration of the results of the annual modelling exercise of the 30 year financial projections and sensitivity analysis, along with the availability of funding at affordable rates of interest, 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.

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

| | 2012-13 | | | 2011-12 |
|--------------------------|-------------------|------------------|--------------------------------|--|
| | Turnover | Operating Costs | Operating Surplus or (Deficit) | Operating Surplus or (Deficit) for previous year |
| | £ | £ | £ | £ |
| Social lettings | 9,342,636 | 6,300,079 | 3,042,557 | 2,420,149 |
| Other activities | 753,933 | 763,315 | (9,382) | 62,131 |
| Total | 10,096,569 | 7,063,394 | 3,033,175 | 2,482,280 |
| Total for 2011-12 | 9,258,208 | 6,775,928 | 2,482,280 | |

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

| | 2012-13 | | | 2011-12 |
|--------------------------|-------------------|------------------|--------------------------------|--|
| | Turnover | Operating Costs | Operating Surplus or (Deficit) | Operating Surplus or (Deficit) for previous year |
| | £ | £ | £ | £ |
| Social lettings | 9,342,636 | 6,300,079 | 3,042,557 | 2,420,149 |
| Other activities | 886,255 | 545,691 | 340,564 | 577,653 |
| Total | 10,228,891 | 6,845,770 | 3,383,121 | 2,997,802 |
| Total for 2011-12 | 9,772,089 | 6,774,287 | 2,997,802 | |

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

| | General needs | Shared ownership housing | Total 2013 | Total 2012 |
|---|------------------|--------------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Rent receivable net of service charges | 9,221,154 | 9,310 | 9,230,464 | 8,752,046 |
| Service charges receivable | 89,567 | 10,573 | 100,140 | 92,386 |
| Gross income from rents and service charges | 9,310,721 | 19,883 | 9,330,604 | 8,844,432 |
| Less rent losses from voids | (77,294) | - | (77,294) | (75,082) |
| Net income from rents and service charges | 9,233,427 | 19,883 | 9,253,310 | 8,769,350 |
| Grants from the Scottish Ministers | 89,326 | - | 89,326 | 180,626 |
| Other revenue grants | - | - | - | 44 |
| Total turnover from social letting activities | 9,322,753 | 19,883 | 9,342,636 | 8,950,020 |
| | | | | |
| No of units managed by the Association | 2447 | 5 | 2452 | 2,444 |
| | | | | |
| Management and maintenance administration costs | 2,715,112 | 3,315 | 2,718,427 | 2,451,102 |
| Past service costs pensions | - | - | - | - |
| Service costs | 87,732 | 5,317 | 93,049 | 82,293 |
| Planned and cyclical maintenance including major repair costs | 594,454 | - | 594,454 | 746,209 |
| Reactive maintenance costs | 1,283,452 | 6,132 | 1,289,584 | 1,630,602 |
| Bad debts – rent and service charges | 78,698 | - | 78,698 | 153,839 |
| Depreciation of housing properties | 1,525,867 | - | 1,525,867 | 1,465,826 |
| Impairment of housing properties | - | - | - | - |
| Operating costs for social letting activities | 6,285,315 | 14,764 | 6,300,079 | 6,529,871 |
| | | | | |
| | | | | |
| Operating surplus or (deficit) for social lettings | 3,037,438 | 5,119 | 3,042,557 | 2,420,149 |
| | | | | |
| | | | | |
| Operating surplus or (deficit) for social lettings for previous period of account | 2,416,711 | 3,438 | 2,420,149 | |

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 £ |
|--|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|----------------------------------|----------------------------|-------------------------------------|---|
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | 60,000 | - | - | - | 60,000 | - | 70,952 | (10,952) | (16,584) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 18,046 | 18,046 | - | 16,357 | 1,689 | 6,204 |
| Development and construction of property activities | - | - | - | 2,575 | 2,575 | - | 28,346 | (25,771) | (49,682) |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/ management services for registered social landlords | - | - | - | 131,518 | 131,518 | - | 138,284 | (6,766) | (5,098) |
| Other agency / management services - PACT | - | - | - | 137,226 | 137,226 | - | 116,149 | 21,077 | 25,455 |
| Developments for sale to registered social landlords | - | - | - | - | - | - | - | - | - |
| Developments and improvements for sale to non-registered social landlords | - | - | - | - | - | - | - | - | - |
| Sale of LIFT properties | 517 | - | - | 374,664 | 375,181 | - | 385,276 | (10,095) | - |
| Other activities | - | - | - | 13,487 | 13,487 | - | - | 13,487 | 13,635 |
| Other activities- commercial rents | - | - | - | 15,900 | 15,900 | - | - | 15,900 | - |
| Sale of vacant properties | - | - | - | - | - | - | 7,951 | (7,951) | 88,201 |
| Total from other activities | 60,517 | - | - | 693,416 | 753,933 | - | 763,315 | (9,382) | 62,131 |
| Total from other activities for previous period of account | 11,932 | - | - | 296,256 | 308,188 | - | 246,057 | 62,131 | |

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

| | 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 £ |
|--|-------------------------------------|---------------------------|-------------------------------|-------------------|---------------------|----------------------------------|----------------------------|-------------------------------------|---|
| Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing | 60,000 | - | - | - | 60,000 | - | 70,952 | (10,952) | (16,584) |
| Care and repair of property | - | - | - | - | - | - | - | - | - |
| Factoring | - | - | - | 18,046 | 18,046 | - | 16,357 | 1,689 | 6,204 |
| Development and construction of property activities | - | - | - | 2,575 | 2,575 | - | 28,346 | (25,771) | (49,682) |
| Support activities | - | - | - | - | - | - | - | - | - |
| Care activities | - | - | - | - | - | - | - | - | - |
| Agency/ management services for registered social landlords | - | - | - | 131,518 | 131,518 | - | 138,284 | (6,766) | (5,098) |
| 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 | - | - | - | 190,329 | 190,329 | - | 209,908 | (19,579) | - |
| Other activities | - | - | - | 13,487 | 13,487 | - | - | 13,487 | 3,004 |
| Other activities – commercial rents | - | - | - | 15,900 | 15,900 | - | - | 15,900 | 10,631 |
| Sale of vacant properties | - | - | - | 454,400 | 454,400 | - | 81,844 | 372,556 | 629,178 |
| Total from other activities | 60,000 | - | - | 826,255 | 886,255 | - | 545,691 | 340,564 | 577,653 |
| Total from other activities for previous period of account | 11,932 | - | - | 810,137 | 822,069 | - | 244,416 | 577,653 | |

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:

| | 2013 | 2012 | |
|--|-----------|---------|------|
| | £ | £ | |
| Total emoluments (excluding pension contributions) | 134,409 | 138,339 | |
| The emoluments of the officers (excluding pension contributions) were within the following ranges: | | | |
| £ | £ | 2013 | 2012 |
| 60,001 | to 70,000 | 1 | 1 |
| 70,001 | to 80,000 | 1 | 1 |
| The emoluments (excluding pension contributions) of the Chief Executive amounted to: | 72,687 | 75,840 | |
| The pension contributions made by the Association to officers whose total emoluments (excluding pension contributions) are £60,000 or more were: | 30,382 | 31,301 | |

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 24. 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.

| | 2013 | 2012 |
|--|-------|-------|
| | £ | £ |
| Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax: | 1,297 | 2,069 |

Expenses of £4,286 (2012 £3,047) were paid to Board Members.

Loans to directors

| | | Rate of interest | Amount outstanding | | Maximum Outstanding During the Year |
|----------|-------------------|------------------|--------------------|------------|-------------------------------------|
| | | | 31/03/2012 | 31/03/2013 | |
| | | | £ | £ | £ |
| B Hay | Car Purchase Loan | 4.75% | 4,608 | - | 4,608 |
| B Hay | Car Purchase Loan | 3.5% | - | 16,387 | 18,695 |
| A Clark | Car Purchase Loan | 5.25% | 649 | - | 649 |
| T Hainey | Car Purchase Loan | 3.50% | 8,618 | 6,262 | 8,618 |
| | | | 13,875 | 22,649 | 32,570 |

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

| | Group | | Association | |
|--|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| The average weekly number of persons employed during the period (Full Time Equivalent) was | | | | |
| | 64.6 | 64.6 | 64.6 | 64.6 |
| Office Staff | | | | |
| Staff Costs during the period | £ | £ | £ | £ |
| Wages and salaries | 1,277,976 | 1,209,857 | 1,240,728 | 1,147,781 |
| Social security costs | 104,415 | 100,086 | 104,415 | 100,086 |
| Pension costs (Note 24) | 270,838 | 269,608 | 270,838 | 269,608 |
| Adjustment to current service costs | (27,840) | (44,375) | (27,840) | (44,375) |
| Adjustment to past services costs | - | - | - | - |
| Temporary staff costs | 9,918 | 27,449 | 9,918 | 27,449 |
| Sub total | 1,635,307 | 1,562,625 | 1,598,059 | 1,500,549 |
| Maintenance Services Department | | | | |
| Wages and salaries | 671,334 | 661,865 | 671,334 | 661,865 |
| Social security costs | 52,367 | 48,033 | 52,367 | 48,033 |
| Pension costs (Note 24) | 147,488 | 135,606 | 147,488 | 135,606 |
| Adjustment to past/current services costs | (15,160) | (21,625) | (15,160) | (21,625) |
| Temporary staff costs | 16,655 | 31,005 | 16,655 | 31,005 |
| Sub total | 872,684 | 854,884 | 872,684 | 854,884 |
| Total | 2,507,991 | 2,417,509 | 2,470,743 | 2,355,433 |

7. Operating Surplus

| | Group | | Association | |
|---|-----------|-----------|-------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating surplus is stated after charging /crediting : | £ | £ | £ | £ |
| Depreciation of housing properties | 1,525,867 | 1,465,826 | 1,525,867 | 1,465,826 |
| Depreciation of other assets | 125,135 | 100,754 | 124,718 | 100,754 |
| Impairment of housing properties | - | - | - | - |
| Repairs: cyclical, major, day to day | 1,988,454 | 2,456,845 | 1,929,461 | 2,449,314 |
| Auditor's remuneration in their capacity as auditors | 19,460 | 14,540 | 16,680 | 13,000 |
| Auditor's remuneration in respect of other services | 2,220 | 8,172 | 2,220 | 8,172 |
| Receipt of grant | (149,843) | (192,602) | (149,326) | (192,602) |
| Operating lease rentals | 299,007 | 337,679 | 299,007 | 337,679 |

8. Interest payable and similar charges

| | Group | | Association | |
|------------------------|-----------|-----------|-------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Long term bank loan | 2,129,296 | 2,045,001 | 2,129,296 | 2,044,972 |
| Other interest payable | - | - | - | - |

9. Interest receivable and other income

| | Group | | Association | |
|---------------------|-------|--------|-------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Interest receivable | 5,323 | 10,684 | 92,156 | 45,486 |

10a. Taxation- Group

Tax on profit/ (loss) on ordinary activities

| Analysis of charge in period | 2013 | 2012 |
|--|---------------|--------------|
| | £ | £ |
| Current Tax | | |
| UK Corporation tax | - | - |
| Total current tax charge | - | - |
| Deferred Tax | | |
| Timing differences, origination and reversal | 10,415 | 1,806 |
| Tax on profit on ordinary activities | 10,415 | 1,806 |

10b. Taxation- Association

Fife Housing Association Ltd. was accorded charitable status for taxation purposes by the Inland Revenue. In the period to 31st March 2013 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 2012 | 72,594,295 | 730,888 | 273,145 | 73,598,328 |
| Additions | 4,030,948 | 529,269 | - | 4,560,217 |
| Transfers | 730,888 | (730,888) | - | - |
| Disposals | (362,708) | - | - | (362,708) |
| Transferred to current assets | (16,083) | - | - | (16,083) |
| As at 31st March 2013 | 76,977,340 | 529,269 | 273,145 | 77,779,754 |
| Depreciation | | | | |
| As at 1st April 2012 | (11,195,916) | - | (7,957) | (11,203,873) |
| Charge for Year | (1,484,878) | - | (945) | (1,485,823) |
| Disposals | 88,773 | - | - | 88,773 |
| Transferred to current assets | 5,111 | - | - | 5,111 |
| Impairment provision | - | - | - | - |
| At 31st March 2013 | (12,586,910) | - | (8,902) | (12,595,812) |
| Social Housing Grants | | | | |
| As at 1 st April 2012 | (21,373,297) | (432,004) | (225,859) | (22,031,160) |
| Additions | (1,153,429) | (177,135) | - | (1,330,564) |
| Transfers | (432,004) | 432,004 | - | - |
| Transferred to fixed asset investments | 12,000 | - | - | 12,000 |
| At 31 st March 2013 | (22,946,730) | (177,135) | (225,859) | (23,349,724) |
| Other Public Grants | | | | |
| As at 1 st April 2012 | (1,277,561) | - | - | (1,277,561) |
| Additions | (222,000) | (240,000) | - | (462,000) |
| Transfers | - | - | - | - |
| At 31 st March 2013 | (1,499,561) | (240,000) | - | (1,739,561) |
| Total Grants as at 31st March 2013 | (24,446,291) | (417,135) | (225,859) | (25,089,285) |
| Net Book Value at 31st March 2013 | 39,944,139 | 112,134 | 38,384 | 40,094,657 |
| Net Book Value at 31st March 2012 | 38,747,521 | 298,884 | 39,329 | 39,085,734 |

The Association capitalised £1.9 million in 2012-13 (2011-12 £2.2 million) of major component replacement expenditure.

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

| | RTB Sales | Shared ownership | Land | Other assets | Total 2012-13 | Total 2011-12 |
|--|----------------|------------------|------------|--------------|----------------|----------------|
| | £ | £ | £ | £ | £ | £ |
| Income | 292,825 | - | 850 | 1,720 | 295,395 | 195,490 |
| Expenses | (4,860) | - | - | - | (4,860) | (3,244) |
| Cost of sale | (159,186) | - | - | (1,024) | (160,210) | (82,014) |
| Abortive costs | (1,750) | - | - | - | (1,750) | (340) |
| Discount repaid by owner | - | - | - | - | - | - |
| Gain / Loss on disposal of assets | 127,029 | - | 850 | 696 | 128,575 | 109,892 |

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

| | Total |
|---|--------------------|
| | £ |
| Cost | |
| As at 1 st April 2012 | 1,166,499 |
| Transfer from current assets work in progress | 327,591 |
| As at 31st March 2013 | 1,494,090 |
| Grant | |
| As at 1 st April 2012 | (1,166,499) |
| Transfer from current assets work in progress | (315,591) |
| Transferred from fixed assets | (12,000) |
| As at 31st March 2013 | (1,494,090) |
| Net Book Value as at 31/3/13 | - |
| Net Book Value as at 31/3/12 | - |

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

| Cost | 2013 | 2012 |
|------------------|------|------|
| | £ | £ |
| PACT Enterprises | 1 | 1 |

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

| | Investment Properties | Shared Equity | Total |
|-----------------------------------|-----------------------|---------------|------------------|
| | £ | £ | £ |
| As at 1st April 2012 | 2,027,204 | - | 2,027,204 |
| Additions | 458,577 | - | 458,577 |
| Revaluation | 12,896 | - | 12,896 |
| Transferred from current assets | - | 10,165 | 10,165 |
| Disposals | - | - | - |
| As at 31 st March 2013 | 2,498,677 | 10,165 | 2,508,842 |
| As at 31 st March 2012 | 2,027,204 | - | 2,027,204 |

A desktop valuation was carried out by Hardies Property and Construction Consultants, an external valuer as at 29th March 2013.

14a. Tangible Fixed Assets – Group

| | Office land & Buildings Leasehold | Tenant Improvements | Office land & buildings | Commercial Properties | Computer software | Furniture & fittings | Vehicles | Total |
|--|-----------------------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|-----------------|------------------|
| Cost | £ | £ | £ | £ | £ | £ | £ | £ |
| As at 1 st April 2012 | 40,030 | 46,840 | 1,129,025 | 85,488 | 508,525 | 165,671 | - | 1,975,579 |
| Additions | - | - | 15,763 | - | 58,274 | 7,924 | 351,200 | 433,161 |
| Transfer from Developments | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| As at 31 st March 2013 | 40,030 | 46,840 | 1,144,788 | 85,488 | 566,799 | 173,595 | 351,200 | 2,408,740 |
| Depreciation | | | | | | | | |
| As at 1 st April 2012 | (2,801) | (538) | (189,012) | (2,730) | (311,911) | (106,504) | - | (613,496) |
| Charge for year | (800) | (937) | (24,177) | (1,559) | (66,188) | (8,474) | (23,000) | (125,135) |
| Disposals | - | - | - | - | - | - | - | - |
| As at 31 st March 2013 | (3,601) | (1,475) | (213,189) | (4,289) | (378,099) | (114,978) | (23,000) | (738,631) |
| Net Book Value as at 31 st March 2013 | 36,429 | 45,365 | 931,599 | 81,199 | 188,700 | 58,617 | 328,200 | 1,670,109 |
| Net Book Value as at 31 st March 2012 | 37,229 | 46,302 | 940,013 | 82,758 | 196,614 | 59,167 | - | 1,362,083 |

14b. Tangible Fixed Assets – Association

| | Office land & Buildings Leasehold | Tenant Improvements | Office land & buildings | Commercial Properties | Computer software | Furniture & fittings | Vehicles | Total |
|--|-----------------------------------|---------------------|-------------------------|-----------------------|-------------------|----------------------|-----------------|------------------|
| Cost | £ | £ | £ | £ | £ | £ | £ | £ |
| As at 1 st April 2012 | 40,030 | 46,840 | 1,129,025 | 85,488 | 508,525 | 164,389 | - | 1,974,297 |
| Additions | - | - | 15,763 | - | 58,274 | 5,256 | 351,200 | 430,493 |
| Transfer from Developments | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| As at 31st March 2013 | 40,030 | 46,840 | 1,144,788 | 85,488 | 566,799 | 169,645 | 351,200 | 2,404,790 |
| Depreciation | | | | | | | | |
| As at 1 st April 2012 | (2,801) | (538) | (189,012) | (2,730) | (311,911) | (106,504) | - | (613,496) |
| Charge for year | (800) | (937) | (24,177) | (1,559) | (66,188) | (8,057) | (23,000) | (124,718) |
| Disposals | - | - | - | - | - | - | - | - |
| As at 31st March 2013 | (3,601) | (1,475) | (213,189) | (4,289) | (378,099) | (114,561) | (23,000) | (738,214) |
| Net Book Value as at 31st March 2013 | 36,429 | 45,365 | 931,599 | 81,199 | 188,700 | 55,084 | 328,200 | 1,666,576 |
| Net Book Value as at 31st March 2012 | 37,229 | 46,302 | 940,013 | 82,758 | 196,614 | 57,885 | - | 1,360,801 |

15. Work in Progress / Stock

Group

| | As at 1 st April 2012 | Additions | Transfer to Fixed assets | Transferred to rent to buy / for sale | Disposals | As at 31 st March 2013 |
|---|--|------------------|--------------------------------|--|------------------|---|
| | £ | £ | £ | | £ | £ |
| Work in Progress - Cost | 1,188,333 | 41,006 | (51,894) | (1,004,675) | (172,770) | - |
| Work in Progress - HAG | (16,989) | - | 16,989 | - | - | - |
| | 1,171,344 | 41,006 | (34,905) | (1,004,675) | (172,770) | - |
| Held for Sale | | | | | | |
| Rent to Buy- Transferred from WIP | - | 576,390 | - | - | - | 576,390 |
| Housing properties held for sale – Trans from WIP | - | 428,285 | - | - | - | 428,285 |
| Housing Properties held for Sale | - | 10,972 | - | - | - | 10,972 |
| Held for sale total | - | 1,015,647 | - | - | - | 1,015,647 |

Association

| | As at 1 st April 2012 | Additions | Transfer to Fixed assets | Disposals | As at 31 st March 2013 |
|----------------------------------|-------------------------------------|---------------|-----------------------------|-----------|--------------------------------------|
| | £ | £ | £ | £ | £ |
| 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 | - | 10,972 | - | - | 10,972 |

16a. Debtors

| | Group | | Association | |
|---|------------------|----------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Amounts falling due within one year: | £ | £ | £ | £ |
| Debtors rental income | 563,650 | 475,100 | 559,519 | 474,304 |
| Bad debt provision | (390,000) | (310,000) | (390,000) | (310,000) |
| Prepayments and accrued income | 207,734 | 194,576 | 207,734 | 194,576 |
| Intercompany debtors | - | - | 252,241 | 168,496 |
| Other debtors | 2,045,143 | 524,775 | 2,045,046 | 523,761 |
| Grants receivable | - | - | - | - |
| | 2,426,527 | 884,451 | 2,674,540 | 1,051,137 |

Included in the Debtors balance for year ended 31st March 2013 is £1.57m (2012 -£0) of cash collateral being held by the bank as security.

16b. Debtors: Amounts falling due after more than one year

| | Group | | Association | |
|---------------------------------|--------|-------|-------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Deferred tax asset | 14,596 | 3,730 | - | - |
| Intercompany loan to Subsidiary | - | - | 3,148,400 | 2,886,000 |

17. Cash on Deposit

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

| | Group | | Association | |
|---------------------|-----------|-----------|-------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Short term deposits | 3,975,559 | 1,809,483 | 3,949,214 | 1,715,088 |

A 3 month fixed term deposit of £1m is included in the balance at 31st March 2013.

In the above are balances totalling £15,888 (2012 - £15,888) which are held in trust for shared ownership owners.

18. Creditors: Amounts falling due within one year

| | Group | | Association | |
|------------------------------|-------------------|------------------|-------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Loan interest payable | 309,934 | 264,220 | 309,934 | 264,220 |
| Accruals and deferred income | 729,626 | 704,816 | 725,375 | 703,682 |
| Rent in advance | 338,806 | 297,962 | 338,806 | 297,962 |
| Trade creditors | 320,116 | 285,209 | 305,662 | 251,394 |
| Taxation & social security | 65,406 | 56,036 | 65,329 | 55,486 |
| Intercompany creditors | - | - | - | - |
| Other creditors | 203,693 | 196,842 | 168,185 | 151,232 |
| Loans Due within 1 year | 39,777,723 | - | 39,777,723 | - |
| | 41,745,304 | 1,805,085 | 41,691,014 | 1,723,976 |

In accordance with Financial Reporting Standard 25 at 31st March 2013 the Association has classified all outstanding loan balances as due within 1 year, as there has been a loan covenant breach. As the Bank have issued Reservation of Rights letters the Association currently does not have unconditional right to defer settlement of the loan for at least 12 months. Therefore the loans have been classified as current liabilities although the bank has made no moves to recover this debt.

The Association has agreed new funding terms with the Bank of Scotland. These were agreed on 26th August 2013.

19. 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 | |
|---------------------|-------|-------------------|-------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Housing Loans | | | | |
| Fixed rate | - | 20,000,000 | - | 20,000,000 |
| Callable SWAP | - | 5,000,000 | - | 5,000,000 |
| RPI SWAP | - | 5,000,000 | - | 5,000,000 |
| Variable rate | - | 3,077,723 | - | 3,077,723 |
| Variable facility B | - | 2,900,000 | - | 2,900,000 |
| | - | 35,977,723 | - | 35,977,723 |

Analysis of duration of loans

| | Group | | Association | |
|--------------------------------|------------|------------|-------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Loans due within 1 year | 39,777,723 | - | 39,777,723 | - |
| Loans due within 1 and 2 years | - | - | - | - |
| Loans due within 2 and 5 years | - | - | - | - |
| Loans due after 5 years | - | 35,977,723 | - | 35,977,723 |

20. Provisions for liabilities and charges (Group only)

| | 2013 | 2012 |
|--|-----------------|----------------|
| | £ | £ |
| Accelerated capital allowances | 707 | 256 |
| Tax losses carried forward | (14,596) | (3,730) |
| Provision for deferred taxation | (13,889) | (3,474) |
| Provision at 1 April 2012 | (3,474) | (1,668) |
| Deferred tax charge in profit & loss account | (10,415) | (1,806) |
| Provision at 31 March 2013 | (13,889) | (3,474) |

Deferred tax is split as £707 liability and £14,596 asset.

21. Called up share capital (Group and Association)

| | 2013 | 2012 |
|---|-----------|------------|
| | £ | £ |
| Allotted, issued and fully paid at 1 st April 2012 | 103 | 118 |
| Issued in period | 4 | 6 |
| Redeemed in period | (16) | (21) |
| At 31st March 2013 | 91 | 103 |

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.

22. Capital Commitments – Group and Association

At 31st March 2013 commitments outstanding were as follows:

| | Group | | Association | |
|---|------------------|------------------|------------------|------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Authorised and Contracted for | £ | £ | £ | £ |
| Planned Maintenance | - | - | - | - |
| Developments | - | 2,970,943 | - | 2,908,988 |
| | - | 2,970,943 | - | 2,908,988 |
| Authorised but not contracted | | | | |
| Purchase property & planned maintenance | 71,800 | - | - | - |
| Developments | 3,695,875 | 182,568 | 3,695,875 | 182,568 |
| | 3,767,675 | 182,568 | 3,695,875 | 182,568 |

The Association will receive £1.57m of HAG funding, towards the above noted developments. The Association has sufficient finance available to fund the development.

23. Lease Obligations – Group and Association

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

| | 2013 | | 2012 | |
|---------------------------------------|------------------|------------------------|------------------|------------------------|
| | Land & buildings | Other operating leases | Land & buildings | Other operating leases |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | 2,995 | 124,463 | 2,916 | 135,239 |
| In the second to fifth year exclusive | - | - | - | 6,172 |
| Over five years | 128,011 | - | 127,079 | - |
| | 131,006 | 124,463 | 129,995 | 141,411 |

24. 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 2013 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 £375,326 (2012 - £339,214). 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 2013 being less favourable than 2012. The real discount rate in 2012 has decreased from 2.3% p.a. (4.8% discount rate less 2.5% CPI) to 1.7% p.a. as at 31st March 2013 (4.5% discount rate less 2.8% CPI). 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 year to 31st March 2014.

Assumptions

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31st March 2013 for Financial Reporting Standard (FRS) 17 purposes were:

Valuations

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|------|------|------|------|------|------|------|
| Main Assumptions | % | % | % | % | % | % | % |
| Discount rate | 4.5 | 4.8 | 5.5 | 5.5 | 6.9 | 6.9 | 5.4 |
| Retail price inflation/ Consumer price inflation | 2.8 | 2.5 | 2.8 | 3.8 | 3.1 | 3.6 | 3.2 |
| Rate of increase for pensions in payment | 2.8 | 2.5 | 2.8 | 3.8 | 3.1 | 3.6 | 3.2 |
| Salary increases | 5.1 | 4.8 | 5.1 | 5.3 | 4.6 | 5.1 | 4.7 |

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

| | 2013 | | 2012 | |
|----------|-----------------------------|----------------------|--------------------------------|----------------------|
| | Long term rate of return | % split of assets | Long term rate of return | % split of assets |
| Equities | 5.8% | 71% | 6.1% | 69% |
| Bonds | 3.8% | 16% | 4.2% | 17% |
| Property | 3.9% | 8% | 4.2% | 11% |
| Cash | 3.0% | 5% | 3.2% | 3% |

The above asset values at 31st March 2013 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 March 2013 | 31 March 2012 |
|-------------------------------------|----------------|----------------|
| | £000 | £000 |
| Fair Value of Employer Assets | 8,180 | 6,940 |
| Present Value of Funded Liabilities | (10,831) | (8,927) |
| Net Asset/(Liability) | (2,651) | (1,987) |

Analysis of the amount charged to operating surplus

| | 2013 | 2012 |
|--|------------|------------|
| | £000 | £000 |
| Current service cost | 375 | 341 |
| Past service cost | - | - |
| Impact of settlements and curtailments | - | - |
| Total operating charge | 375 | 341 |

Analysis of the amount credited to other finance income

| | 2013 | 2012 |
|--|-----------|-----------|
| | £000 | £000 |
| Expected return on pension scheme assets | (391) | (437) |
| Interest on pension scheme liabilities | 436 | 448 |
| Net return | 45 | 11 |

Reconciliation of Defined Benefit Obligation

| | 31 March 2013 | 31 March 2012 |
|---|---------------|---------------|
| | £000 | £000 |
| Opening Defined Benefit Obligation | 8,927 | 8,045 |
| Current service cost | 375 | 341 |
| Interest cost | 436 | 448 |
| Contributions by members | 117 | 116 |
| Actuarial Losses/(Gains) | 1,171 | 221 |
| Past service Costs/(Gains) | - | - |
| Impact of settlements and curtailments | - | - |
| Estimated benefits paid | (195) | (244) |
| Closing Defined Benefit Obligation | 10,831 | 8,927 |

Reconciliation of Fair Value of Employer Assets

| | 31 March 2013 | 31 March 2012 |
|--|---------------|---------------|
| | £000 | £000 |
| Opening Fair Value of Employer assets | 6,940 | 6,291 |
| Expected return on assets | 391 | 437 |
| Contributions by members | 117 | 116 |
| Contributions by employer | 418 | 407 |
| Actuarial Gains/(Losses) | 509 | (67) |
| Benefits paid | (195) | (244) |
| Closing Defined Benefit Obligation | 8,180 | 6,940 |

Amount Recognised in Statement of Total Recognised Gains and losses

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|----------------|----------------|----------------|----------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| Actual Return less expected return on pension scheme assets | 509 | (67) | (16) | 1,205 | (1,364) |
| Change in assumptions underlying the present value of scheme liabilities | (1,171) | (221) | 921 | (3,358) | 419 |
| Actuarial Gains /(Losses) | (662) | (288) | 905 | (2,153) | (945) |
| Increase / Decrease in irrecoverable surplus from membership fall and other factors | - | - | - | - | - |
| Actuarial Gains /(Losses) recognised in STRGL | (662) | (288) | 905 | (2,153) | (945) |
| Cumulative Actuarial Gains and (Losses) | (2,881) | (2,219) | (1,931) | (2,836) | (683) |

History of Gains and Losses

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|----------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Employer Assets | 8,180 | 6,940 | 6,291 | 5,574 | 3,827 |
| Present value of defined benefit obligations | (10,831) | (8,927) | (8,045) | (8,971) | (5,112) |
| Surplus/(Deficit) | (2,651) | (1,987) | (1,754) | (3,397) | (1,285) |
| Experience Gains/(Losses) on Assets | 509 | (67) | (16) | 1,205 | (1,364) |
| Experience Gains/(Losses) on Liabilities | 10 | 612 | - | - | (137) |

25. 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.

26. Reconciliation of movement in reserves

| Group | | | | |
|--|------------------|------------------|---------------------|---------------------|
| | Revenue Reserve | Revenue Reserve | Revaluation Reserve | Revaluation Reserve |
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Opening balance at 1st April | 5,879,186 | 5,618,526 | 694,676 | - |
| Surplus/(Deficit) for the year | 341,192 | 260,660 | 393,781 | 694,676 |
| Transfer to/(from) reserves | - | - | - | - |
| Utilised during year | - | - | - | - |
| Closing balance at 31st March 2013 | 6,220,378 | 5,879,186 | 1,088,457 | 694,676 |

| Association | | | | |
|--|------------------|------------------|---------------------|---------------------|
| | Revenue Reserve | Revenue Reserve | Revaluation Reserve | Revaluation Reserve |
| | 2013 | 2012 | 2013 | 2012 |
| | £ | £ | £ | £ |
| Opening balance at 1st April | 6,434,699 | 5,625,492 | - | - |
| Surplus/(Deficit) for the year | 767,556 | 809,207 | - | - |
| Transfer to/(from) reserves | - | - | - | - |
| Utilised during year | - | - | - | - |
| Closing balance at 31st March 2013 | 7,202,255 | 6,434,699 | - | - |

27. 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. |

28. 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 Employers in Voluntary Housing (EVH) and the Tenant Participation Advisory Service Scotland (TPAS).
- Philip Shave is on the management committee of Fife Federation of Tenants and Residents Association (FFOTRA).

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:

- Lorna Paterson (Joined PACT Enterprises on 4th December 2012 and resigned on 18th June 2013).
- Philip Shave
- Bryan Hay (Retired from Fife HA and PACT Enterprises on 15th April 2013).
- Alistair Berwick (Resigned 18th June 2012 from Fife Housing Association and PACT Enterprises).
- Alex Condie (Resigned 29th April 2013 from Fife Housing Association and PACT Enterprises).

Fife Housing Association has agreed to make available to PACT a loan facility of £3,400,000, to date PACT has drawn down £3,148,400. Interest is charged at LIBOR plus 2.5% margin.

PACT Enterprises Limited acquired three vacant properties in Rosyth from Fife Housing Association Limited for a consideration of £216,000. The price paid was the open market value of the properties and the valuation was carried out by the District Valuer Services (DVS) which is the commercial arm of the Valuation Office Agency.

PACT also purchased six vacant properties in Crombie from the Association. PACT negotiated a 20% deduction for the bulk purchase which is in line with the level suggested by the independent surveyor resulting in the purchase price being reduced to £238,400.

A Service Level Agreement between Fife HA and PACT Enterprises took effect in January this year.

Fife Housing Association has levied fees for the following amounts to PACT Enterprises during the period 1st April 2012 to 31st March 2013:

| | 2013 | 2012 |
|---|---------|---------|
| Staff and overhead costs for services provided to PACT Enterprises Limited. | 37,635 | 69,251 |
| Repairs carried out by Fife HA on behalf of PACT Enterprises Limited. | 35,285 | 3,104 |
| Interest payable on debt outstanding | 86,833 | 34,802 |
| Properties purchased from Fife HA | 454,400 | 611,000 |

The balance outstanding from PACT Enterprises at 31st March 2013 was £252,242 (2012 - £168,496). PACT made a payment of £70,000 towards the balance during the year.