

at home with...



Group Report and Financial Statements

For the year ended 31 March 2016

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

Contents

Members, Executive and Advisers	1
Attendance at Board and Committee Meetings.....	2
Report of the Board of Management.....	3-10
Statement of Board of Management's Responsibilities	11-12
Independent Auditor's Report	13
Report by the Auditor on corporate governance matters.....	14
Group Statement of Comprehensive Income	15
Association Statement of Comprehensive Income	16
Group Statement of Financial Position.....	17
Association Statement of Financial Position.....	18
Group Statement of Changes in Reserves.....	19
Association Statement of Changes in Reserves.....	19
Group Statement of Cash Flows and Notes.....	20-21
Association Statement of Cash Flows and Notes	22-23
Notes to the Financial Statements	24-57

Registration particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number: 2476R(s)
Scottish Housing Regulator	Housing (Scotland) Act 2010 Registered Number: HAL295
Scottish Charity	Charities and Trustee Investment Act (Scotland) 2005 Scottish Charity Number: SC025647

Members, Executive and Advisers

Board Members	
Maureen Garvie	Chair
Patricia Dickson	Vice-Chair
Derek Adam	Audit and Risk Convenor
Katherine Dewar	Chair of PACT Enterprises Limited
Lorna Paterson	(resigned 21 March 2016)
Anila Ahmad	
Colin McNeill	
David Watson	(deceased 9 August 2016)
Stephen Clark	
Roy Walker	(resigned 21 September 2015)
Fiona Hunter	
Sandra Stock	
Helen Boath	
Executive Officers	
Nicola Donaldson	Chief Executive
Neil Morrison	Interim Director of Finance (appointed 19 February 2016)
Andrew Clark	Director of Corporate Services and Finance (resigned 21 March 2016)
Kevin Lynch	Director of Asset and Commercial Business (appointed 25 May 2015)
Susan Bramley	Director of Housing (appointed 10 August 2015) Interim Director of Housing (appointed 25 May, resigned 31 July 2015) Interim Director of Asset Management (resigned 25 May 2015)
Secretary	
Andrew Clark	(resigned 21 March 2016)
Neil Morrison	(appointed 21 March 2016)
Auditor	RSM, First Floor, Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG
Bankers	Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR
Solicitors	Harper Macleod, The Ca'd'ora, 45 Gordon Street, Glasgow G1 3PE
	Morton Fraser, 30-31 Queen Street Edinburgh, EH2 1JX

Attendance at Board and Committee meetings

	Strategic Board		Audit and Risk		Emergency		Colleague		Remuneration and Governance		PACT Enterprises	
	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Possible	Actual	Possible
Maureen Garvie	8	7	-	-	4	4	-	-	2	2	-	-
Patricia Dickson	8	6	-	-	4	3	-	-	-	-	-	-
Colin McNeill	8	5	5	5	4	2	-	-	-	-	-	-
Lorna Paterson	7	3	5	2	3	2	-	-	-	-	-	-
David Watson	8	8	5	5	4	4	-	-	2	2	-	-
Anila Ahmed	8	6	-	-	-	-	-	-	-	-	-	-
Stephen Clark	8	6	-	-	1	1	-	-	-	-	-	-
Roy Walker	2	0	3	2	-	-	-	-	2	1	-	-
Derek Adam	8	6	5	3	2	1	-	-	-	-	3	3
Fiona Hunter	8	6	-	-	2	2	-	-	-	-	-	-
Helen Boath	8	7	2	2	2	1	-	-	-	-	-	-
Sandra Stock	8	5	-	-	1	1	-	-	-	-	-	-
Katherine Dewar	6	6	-	-	1	1	-	-	-	-	6	5
Martin Fleming ¹	1	1	2	2	-	-	-	-	-	-	6	5
Kenneth Young ¹	-	-	-	-	-	-	-	-	-	-	-	-

¹ Board Member of PACT Enterprises Limited only

In addition Health and Safety Committee, comprising executive directors, managers and advisers met four times during the year

Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2016.

Structure, governance and management

Fife Housing Association (FHA) is a charitable registered social landlord which was first registered in June 1996 with Scottish Homes and ownership and management of the properties commenced 29 January 1997. The Association was formed for the benefit of the community. Fife Housing Association is registered with the Financial Conduct Authority as a Co-operative and Community Benefit Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord and the new Rules were adopted on 12 January 2015.

The Association has a wholly-owned non-charitable trading subsidiary (PACT Enterprises Limited). The company provides market rented accommodation for non-social tenants and also provides a range of property maintenance services.

Organisational management

The Board of Management must have a minimum of seven 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. There are five committees and one subsidiary board:

- Audit and Risk Committee
- Emergency Committee
- Remuneration and Governance Committee
- Colleague Committee
- Health and Safety Committee
- PACT Enterprises Limited Board

Members of the boards and committees that met during 2015/16 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 and 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 is arranged annually. This gives 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 business continuity and disaster recovery plan in place.

The approach to effective risk management within Fife Housing Group (FHG) is one that aims to protect and support achievement of our provision of sustainable, safe homes and services for present and future generations in Fife.

The Group understands that the very nature of the services that we provide carries inherent risk and we recognise the responsibility that we bear to make future decisions within a risk-based approach. Effective risk management will ensure that we minimise negative impact and make informed decisions on future opportunities.

The Group's Risk Management Strategy focuses on the introduction of the Fife Housing Group Enterprise Risk Management Framework. Enterprise Risk Management provides a strategic, comprehensive approach to the management of risk that will be cross-cutting across the organisation; a critical driver for continuous improvement of our internal controls and assessment of the impact of achieving our business plan objectives.

The Group's risk management framework is built around the ISO 31000:2009 Risk Management Principles and Guidelines and splits risks into either 'Strategic' or 'Operational'. The framework will:

- Continue to be integrated into our business planning methodology;
- Magnify the positive, beneficial consequences of risk while acting to reduce the negative, detrimental consequences;
- Apply to strategic, operational, projects and new business initiatives;
- Allow FHG to better identify organisational risks and opportunities and develop mitigation strategies; and
- Include a strong assurance focus that supports the Board of Management and Audit and Risk Committee in fulfilling their roles.

The Group's key strategic risks have been identified, and mitigated, as shown in the table overleaf:

Key Risk	Impact	FHG Approach to risk management	How we manage the risk
Falling Retail Prices Index	Reduces RPI-based rental income	Risk reduction	Scenario planning
Falling property prices	Reduces the security for our loans	Risk acceptance	Scenario planning
Poor operating results	Risks breaching loan covenants	Risk reduction	Budgetary control
Changing demographics	Housing mix no longer represents need	Risk acceptance	Tenant profiling
Low interest rates	Increases 'mark to market' Swaps exposure	Risk reduction	Treasury management
Weak economic performance	Possible changes to Government funding	Risk reduction	Stakeholder management
Welfare reform	Universal Credit could increase rent arrears	Risk reduction	Stronger tenant liaison
Performance against ARC Indicators	Reputation with Scottish Housing Regulator	Risk reduction	Management of KPIs
Inability to attract and retain colleagues	Break in the continuity of service delivery	Risk reduction	Succession planning
Lack of development land	Inability to build new communities	Risk acceptance	Stakeholder management
Compliance with RSL standards	Reputational risk with stakeholders	Risk reduction	Internal controls
Ageing housing stock	Drives higher maintenance expenditure	Risk reduction	Regular stock reviews

Objectives and activities

The vision of Fife Housing Group is “Getting the basics right”.

The Association was formed for the benefit of the community and its objectives are to carry on for the benefit of the community. 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 Values

- Accountable - take personal responsibility;
- Firm but fair - treat everyone fairly;
- Open and honest - be transparent in all that we do;
- Versatile - be flexible and creative in our approach.

Our Strategic Objectives

- To deliver our Business Change Programme;
- To be tenant and customer-focused;
- To protect and maximise our assets and finances; and
- To support colleagues’ development.

Our future plans

- Continuous improvement – we will be rigorous and systematic in our approach to managing our performance and we will plan and manage our work to achieve improvements in our service delivery;
- Office integration – we will bring all our colleagues together, working from our office in Pitreavie, Dunfermline. Work on the refurbishment of our Pitreavie office is underway to deliver on this objective to deliver improved communication, team-working and customer services;

- Rebranding – we have launched our new brand so that it now reflects a positive, forward-looking and responsible social landlord and over the next year this will continue to be embedded;
- Website development – we will develop the website so that it provides a better service for tenants and customers and information for our stakeholders;
- We will seek to improve tenant and customer engagement and satisfaction across all areas;
- We will seek to understand our tenants' and customers' needs and aspirations;
- We will promote and implement our new engagement strategy;
- We will deliver tenant and customer focused services;
- We will support our Scrutiny Group's continued development and engage with interested residents;
- We will create financial capacity;
- We will invest in our properties;
- We will deliver on our Value for Money Strategy in all that we do;
- We will expand our property portfolio;
- We will continue to expand our subsidiary, PACT Enterprises;
- We will invest in developing our colleagues; and
- We will achieve Investor In People (IIP) Silver accreditation by 2018.

Strategies to achieve the year's objectives

A Residents' Scrutiny Group was formed in 2014. It received external support so that it could facilitate Fife Housing Group's efforts to increase engagement with residents and become more customer focused. The Scrutiny Group has already completed its first major review which was to examine the extent to which our maintenance services provided value for money and it came up with a number of important recommendations which have now been implemented.

The Association received grant funding for a Flexible Support project during 2015/16. The project was intended to increase our awareness of those on housing benefit and the requirements the household required with the aim of helping these households to improve their tenancy sustainability. In 2016/17 we will be using this vital data to improve and enhance services available.

Fife Housing Group is an active participant in the Fife Housing Partnership and will deliver quality housing solutions as well as provide input into the Local Housing Strategy to help achieve healthy, balanced and sustainable communities. As part of the Scottish Housing Investment Partnership (the SHIP) the Association completed its commitment to help redevelop Abbeyview in Dunfermline through the grant-funded Abbeyview Phase 5 project to construct 33 properties and these were completed in October 2015. Crombie Phase 2 is expected to start on site in 2016/17 with the support of grant funding.

Through our new Business Leadership Team we have completed work on a new business plan to take the organisation forward and ensure that our objectives are delivered. As part of this work we have published a new Asset Management Strategy which has been informed by an externally-commissioned full stock condition survey of our properties. This strategy will enable us to better plan and engage with tenants and other customers regarding future improvements to their homes.

The Group continues to work in partnership with Fife Council and the other local housing associations to operate the Fife Housing Register and the related Joint Allocations Policy.

The Group is a member of the Fife Housing Alliance. As part of this grouping we part-fund a Wider Action post and work with a range of voluntary sector and statutory sector partners to deliver specialist services.

The Group will continue to examine ways in which it can expand its activities through its subsidiary company, PACT Enterprises. When the opportunities present themselves, PACT will consider acquiring further property investments for market rent, property development for sale or investment and providing property management services.

Achievements and performance

The Group had a number of successes in 2015/16:

- ✓ Achieved a high level of Board member commitment and competency operating within our new Rules adopted the previous year, continued our processes of governance renewal and self-assessment both of individuals and the Board as a whole;
- ✓ Continued to improve our regulatory relationship through delivery of process and policy improvements and an emphasis on continuous improvement and performance management;
- ✓ Carried out a major customer satisfaction survey which showed significant improvements in most areas and highlighted the need to deliver further improvements in how we manage our repairs;
- ✓ Carried out a £2.2m programme of planned maintenance and major component renewals within our properties, including: re-rendering and roofing in Rosyth and Hill of Beath, heating and boiler replacements, major component replacement and painterwork.
- ✓ We completed the final phase of our major housing development at Abbeyview in Dunfermline with Persimmon Homes which was then officially opened 20 April 2016 by former MSP Cara Hilton with 33 new-build properties providing much-needed homes for families whilst adding value to our property portfolio.
- ✓ Our property team provided reactive and void repair services to a local independent organisation: Ore Valley Housing Association (OVHA) providing this organisation with a full range of technical services. Following discussions with OVHA it is intended to cease providing this service by Autumn 2016;
- ✓ Carried out and implemented our review and benchmarking of colleagues' terms and conditions to ensure that we were operating efficiently and achieving value for money in colleague-costs;
- ✓ We carried out a major review of our organisational structure which has enabled us to direct more colleague resources towards the customer front-line and best position ourselves to improve our services to tenants, stakeholders and other customers;
- ✓ PACT Enterprises was successful in acquiring a further four properties to be let at market rent – the properties are located in Rosyth and Dunfermline. We continue to seek further suitable acquisitions for this portfolio;
- ✓ We implemented our new asset management system, APEX, which will help us to improve our focus on stock condition and effectively plan our major component replacement programme;
- ✓ We implemented our new branding across the Group - representing the vision and values of Fife Housing Group as we move forward, committed to building the foundations of an excellent business for the benefit of both tenants and other customers; and
- ✓ We held three community cafés: in High Valleyfield, Lochgelly and Rosyth, offering tenants and other customers the opportunity to come and talk to Fife Housing Group colleagues and other stakeholders about their community and how we can work together to bring about improvements.

Financial review – Fife Housing Group

The financial statements reflect the introduction of 'Financial Reporting Standard 102' ('FRS 102') and the 'Statement of Recommended Practice 2014 for Registered Social Housing Providers' for the first time. Comparative figures have been updated accordingly. See note 28 to the financial statements for further detail.

The Board is satisfied with the Group's performance during the year. The Group has generated a surplus of £363,078 before gains/losses on valuations (2015 - deficit of £195,216). Total comprehensive income for the year was £1,596,251 (2015 deficit £5,862,376)

Turnover increased by £680,921 and operating costs by £22,215. The operating surplus increased from £2,264,897 in 2015 to £2,923,603 in 2016.

The total surplus recognised in the Statement of Comprehensive Income increased from £5,862,376 deficit in 2015 to £1,596,251 surplus this year. Details of the movements are set out in page 15.

The surplus for the year has been taken to revenue reserves. The Group's net deficit of assets is now £279,196 (2015 - £1,875,452) after pension liability of £2,583,000 (2015 £3,444,000).

Going concern

After reviewing 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

The value of the Association's housing properties is now reported gross of all Housing Grants in compliance with FRS102, which are recorded as Long Term Creditors. The 'deemed cost' used in the FRS102 revaluation was the valuation performed by Jones Lang LaSalle as at 31 March 2014 on an existing use basis (Social Housing) (EUV-SH). The net value of the Association's housing properties is £78.3m (2015 - £77.3m).

Impairment review

The impairment review carried out at 31 March 2016 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 2.1% on 1 April 2016. Our gross rental income increased from £10,307,462 to £10,726,852. The loss of income from void properties has fallen from £207,743 in 2015 to £133,085 in 2016.

£228,972 of bad debts were written off by the Association this year, and after a review of the rent arrears the bad debt provision against rent arrears has reduced to £251,980 (2015 - £550,000).

Right to Buy 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 31 March 2016 seven tenants exercised their right to buy and the Association received £147,279 net of selling costs.

Void sales

One void property was sold during the year, generating £55,855 net proceeds.

Pension Fund

The Association operates a defined benefit pension scheme which is open to all its permanent colleagues. In common with most employers adopting Financial Reporting Standard 102 - Retirement Benefits, the scheme has produced a funding deficit. This deficit has reduced from £3,444,000 at 31 March 2015 to £2,583,000 at 31 March 2016.

Full details have been provided in Note 25.

Policy on payment of creditors

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

Charitable donations

During the year the Association did not make any charitable donations, and did not make any donation to a political party (2015 - £nil).

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 31 March 2016 the Association had four interest-rate-SWAPs as shown overleaf:

Hedge Ref No	Amount	End Date	Underlying Rate	Rate type
1	£5.0 million	July 2032	4.49%	Cancellable
2	£20.0 million	October 2032	6.936%	Fixed
3	£5.0 million	April 2033	4.96%	Cancellable
4	£5.0 million	July 2035	1.19%+inflation (min 0%, max 5%)	Inflation-linked

These require to be revalued under FRS102 resulting in a £19.5m additional liability (2015 - £19.4m).

Colleagues

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

The Group has successfully retained its Investor in People status. The award demonstrates the Group's commitment to training and development for colleagues.

During the year we continued with our ambitious management development programme to ensure that our managers are equipped with the skills and tools required to deliver an excellent service.

Colleague involvement

The Group encourages colleague involvement in all initiatives and holds colleague meetings quarterly, as well as holding regular team talkbacks to inform colleagues of matters affecting them.

The Group holds an annual colleagues' conference where topical initiatives are discussed. Regular one to one meetings have been introduced for all colleagues as this is seen as the most effective way of improving and maintaining performance.

Health and safety

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

Statement of Board of Management's Responsibilities

The Co-operative and Community Benefits Society Act 2014, and Registered Social Housing 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; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010, the Registered Housing Associations Determination of Accounting Requirements 2014 and the Statement of Recommended Practice 2014 for Registered Social Housing Providers. It has general responsibility for taking reasonable steps to safeguard the assets of the Association, and to prevent and detect fraud and other irregularities.

Board of Management's Statement on Internal Financial Controls

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 misstatement or loss. Key elements include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- Experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the Board of Management to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term;
- Monthly/quarterly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;

- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board of Management;
- The Audit and Risk Committee and Board of Management receive reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal and external audit reports.

The Audit and Risk 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 and Risk 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 and Risk Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2016 and until 31 August 2016. 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

RSM UK Audit LLP were appointed as auditors during the year. A resolution to reappoint the auditors, RSM UK Audit LLP, will be proposed at the Annual General Meeting.

By order of the Board



Neil Morrison
Secretary

Date: 22 August 2016

Independent Auditor's Report to the Members of Fife Housing Association Limited

We have audited the Group and Association financial statements of Fife Housing Association Limited for the year ended 31 March 2016 (the "Financial Statements") on pages 15 to 57. 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), including FRS102 "The Financial reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. 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 page 11, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

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 2016 and of the group's and association's income and expenditure for the year then ended; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements December 2014.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 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.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2,
139 Fountainbridge
Edinburgh, EH3 9QG

Date: *14 September 2016*

Report by the Auditor on corporate governance matters

In addition to our audit of the financial statements, we have reviewed your statement on pages 11 and 12 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator.

Basis of opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 11 and 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

RSM UK Audit LLP

RSM UK AUDIT LLP
Statutory Auditor
Chartered Accountants
First Floor, Quay 2,
139 Fountainbridge
Edinburgh, EH3 9QG

Date: *16 September 2016*

Financial Statements:

Group Statement of Comprehensive Income for the year ended 31 March 2016

	Note	2016 £	2015 £
Turnover	2a	12,021,115	11,340,194
Less: Operating expenditure	2a	9,097,512	9,075,297
Operating surplus	7	2,923,603	2,264,897
Gain on disposal of fixed assets	12	203,134	178,069
Interest receivable	9	7,978	14,971
Interest payable and financing costs	8	(2,602,127)	(2,644,616)
Net return on pension assets	25	(112,000)	12,000
Surplus/(deficit) for the year before taxation		420,588	(174,679)
Taxation	10a	(57,510)	(20,537)
Surplus/(deficit) for the year after taxation		363,078	(195,216)
Actuarial gain/(loss) in respect of pension scheme	25	1,083,000	(39,000)
Unrealised surplus on revaluation of housing properties	13c	287,100	23,532
Fair value loss on financial liabilities	18	(136,927)	(5,651,692)
Total comprehensive income for the year		1,596,251	(5,862,376)

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

The notes on pages 25 to 57 form part of these financial statements.

Association Statement of Comprehensive Income for the year ended 31 March 2016

		2016	2015
	Note	£	£
Turnover	2b	11,741,472	11,094,304
Less: Operating expenditure	2b	8,990,577	9,021,308
Operating surplus	7	2,750,895	2,072,996
Gain on disposal of fixed assets	12	203,134	178,069
Interest receivable	9	126,936	126,524
Interest payable and similar charges	8	(2,602,127)	(2,644,616)
Net return on pension assets	25	(112,000)	12,000
Surplus/(deficit) for the year before taxation		366,838	(255,027)
Taxation	10b	-	-
Surplus/(deficit) for the year after taxation		366,838	(255,027)
Actuarial gain/(loss) in respect of pension scheme	25	1,083,000	(39,000)
Fair value loss on financial liabilities	18	(136,927)	(5,651,692)
Total comprehensive income for the year		1,312,911	(5,945,719)

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

The notes on pages 25 to 57 form part of these financial statements.

Group Statement of Financial Position as at 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Housing properties	11	78,322,684	77,291,531
Other fixed assets	14a	1,191,916	1,264,226
Investment properties	13c	4,393,792	3,241,630
Intangible fixed assets	13a	221,184	253,512
		84,129,576	82,050,899
Current assets			
Housing stock held for sale	15	-	576,390
Trade and other debtors	16a	695,481	659,030
Cash and cash equivalents		3,070,866	4,626,803
		3,766,347	5,862,223
Current liabilities			
Creditors: amounts falling due within one year	17	(2,469,785)	(3,114,431)
Net current assets		1,296,562	2,747,792
Total assets less current liabilities			
		85,426,138	84,798,691
Current liabilities			
Creditors: falling due after more than one year	18	(83,018,103)	(83,157,970)
Provision for liabilities			
Pension liability	25	(2,583,000)	(3,444,000)
Other provisions	21	(104,231)	(72,175)
Total net liabilities		(279,196)	(1,875,454)
Capital and reserves			
Share capital	22	101	94
Revenue reserve		(11,789,208)	(13,385,459)
Revaluation reserve		11,509,911	11,509,911
Total capital and reserves		(279,196)	(1,875,454)

The financial statements on pages 15 to 57 were approved by the Board of Management on 22 August 2016 and were signed on its behalf by:

Maureen Garvie

Chair

Maureen Garvie

Derek Adam

Audit Committee Convener

Derek Adam

Neil Morrison

Secretary

Neil Morrison

The notes on pages 25 to 57 form part of these financial statements.

Association Statement of Financial Position as at 31 March 2016

	Note	2016 £	2015 £
Fixed assets			
Housing properties	11	78,322,685	77,291,531
Other fixed assets	14b	1,188,314	1,259,330
Investment properties	13c	130,000	130,000
Investment in subsidiary	13b	1	1
Intangible assets	13a	221,184	253,512
		79,862,184	78,934,374
Current assets			
Trade and other debtors	16a	1,099,407	1,045,674
Debtors : falling due after more than one year	16b	3,605,200	3,315,200
Cash and cash equivalents		2,892,472	4,518,285
		7,597,079	8,879,159
Current liabilities			
Creditors: amounts falling due within one year	17	(2,413,534)	(3,081,744)
Net current assets		5,183,545	5,797,415
Total assets less current liabilities			
		85,045,729	84,731,789
Creditors: falling due after more than one year	18	(83,018,103)	(83,157,970)
Provision for liabilities			
Pension liability	25	(2,583,000)	(3,444,000)
Holiday pay	21	(53,628)	(51,738)
Total net liabilities		(609,002)	(1,921,918)
Capital and reserves			
Share capital	22	101	94
Revenue reserve		(12,119,014)	(13,431,923)
Revaluation reserve		11,509,911	11,509,911
Total capital and reserves		(609,002)	(1,921,918)

The financial statements on pages 15 to 57 were approved by the Board of Management on 22 August 2016 and were signed on its behalf by:

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The notes on pages 25 to 57 form part of these financial statements.

Group Statement of Changes in Reserves

	Share capital	Income and expenditure reserve	Revaluation reserve	Total
	£	£	£	£
Balance at 1 April 2014	99	(7,523,083)	11,509,911	3,986,927
Deficit for the year		(5,862,376)	-	(5,862,376)
Issued share capital	11	-	-	11
Redeemed share Capital	(16)	-	-	(16)
Balance as at 31 March 2015	94	(13,385,459)	11,509,911	(1,875,454)
Surplus for the year	-	1,596,251	-	1,596,251
Issued share capital	10	-	-	10
Redeemed share capital	(3)	-	-	(3)
Balance at 31 March 2016	101	(11,789,208)	11,509,911	(279,196)

Association Statement of Changes in Reserves

	Share capital	Income and expenditure reserve	Revaluation reserve	Total
	£	£	£	£
Balance at 1 April 2014	99	(7,486,206)	11,509,911	4,023,804
Deficit for the year	-	(5,945,719)	-	(5,945,719)
Issued share capital	11	-	-	11
Redeemed share capital	(16)	-	-	(16)
Balance as at 31 March 2015	94	(13,431,925)	11,509,911	(1,921,920)
Surplus for the year	-	1,312,911	-	1,312,911
Issued share capital	10	-	-	10
Redeemed share capital	(3)	-	-	(3)
Balance at 31 March 2016	101	(12,119,014)	11,509,911	(609,002)

Group Statement of Cash Flows for the year ended 31 March 2016

	Notes	2016 £	2015 £
Net cash generated from operating activities	A	4,456,256	5,533,165
Cash flow used in investing activities			
Purchase of fixed assets		(4,007,771)	(5,228,574)
Proceeds from sale of tangible fixed assets		318,360	310,180
Grants received		271,367	1,616,552
Interest received		7,978	14,971
Net cash used in investing activities		(3,410,066)	(3,286,871)
Cash flow used in financing activities			
Interest paid		(2,602,127)	(2,644,616)
Net cash used in financing activities		(2,602,127)	(2,644,616)
Net decrease in cash and cash equivalents		(1,555,937)	(398,322)
Cash and cash equivalents at beginning of year		4,626,803	5,025,125
Cash and cash equivalents at end of year		3,070,866	4,626,803

Group Statement of Cash Flows

A. Reconciliation of surplus to net cash generated from operations

	2016	2015
	£	£
Surplus/(deficit) for the year	1,596,251	(5,862,376)
Adjustments for non-cash items:		
Depreciation of fixed assets	2,573,049	3,019,249
Fair value gains on investment properties	(287,100)	(23,532)
Defined benefit pension schemes	(861,000)	27,000
Fair value losses on financial instruments	136,927	5,651,692
Increase in provisions	1,890	71,194
Gain on disposal of tangible fixed assets	(203,134)	(178,069)
Interest receivable	(7,978)	(14,971)
Interest payable	2,602,127	2,644,616
Taxation	57,510	20,537
Deferred income amortisation	(521,287)	(514,973)
Operating cash flows before movements in working capital	5,087,255	4,840,367
Share capital (net receipts)	7	(5)
(Increase)/decrease in trade and other debtors	(36,449)	408,112
(Decrease)/increase in trade and other creditors	(594,557)	284,691
Cash generated from operations	4,456,256	5,533,165

Association Statement of Cash Flows for the year ended 31 March 2016

		2016	2015
	Notes	£	£
Net cash generated from operating activities	B	4,269,051	5,320,524
Cash flow used in investing activities			
Purchase of fixed assets		(3,719,401)	(5,031,273)
Proceeds from sale of tangible fixed assets		318,360	310,180
Grants received		271,367	1,616,552
Interest received		126,936	126,524
Net cash used in investing activities		(3,002,737)	(2,978,017)
Cash flow used in financing activities			
Interest paid		(2,602,127)	(2,644,616)
New secured loans		(290,000)	(130,000)
Net cash used in financing activities		(2,892,127)	(2,774,616)
Net decrease in cash and cash equivalents		(1,625,813)	(432,109)
Cash and cash equivalents at beginning of year		4,518,285	4,950,394
Cash and cash equivalents at end of year		2,892,472	4,518,285

Association Statement of Cash Flows

B. Reconciliation of surplus to net cash generated from operations

	2016	2015
	£'000	£'000
Surplus/(deficit) for the year	1,312,911	(5,945,719)
Adjustments for non-cash items:		
Depreciation of fixed assets	2,571,517	3,018,139
Defined benefit pension schemes	(861,000)	27,000
Fair value losses on financial instruments	136,927	5,651,692
Increase in provisions	1,890	51,738
Gain on disposal of tangible fixed assets	(203,134)	(178,069)
Interest receivable	(126,936)	(126,524)
Interest payable	2,602,127	2,644,616
Deferred income amortisation	(521,287)	(514,973)
Operating cash flows before movements in working capital	4,913,015	4,627,900
Share capital (net receipts)	7	(5)
(Increase)/decrease in trade and other debtors	(53,733)	385,802
(Decrease)/increase in trade and other creditors	(590,238)	306,827
Cash generated from operations	4,269,051	5,320,524

Notes to the Financial Statements

1. Accounting Policies

Legal status

Fife Housing Association Limited is registered in Scotland under the Co-operative and Community Benefit Societies Act 2014 No. 2476R(S) and is a registered Scottish charity No. SC025647. The Association is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 No. HAL295.

The address of the Company's registered office and principal place of business is 7 Pitreavie Court, Pitreavie Business Park, Dunfermline, Fife, KY11 8UU.

The Association's principal activities are set out in the Report of the Board of Management. The nature of the Association's operations is also provided in the Report of the Board of Management.

Fife Housing Association Limited is a Public Benefit Entity, whose liability is 'Limited by Shares'.

Basis of accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies that have been applied consistently to all periods presented in these financial statements are set out below.

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.

First time adoption of FRS102

These financial statements are the first financial statements Fife Housing Association Limited has prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102).

These financial statements were the first financial statements of FRS102 for Fife Housing Association Limited prepared in accordance with FRS102. The financial statements of FRS102 for Fife Housing Association Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. Some of the FRS102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP.

Consequently, the directors have amended certain accounting policies to comply with FRS 102. Comparative figures have been restated to reflect the adjustments made. Reconciliations and descriptions of the effect of the transition to FRS 102 on; (i) reserves at the date of transition to FRS 102; (ii) reserves at the end of the comparative period; and (iii) income or expenditure for the comparative period reported under previous UK GAAP are given in note 28.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Change in accounting policy Critical accounting estimates and areas of judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and areas of judgements are continually re-evaluated and balanced with advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

Valuation of property and investment property

A first-time adopter may elect to measure an item of property, plant and equipment on the date of transition to this FRS at its fair value and use that fair value as its deemed cost at that date.

The Association has taken the decision to use a previous revaluation as at 31 March 2014 of our stock acquired from Scottish Homes and use this value at the date of transition. Future accounting of additions to these properties will be at cost.

Our remaining housing stock continues to be valued at historic cost.

Depreciation of housing properties

Freehold land or assets under construction are not depreciated.

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

Component	Useful Economic Life
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
Rewiring	40 years

The Stock Transfer Properties (LSVT) 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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Going Concern

The financial statements have been prepared on a going concern basis. The Board has assessed the Group and Association's ability to continue as a going concern by taking into account the financial position of the Association and the impact of any perceived weakness on viability and considered 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.

On that basis the Board of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover and revenue recognition

Turnover comprises rental and service charge income receivable in the period, other services provided at the invoice value (excluding VAT) and grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

Government grants

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Scottish Housing Grant is received as a contribution towards the capital cost of a housing development and is recognised in line with the accrual method. The accrual model results in the grant being recognised in income over the expected useful life of the housing property structure and not land or short life components.

On disposal of an asset for which Government grant was received, if there is an obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay the grant a liability is included in the Statement of Financial Position to recognise this obligation.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

It is the Association's policy to write off Stage 3 Medical Adaptations SHG to the income and expenditure account as adaptations tend to relate to a part component replacement rather than a full upgrade.

Investment properties

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The Board of Management consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

Tangible fixed assets – housing properties

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Completed housing and shared ownership properties are stated at cost less accumulated depreciation and impairment losses except for properties which were acquired under a Large Scale Voluntary Transfer which have been revalued as at 1 April 2014. Under the transitional rules of FRS102 this becomes deemed cost at that date.

Cost for all other properties includes the cost of acquiring land and buildings, and expenditure incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

Impairments of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has been fully or partially reversed. If such indications exist, the Registered Social Landlord estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation of each asset to its estimated residual value over its expected useful life, as follows:

Office properties	2%
Computer software and equipment	20%
Furniture, fittings and office equipment	10%
White goods supplied to investment properties	20%
Vehicles	20%

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Borrowing costs

All borrowing costs for fixed assets are expensed as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Taxation

Fife Housing Association Limited has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

Other tangible fixed assets

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 exception: 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.

Value Added Tax

The Association is VAT registered, however a large proportion of income, namely rents, is exempt for VAT purposes therefore giving rise to a Partial Exemption calculation. Expenditure is shown inclusive of non-recoverable VAT.

Deposits and liquid resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into cash at, or close to, their carrying value.

Leases

Finance Leases

An asset and corresponding liability are recognised for leasing agreements that transfer to the Registered Social Landlord substantially all of the risks and rewards incidental to ownership ("finance leases"). The amount capitalised is the fair value of the leased asset or, if lower, the present value of the minimum lease payments payable during the lease term, both determined at inception of the lease. Lease payments are treated as consisting of capital and interest elements.

Notes to the Financial Statements

1. Accounting Policies (continued...)

The interest is charged to income and expenditure so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating leases

All other leases are operating leases and the annual rentals are charged to income and expenditure on a straight line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to five days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the FHG is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The Association participates in the Fife Council Superannuation Fund, which is a defined benefit pension scheme providing benefits based on final pensionable salary, the cost of providing benefits is determined using the projected unit credit method.

Asset/Liability

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains or losses recognised in other comprehensive income are:

- Actuarial gains and losses
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Financial instruments

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments. FRS102 requires some financial instruments to be carried at fair value. Housing loans are classified as either basic or complex financial instruments. Loans that are classified as basic are measured at amortised cost.

Notes to the Financial Statements

1. Accounting Policies (continued...)

The fair value of complex financial instruments are provided independently by the Bank of Scotland and are determined using valuation techniques that use primarily observable inputs such as short term rates futures, swap rates, implied volatilities and market credit spreads for similar credit worthiness instruments. Changes in fair value of financial instruments are taken to the Statement of Comprehensive Income.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Provisions

Provisions are recognised when the Registered Social Landlord has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

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

			2016	2015
	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	£	£	£	£
Affordable lettings/activities	11,439,139	8,663,347	2,775,792	2,039,009
Other activities	581,976	434,165	147,811	225,889
Total	12,021,115	9,097,512	2,923,603	2,264,897
Total 2014/15	11,340,194	9,075,297	2,264,897	

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

			2016	2015
	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus
	£	£	£	£
Affordable lettings/activities	11,439,139	8,663,347	2,775,792	2,039,009
Other activities	302,333	327,230	(24,897)	33,987
Total	11,741,472	8,990,577	2,750,895	2,072,996
Total 2014/15	11,094,304	9,021,308	2,072,996	

Notes to the Financial Statements

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

	General needs	Shared ownership housing	2016	2015
	£	£	£	£
Rent receivable net of service charges	10,624,547	10,431	10,634,978	10,217,918
Service charges receivable	86,568	5,306	91,874	89,544
Gross income from rents and service charges	10,711,115	15,737	10,726,852	10,307,462
Less rent losses from voids	(133,085)	-	(133,085)	(207,743)
Net income from rents and service charges	10,578,030	15,737	10,593,767	10,099,719
Grants released from deferred income	521,287	-	521,287	514,973
Grants from the Scottish Ministers	324,085	-	324,085	70,075
Other revenue grants	-	-	-	-
Total turnover from social letting activities	11,423,402	15,737	11,439,139	10,684,767
Management and maintenance administration costs	3,199,320	284	3,199,604	3,025,395
Service costs	98,938	-	98,938	94,092
Planned and cyclical maintenance including major repair costs	1,208,056	-	1,208,056	766,314
Reactive maintenance costs	1,730,899	-	1,730,899	1,609,172
Bad debts – rent and service charges	50,739	-	50,739	291,077
Depreciation of affordable let properties	2,375,111	-	2,375,111	2,859,708
Impairment of affordable let properties	-	-	-	-
Operating costs for social letting activities	8,663,063	284	8,663,347	8,645,758
Operating surplus from social lettings	2,760,339	15,453	2,775,792	2,039,009
Operating surplus from social lettings for previous year	2,026,809	12,200	2,039,009	-
No of units managed by the Association	2,484	5	2,489	2,469

Notes to the Financial Statements

4a. Particulars of turnover, operating costs and 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 £	2016		2015
								Operating surplus or (deficit) £	Operating surplus or (deficit) £	
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	50,000	-	-	-	50,000	-	61,709	(11,709)	(14,434)	
Investment property activities	-	-	-	14,700	14,700	-	136	14,564	14,352	
Factoring	-	-	-	21,737	21,737	1,783	68,671	(48,717)	(4,400)	
Contracted out activities for registered social landlords	-	-	-	206,470	206,470	-	194,931	11,539	38,073	
Other agency/management services - PACT	-	-	-	279,643	279,643	-	106,935	172,708	191,902	
Uncapitalised development administration costs	-	-	-	-	-	-	-	-	(16,072)	
Sale of LIFT properties	-	-	-	-	-	-	-	-	570	
Other activities	-	-	-	9,426	9,426	-	-	9,426	15,898	
Total from other activities	50,000	-	-	531,976	581,976	1,783	432,382	147,811	225,889	
Total from other activities - previous year	98,000	-	-	557,428	655,428	-	429,539	225,889		

Notes to the Financial Statements

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

	2016						2015	
	Grants from Scottish Ministers £	Other revenue grants £	Supporting People income £	Other income £	Total turnover £	Operating costs – bad debts £	Other operating costs £	Operating surplus / (deficit) £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	50,000	-	-	-	50,000	-	61,709	(14,434)
Investment property activities	-	-	-	14,700	14,700	-	136	14,352
Factoring	-	-	-	21,737	21,737	1,783	68,671	(4,400)
Contracted out activities for registered social landlords	-	-	-	206,470	206,470	-	194,931	38,073
Uncapitalised development administration costs	-	-	-	-	-	-	-	(16,072)
Sale of LIFT properties	-	-	-	-	-	-	-	570
Other activities	-	-	-	9,426	9,426	-	-	15,898
Total from other activities	50,000	-	-	252,333	302,333	1,783	325,447	33,987
Total from other activities - previous year	98,000	-	-	311,537	409,537	-	375,550	33,987

Notes to the Financial Statements

5. Employee information

	Group		Association	
	2016	2015	2016	2015
The average monthly number of persons, including key management personnel, employed during the period (Full Time Equivalent) was:				
Office	59.3	60.1	59.3	60.1
Maintenance services	37.6	38.4	37.6	38.4
	21.7	21.7	21.7	21.7
	£	£	£	£
Office				
Wages and salaries	1,297,351	1,269,859	1,286,309	1,256,597
Social security costs	102,524	99,447	102,524	99,447
Pension costs (Note 25)	342,347	264,406	342,347	264,406
Adjustment to past / current service costs	110,000	90,000	110,000	90,000
Temporary employee costs	100,719	95,676	100,719	95,676
Sub-total	1,952,941	1,819,388	1,941,899	1,806,126
Maintenance Services Department				
Wages and salaries	793,361	693,305	793,361	693,305
Social security costs	59,869	54,362	59,869	54,362
Pension costs (Note 25)	165,194	153,625	165,194	153,625
Adjustment to past/current service costs	32,364	-	32,364	-
Temporary employee costs	32,364	28,633	32,364	28,633
Sub-total	1,050,788	929,925	1,050,788	929,925
Total				
Wages and salaries	2,090,712	1,963,164	2,079,670	1,949,902
Social security costs	162,393	153,809	162,393	153,809
Pension costs (Note 25)	507,541	418,031	507,541	418,031
Adjustment to past / current service costs	110,000	90,000	110,000	90,000
Temporary employee costs	133,083	124,309	133,083	124,309
Total employee costs	3,003,729	2,749,313	2,992,687	2,736,051

Notes to the Financial Statements

6. Key management personnel (Group and Association)

Key management personnel are defined as the members of the Board, the Chief Executive and senior management personnel.

The number of key management personnel who received emoluments (excluding employers' pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	2016	2015
	Number	Number
£60,000 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	1	-
£90,001 - £100,000	-	-
£100,000 - £110,000	-	-
	2	1
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	148,942	68,326
The emoluments of the Chief Executive (excluding pension contributions)	83,902	68,326
Pension Contributions of the Chief Executive	18,724	15,500
Aggregate pension contributions in relation to the above key management personnel	33,053	15,500

Total expenses paid to Board members during the year was £544 (2015 - £1,465).

Loans to directors		Rate of interest	Amount outstanding		Maximum outstanding during year
			31 March 2016	31 March 2015	
			£	£	£
Andrew Clark	Car Purchase Loan	3.5%	10,933	14,907	14,907
Total outstanding			10,933	14,907	14,907

The loan was made for the purchase of a car. The loan was made by the Association on the same terms as were available to other employees who were essential car users. The £10,933 loan owing by Mr Andrew Clark at 31 March 2016, was repaid in full on 28 April 2016.

Notes to the Financial Statements

7. Operating surplus

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Operating surplus is stated after charging:				
Depreciation of housing properties	2,375,111	2,859,708	2,375,111	2,859,708
Depreciation of other assets	197,935	159,541	196,406	158,431
Auditor's remuneration in their capacity as auditors	31,421	15,895	28,657	13,901
Auditor's remuneration in respect of other services	4,231	-	3,295	-
Operating lease rentals	347,359	385,835	347,359	385,835

8. Interest payable and similar charges

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Interest arising on:				
Long term bank loan	2,548,914	2,575,051	2,548,914	2,575,051
Other interest payable	53,213	69,565	53,213	69,565
Total	2,602,127	2,644,616	2,602,127	2,644,616

9. Interest receivable and other income

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Interest arising on:				
Bank loans and overdrafts	7,978	14,971	126,936	126,524
Defined benefit pension charge	-	-	-	-
Total	7,978	14,971	126,936	126,524

Notes to the Financial Statements

10a. Taxation - Group

Tax on surplus on ordinary activities

	2016	2015
	£	£
Analysis of charge in period		
Current Tax		
UK Corporation tax	(27,345)	(3,898)
Total current tax charge	(27,345)	(3,898)
Deferred Tax		
Timing differences, origination and reversal	(30,165)	(16,639)
Tax on profit on ordinary activities	(57,510)	(20,537)

PACT Enterprises Ltd is a commercial subsidiary and is liable to Corporation Tax and will donate its profits to the Charity through the Gift Aid scheme once all the liabilities due to the parent are settled.

10b. Taxation - Association

Fife Housing Association Limited is accorded charitable status for taxation purposes by HM Revenues and Customs. In the period to 31 March 2016 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary.

Notes to the Financial Statements

11. Housing properties - Group and Association

	Housing Properties Held for Letting	Housing Stock Under Development	Shared Ownership	Total
	£	£	£	£
Cost or revaluation				
At 1 April 2015	91,942,028	2,332,683	273,145	94,547,856
Additions	16,710	-	-	16,710
Works to existing properties	2,095,980	1,511,057		3,607,037
Schemes completed	3,409,982	(3,409,982)	-	-
Disposals	(260,090)	-	-	(260,090)
As at 31 March 2016	97,204,608	433,760	273,145	97,911,513
Depreciation				
As at 1 April 2015	(17,193,218)	-	(63,107)	(17,256,325)
Depreciation charged in year	(2,370,034)	-	(5077)	(2,375,111)
Disposals	42,607	-	-	42,607
As at 31 March 2016	(19,520,645)	-	(68,184)	(19,588,829)
Net Book Value as at 31 March 2016	77,683,963	433,760	204,961	78,322,684
Net Book Value as at 31 March 2015	74,748,810	2,332,683	210,038	77,291,531

The Association capitalised £2.1million of major component replacement expenditure in 2015/16 (2014/15 £2.3million).

Valuation of Housing Stock is at deemed cost.

Expenditure on major works to existing properties

	2016	2015
	£	£
Improvement work capitalised	86,202	-
Replacement component work capitalised	1,986,971	1,317,383
Amounts charged to income and expenditure	-	-
Total major repairs spend	2,073,173	1,317,383
Finance costs:		
Aggregate amount of finance costs included in the cost of housing properties	-	-

Notes to the Financial Statements

12. Gain on disposal of assets - Group and Association

	Right to Buy Sales	Shared ownership	Land	Other assets	Total 2016	Total 2015
	£	£	£	£	£	£
Proceeds	230,360	-	-	88,000	318,360	310,180
Expenses	(4,598)	-	-		(4,598)	(4,481)
Cost of sale	(93,795)	-	-	(31,962)	(125,757)	(126,280)
Abortive costs	(1,400)	-	-	(183)	(1,583)	(1,350)
Medical grant	16,712	-	-	-	16,712	-
Gain on disposal of assets	147,279	-	-	55,855	203,134	178,069

13a. Intangible fixed assets - Group and Association

	Total
	£
Cost	
As at 1 April 2015	587,445
Additions	35,930
Disposals	-
As at 31 March 2016	623,375
Depreciation	
As at 1 April 2015	333,933
Charge for year	68,258
Disposals	-
As at 31 March 2016	402,191
Net Book Value as at 31 March 2016	221,184
Net Book Value as at 31 March 2015	253,512

13b. Fixed asset investments in Subsidiary - Association only

	2016	2015
	£	£
Cost		
PACT Enterprises Limited	1	1

Notes to the Financial Statements

13c. Fixed assets - investment properties - Group

	Investment properties	Shared equity	Commercial property	Total
	£	£	£	£
As at 1 April 2015	3,102,000	9,630	130,000	3,241,630
Additions	854,900	-	-	854,900
Revaluation	287,100	-	-	287,100
Transferred from current assets	-	10,162	-	10,162
Disposals	-	-	-	-
As at 31 March 2016	4,244,000	19,792	130,000	4,393,792
As at 31 March 2015	3,102,000	9,630	130,000	3,241,630

A desktop valuation was carried out by Kenneth M Young, MRICS of Hardies Property and Construction Consultants, an external valuer as at 31 March 2015. The basis of the valuation is Open-Market Value with the assumption of vacant possession.

13d. Fixed assets - investment properties - Association

	Investment Properties	Shared Equity	Commercial Property	Total
	£	£	£	£
As at 1 April 2015	-	-	130,000	130,000
Additions	-	-	-	-
Revaluation	-	-	-	-
Transferred from current assets	-	-	-	-
Disposals	-	-	-	-
As at 31 March 2016	-	-	130,000	130,000
As at 31 March 2015	-	-	130,000	130,000

Notes to the Financial Statements

14a. Tangible fixed assets - other - Group

	Office land and Buildings Leasehold	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at 1 April 2015	40,030	52,202	1,150,744	178,012	191,600	351,200	1,963,788
Additions	-	-	-	51,767	8,192	-	59,959
Transfer from developments	-	-	-	-	-	-	-
Disposals	-	-	-	(2,529)	(2,188)	-	(4,717)
As at 31 March 2016	40,030	52,202	1,150,744	227,250	197,604	351,200	2,019,030
Depreciation							
As at 1 April 2015	5,203	3,482	260,941	131,991	134,465	163,480	699,562
Charge for year	801	1,044	24,109	22,584	10,899	70,240	129,677
Disposals	-	-	-	(1,549)	(576)	-	(2,125)
As at 31 March 2016	6,004	4,526	285,050	153,026	144,788	233,720	827,114
Net Book Value as at 31 March 2016	34,026	47,676	865,694	74,224	52,816	117,480	1,191,916
Net Book Value as at 31 March 2015	34,827	48,720	889,803	46,021	57,135	187,720	1,264,226

Notes to the Financial Statements

14b. Tangible fixed assets - other - Association

	Office land and Buildings Leasehold	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at 1 April 2015	40,030	52,202	1,150,744	178,012	183,905	351,200	1,956,093
Additions	-	-	-	51,767	7,955	-	59,722
Transfer from developments	-	-	-	-	-	-	-
Disposals	-	-	-	(2,529)	(2,186)	-	(4,715)
As at 31 March 2016	40,030	52,202	1,150,744	227,250	189,674	351,200	2,011,100
Depreciation							
As at 1 April 2015	5,203	3,482	260,941	131,991	131,666	163,480	696,763
Charge for year	801	1,044	24,109	22,584	9,370	70,240	128,148
Disposals	-	-	-	(1,549)	(576)	-	(2,125)
As at 31 March 2016	6,004	4,526	285,050	153,026	140,460	233,720	822,786
Net Book Value as at 31 March 2016	34,026	47,676	865,694	74,224	49,214	117,480	1,188,314
Net Book Value as at 31 March 2015	34,827	48,720	889,803	46,021	52,239	187,720	1,259,330

Notes to the Financial Statements

15. Stock - Group

	As at 1 April 2015	Additions	Transfer to fixed assets	Transfer to Rent to Buy / for sale	Disposals	As at 31 March 2016
	£	£	£	£	£	£
Rent to Buy - transfer from work- in-progress	576,390	-	(576,390)	-	-	-
Housing property held for sale - transfer from work- in-progress	-	-	-	-	-	-
Housing property held for sale	-	-	-	-	-	-
Held for sale total	576,390	-	(576,390)	-	-	-

16a. Debtors

16a.	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due within one year:				
Rent and service charge receivable	655,001	712,849	652,190	708,383
Less: Net present value adjustment	(287,621)	(234,754)	(287,621)	(234,754)
Less: Bad debt provision -rent	(251,980)	(550,000)	(251,980)	(550,000)
-non rent	(121,570)	-	(121,570)	-
Prepayments and accrued income	307,242	271,579	301,826	270,075
Intercompany debtors	-	-	412,584	393,567
Other debtors	394,409	459,356	393,978	458,403
Grants receivable	-	-	-	-
Total	695,481	659,030	1,099,407	1,045,674

16b.	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due after more than one year:				
Deferred tax asset	-	-	-	-
Intercompany loan to Subsidiary	-	-	3,605,200	3,315,200
Total	-	-	3,605,200	3,315,200

The Intercompany loan is an approved facility of £3.9million of which £3.6million has been drawn down. The loan is fully repayable on 1 September 2020. Interest is charged at LIBOR plus 2.5%.

Notes to the Financial Statements

17. Creditors: Amounts falling due within one year

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Loan interest payable	301,187	297,691	301,187	297,691
Accruals and deferred income	424,484	230,670	416,256	227,373
Rent in advance	540,105	471,450	530,969	465,829
Trade creditors	420,149	1,261,759	418,623	1,260,362
Taxation and social security	86,693	74,661	59,496	70,763
Intercompany creditors	-	-	-	-
Other creditors	155,293	263,227	145,129	244,753
Deferred capital grants (note 20)	541,874	514,973	541,874	514,973
Total	2,469,785	3,114,431	2,413,534	3,081,744

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

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

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Housing Loans				
Fixed rate	20,000,000	20,000,000	20,000,000	20,000,000
Callable SWAP	5,000,000	5,000,000	5,000,000	5,000,000
RPI SWAP	5,000,000	5,000,000	5,000,000	5,000,000
Callable SWAP	5,000,000	5,000,000	5,000,000	5,000,000
Variable facility B	4,777,388	4,777,388	4,777,388	4,777,388
Fair Value Adjustment for SWAPs	19,518,615	19,381,688	19,518,615	19,381,688
Deferred capital grant (note 20)	23,722,100	23,998,894	23,722,100	23,998,894
Total	83,018,103	83,157,970	83,018,103	83,157,970

19. Analysis of duration of loans

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group		Association	
	2016	2015	2016	2015
	£	£	£	£
Due within one year	-	-	-	-
Due within one and two years	-	-	-	-
Due within two and five years	-	-	-	-
Due after five years	39,777,388	39,777,388	39,777,388	39,777,388
Total	39,777,388	39,777,388	39,777,388	39,777,388

Notes to the Financial Statements

20. Deferred capital grant

	Group		Association	
	2016	2015	2015	2015
	£	£	£	£
As at 1 April	24,513,894	23,412,288	24,513,894	23,412,288
Grant received in the year	271,367	1,616,552	271,367	1,616,552
Capital grant released in the year	(521,287)	(514,973)	(521,287)	(514,973)
At 31 March	24,263,974	24,513,867	24,263,974	24,513,867
Amounts to be released within one year	541,874	514,973	541,874	514,973
Amounts to be released in more than one year	23,722,100	23,998,894	23,722,100	23,998,894
Total	24,263,974	24,513,867	24,263,974	24,513,867

21. Provisions - Group

	Deferred Tax	Holiday Pay	Total
	£	£	£
As at 1 April 2015	20,437	51,738	72,175
Utilised in the year	-	-	-
Additional provision in the year	30,166	1,890	32,056
Increase due to change in discount rate	-	-	-
As at 31 March 2016	50,603	53,628	104,231

Provisions - Association

	Holiday Pay	Total
	£	£
As at 1 April 2015	51,738	51,738
Utilised in the year	-	-
Additional provision in the year	1,890	1,890
As at 31 March 2016	53,628	53,628

Holiday Pay

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

Notes to the Financial Statements

22. Called up share capital - Group and Association

	2016	2015
	£	£
Allotted, issued and fully paid at 1 April 2015	94	99
Issued in period	(3)	11
Redeemed in period	10	(16)
At 31 March 2016	101	94

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding-up. When a shareholder ceases to be a member the £1 paid becomes the property of the Association.

Members are eligible to stand for election to the Board of Management and can vote for candidates at the Annual General Meeting.

23. Capital Commitments - Group and Association

At 31 March 2016 commitments outstanding were as follows:

	Group		Association	
	2016	2015	2016	2015
Authorised and contracted for	£	£	£	£
Planned maintenance	80,390	1,200,285	80,390	1,200,285
Developments	-	1,701,701	-	1,701,701
Total authorised and contracted for	80,390	2,901,986	80,390	2,901,986

At 31 March 2016 commitments outstanding were as follows:

	Group		Association	
	2016	2015	2016	2015
Authorised but not contracted	£	£	£	£
Purchase property and planned maintenance	-	-	-	-
Developments	-	-	-	-
Total authorised but not contracted for	-	-	-	-

The Association has sufficient finance available to fund the development and planned maintenance contracted for.

Notes to the Financial Statements

24. Lease obligations - Group and Association

The total commitment under non-cancellable operating leases is as follows:

	2016		2015	
	Land and buildings	Other operating leases	Land and buildings	Other operating leases
	£	£	£	£
Lease obligations:				
Within one year	132,383	116,515	131,897	153,832
Between one and five years	469,533	5,343	527,588	13,274
After five years	47,695	-	116,564	-
Total lease obligations	649,611	121,858	776,049	167,106

25. Pensions - Group and Association

The Association is an admitted body to the Fife Council Superannuation Fund which is a defined benefit pension scheme providing benefits based on final pensionable salary. Contributions to the fund are determined by the scheme's actuary based on the last formal valuation at 31 March 2014 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 £507,542 (2015 - £508,031).

The fund is actuarially valued on a triennial basis with the most recent being at 31 March 2014. Fife Council Superannuation Fund benefits are linked to price inflation and salary inflation and the real discount rate applied to changes in assumptions on liabilities.

There has been an improvement in the balance sheet position this year. The change in market conditions has led to a slightly higher discount rate. The real discount rate in 2016 was 3.5% compared to 3.2% as at 31 March 2015. A lower real discount rate leads to a higher value being placed on the liabilities however asset returns have been greater than expected which has offset some of the increase in liabilities.

The actuary-recommended employer's contribution rates remain at 23.3% of employees' pensionable payments for the year to 31 March 2016.

Assumptions

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31 March 2016 for Financial Reporting Standard (FRS) 17 purposes were:

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

Valuations

	2016	2015	2014	2013	2012	2011	2010
	%	%	%	%	%	%	%
Main assumptions							
Discount rate	3.5	3.2	4.3	4.5	4.8	5.5	5.5
Consumer Price / Retail Price Inflation	2.2	2.4	2.8	2.8	2.5	2.8	3.8
Rate of increase - pensions in payment	2.2	2.4	2.8	2.8	2.5	2.8	3.8
Salary increases*	3.3	3.3	5.1	5.1	4.8	5.1	5.3

* Salary increases are assumed to be 1% until 31 March 2016 and reverting to the long-term assumption thereafter.

The expected rate of return and the assets in the scheme at 31 March 2016 were:

	2016		2015	
	Long term rate of return	% split of assets	Long term rate of return	% split of assets
Equities	3.5	68%	3.2%	72%
Bonds	3.5	16%	3.2%	16%
Property	3.5	10%	3.2%	8%
Cash	3.5	6%	3.2%	4%

The above asset values at 31 March 2016 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	22.0 years	23.7 years
Future pensioners	24.1 years	26.4 years

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

Statement of Financial Position

	31 March 2016	31 March 2015
	£'000	£'000
Fair Value of Employer Assets	10,711	10,371
Present Value of Funded Liabilities	(13,294)	(13,815)
Net liability	(2,583)	(3,444)

Analysis of the amount charged to operating surplus

	2016	2015
	£'000	£'000
Current service cost	574	508
Past service cost	43	-
Impact of settlements and curtailments	-	-
Total operating charge	617	508

Analysis of the amount credited to other finance income

	2016	2015
	£'000	£'000
Expected return on pension scheme assets	(337)	(553)
Interest on pension scheme liabilities	449	541
Net return	112	(12)

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

Reconciliation of defined benefit obligation

	31 March 2016	31 March 2015
	£'000	£'000
Opening defined benefit obligation	13,815	12,412
Current service cost	574	508
Interest cost	449	541
Contributions by members	127	116
Actuarial losses	(1,413)	481
Past service costs	43	-
Impact of settlements and curtailments	-	-
Estimated benefits paid	(301)	(243)
Closing defined benefit obligation	13,294	13,815

Reconciliation of fair value of employer assets

	31 March 2016	31 March 2015
	£'000	£'000
Opening fair value of employer assets	10,371	9,085
Expected return on assets	337	553
Contributions by members	127	116
Contributions by employer	507	418
Actuarial gains	(330)	442
Benefits paid	(301)	(243)
Closing fair value of employer assets	10,711	10,371

Amount recognised in Statement of Comprehensive Income

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	(330)	442	128	509	(67)
Change in assumptions underlying the present value of scheme liabilities	1,413	(481)	(646)	(1,171)	(221)
Actuarial gains/(losses)	1,083	(39)	(518)	(662)	(288)
Increase/decrease in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial gains/(losses) recognised in STRGL	1,083	(39)	(518)	(662)	(288)
Cumulative actuarial gains/(losses)	(2,355)	(3,438)	(3,399)	(2,881)	(2,219)

Notes to the Financial Statements

25. Pensions - Group and Association (continued...)

History of gains and losses

	2016	2015	2014	2013	2012
	£	£	£	£	£
Fair value of employer assets	10,711	10,371	9,085	8,180	6,940
Present value of defined benefit obligations	(13,294)	(13,815)	(12,412)	(10,831)	(8,927)
Deficit	(2,583)	(3,444)	(3,327)	(2,651)	(1,987)
Experience gains/(losses) on assets	330	442	128	509	(67)
Experience losses/(gains) on liabilities	132	(253)	3	10	612

26. 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 Limited	Scotland	March 2010	100%	Property investment, management and maintenance.

27. 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 member had involvement with other organisations: Lorna Paterson was a member of the Board of Employers in Voluntary Housing (EVH) and the Tenant Participation Advisory Service Scotland (TPAS), although not as a representative of Fife Housing Association.

PACT Enterprises Limited is a wholly owned and controlled subsidiary of Fife Housing Association. The following member of the Board of Management of Fife Housing Association is also a Director of PACT Enterprises: Katherine Dewar.

Notes to the Financial Statements

27. Related parties - Group and Association (continued...)

Mr Kenneth Young was appointed a non-executive Director of PACT Enterprises Limited on 21 March 2016, and whilst he has previously undertaken the valuation of investment properties for that subsidiary company those transactions were undertaken on an arms-length basis. Mr Young was no longer employed by Hardies when appointed to the Subsidiary Board.

Fife Housing Association has agreed to make available to PACT Enterprises Limited a loan facility of £3,900,000 and to date the Subsidiary has drawn down £3,315,200. Interest is charged at LIBOR plus 2.5% margin.

A Service Level Agreement exists between Fife HA and PACT Enterprises Limited dated January 2014.

Fife Housing Association has levied fees for the following amounts to PACT Enterprises during the period 1 April 2015 to 31 March 2016:

	2016	2015
	£	£
Staff and overhead costs for services provided to PACT Enterprises Limited	17,405	14,919
Repairs carried out by Fife HA on behalf of PACT Enterprises Limited	67,174	27,073
Interest payable on debt outstanding	118,959	111,552
Properties purchased from Fife HA	-	-

The balance outstanding from PACT Enterprises at 31 March 2016 was £412,584 (2015 - £393,567). A payment of £184,521 towards the balance was made during the year.

28. First time adoption of FRS 102

The financial statements have been prepared in accordance with FRS102 for the year ended 31 March 2016. The transition to FRS102 has impacted on the following accounting policies adopted and as such the comparative figures have been restated accordingly.

A - Grant accounting

Previously all capital grants received were netted-off against the cost of housing properties. In line with FRS102 and SORP 2014 capital Government grants are now treated under the accrual model and as such are shown as deferred income and amortised to income over the expected useful life of the housing property structure and its individual components (excluding land) on a pro-rata basis.

B - Depreciation of housing properties

Previously depreciation on housing properties was calculated on the net cost of properties after capital grant. In line with FRS102, and as noted above in A, grants are no longer netted-off against the cost of housing properties and as such depreciation is now calculated on the gross cost of housing properties.

Notes to the Financial Statements

28. First time adoption of FRS 102 (continued...)

C – Holiday pay provision

FRS102 requires the Association to recognise the cost of all employee benefits to which its employees have become entitled as a result of service rendered to the entity during the reporting period. Therefore at 31 March 2016 a provision has been made of £53,628 reflecting the value of holiday pay entitlement which had not been taken as at that date by employees.

D – Investment property

During the year ended 31 March 2015, fair value gains and losses on investment properties of £51,712 were recognised directly in reserves under previous UK GAAP. Under FRS 102, those fair value gains and losses are recognised in comprehensive income. In addition the SORP 2014 requires properties held for commercial purposes to be treated as investment properties and therefore £130,000 treated as housing properties have now been transferred to investment properties and a fair value allocated.

E – Financial instruments

Under previous UK GAAP fair value gains and losses on interest rate swaps were disclosed, but not recognised, in the financial statements. Under FRS 102, these instruments are recognised as assets or liabilities, with a total liability of £19,381,688 being recognised at 1 April 2015 and a corresponding adjustment to reserves.

F – Cash Flow Statement

Under FRS 102, the Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Cash Flow Statement presented changes in cash (which includes cash-in-hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing

G – Rent arrears

FRS102 requires the Association to review arrangements to pay rental arrears which extend over more than one year and to recognise the fair value of any such arrangements. This has resulted in an additional charge of £69,565 being recognised in the year to 31 March 2015.

H – Deferred Tax

The approach to deferred tax under FRS102 is balance sheet based so all items that have a carrying value different to their taxable value are subject to deferred tax. This brings investment properties into the scope of deferred tax resulting in a £15,050 decrease in group reserves and a £4,406 decrease in the 2015 surplus.

I – Revaluation of housing property

Under the transitional FRS102 regulations the Association has decided to revalue its housing property which was transferred under a Large Scale Voluntary Stock Transfer to the Association in its early years. This will then be treated as deemed cost in the future. The valuation was undertaken by an independent chartered surveyor as at 1 April 2014.

Notes to the Financial Statements

Reconciliation of reserves - Group

		1 April 2014	31 March 2015
	Notes	£	£
Reserves as previously reported under UK GAAP		7,198,489	7,714,919
Grant accounting	A	3,353,329	3,868,301
Depreciation	B	(4,307,034)	(5,471,458)
Revaluation	I	11,707,161	11,707,161
Investment property	D	53,481	53,481
Financial instruments	E	(13,729,996)	(19,381,688)
Holiday pay accrual	C	(48,045)	(51,738)
Fair value of rental arrears	G	(165,189)	(234,754)
Deferred tax	H	(15,050)	(19,456)
Fixed asset disposals		(60,218)	(60,219)
Reserves reported under FRS 102		3,986,927	(1,875,454)

Reconciliation of surplus or deficit

		Year ended 31 March 15
	Notes	£
Surplus as previously reported under UK GAAP		516,430
Grant accounting	A	514,972
Depreciation	B	(1,164,422)
Financial instruments	E	(5,651,692)
Holiday pay accrual	C	(3,693)
Discount on fair value of rent arrears	G	(69,565)
Deferred tax	H	(4,406)
Deficit reported under FRS 102		(5,862,376)

Notes to the Financial Statements

Reconciliation of reserves - Association

		1 April 2014	31 March 2015
	Notes	£	£
Reserves as previously reported under UK GAAP		7,220,315	7,648,996
Grant accounting	A	3,353,329	3,868,301
Depreciation	B	(4,307,034)	(5,471,458)
Revaluation	I	11,707,161	11,707,161
Investment property	D	53,481	53,481
Financial instruments	E	(13,729,996)	(19,381,688)
Holiday pay accrual	C	(48,045)	(51,738)
Fair value of rental arrears	G	(165,189)	(234,754)
Fixed asset disposals		(60,218)	(60,218)
Reserves reported under FRS 102		4,023,804	(1,912,917)

Reconciliation of surplus or deficit

		Year ended 31 March 15
	Notes	£
Surplus as previously reported under UK GAAP		428,681
Grant accounting	A	514,972
Depreciation	B	(1,164,422)
Financial instruments	E	(5,651,692)
Holiday pay accrual	C	(3,693)
Discount on fair value of rent arrears	G	(69,565)
Deficit reported under FRS 102		(5,945,719)

