

at home with...



**Fife Housing Association Limited
Group Report and Consolidated
Financial Statements
For the year ended 31 March 2018**

Registered Office:
7 Pitreavie Court
Pitreavie Business Park
Dunfermline
KY11 8UU

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

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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 (Scotland) Act 2005 Scottish Charity Number: SC025647

Members, Executive and Advisers

Board Members	
Maureen Garvie	Chairperson
Patricia Dickson	Vice Chairperson (resigned 21 August 2017)
Helen Boath	Vice Chairperson (from 18 September 2017)
Derek Adam	Audit and Risk Convenor
Katherine Dewar	Chair of PACT Enterprises Limited
Anila Ahmad	(resigned 27 November 2017)
Colin McNeill	
Stephen Clark	
Fiona Barr	
Sandra Stock	
Martin Fleming	(appointed 27 November 2017)
Executive Officers	
Nicola Donaldson	Chief Executive
Fiona Nicholl	Director of Finance and Governance (resigned 18 August 2018)
Kevin Lynch	Director of Asset and Commercial Business (resigned 13 April 2018)
Susan Bramley	Director of Housing
Caroline O'Donnell	Interim Director of Human Resources and Business Support (appointed 1 April 2018)
Derek Banks	Director of Finance and Governance (appointed 15 August 2018)
Secretary	
Nicola Donaldson	(resigned 9 June 2017) (reappointed 8 August 2018)
Fiona Nicholl	(appointed 9 June 2017) (resigned 8 August 2018)
Auditor	
	RSM UK Audit LLP, First Floor, Quay 2, 139 Fountainbridge, Edinburgh, EH3 9QG
Internal Auditor	
	Scott-Moncrieff, 25 Bothwell Street, Glasgow, G2 6NL
Bankers	
	Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR
Solicitors	
	Harper Macleod, The Ca'd'oro, 45 Gordon Street, Glasgow G1 3PE

Attendance at Board and Committee meetings

	Strategic Board		Audit and Risk		Emergency		Colleague and Governance		PACT Enterprises	
	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual	Possible	Actual
Maureen Garvie	12	12	-	-	-	-	1	1	-	-
Patricia Dickson	3	2	-	-	-	-	-	-	-	-
Colin McNeill	12	10	4	2	-	-	-	-	-	-
Anila Ahmed	-	-	-	-	-	-	-	-	-	-
Stephen Clark	12	9	-	-	-	-	-	-	-	-
Derek Adam	12	7	4	4	-	-	1	1	-	-
Fiona Barr	12	11	-	-	-	-	-	-	-	-
Helen Boath	12	11	4	4	-	-	-	-	-	-
Sandra Stock	12	11	4	3	-	-	1	1	-	-
Katherine Dewar	12	10	-	-	-	-	-	-	4	4
Martin Fleming ²	6	6	4	3	-	-	-	-	3	3
Kenneth Young ¹	-	-	-	-	-	-	-	-	4	4
Nicola Donaldson ¹	-	-	-	-	-	-	-	-	4	4
Susan Bramley ¹	-	-	-	-	-	-	-	-	2	2

1 Board Member of PACT Enterprises Limited only. 2 Martin Fleming resigned from the PACT Board on 13 November 2017 following his appointment to the Board of FHA on 27 November 2017.

In addition the 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 2018.

Structure, governance and management

Fife Housing Group (FHG) (the Group) is a trading name of Fife Housing Association Ltd and PACT Enterprises Ltd.

Fife Housing Association (FHA) (The Association) is a charitable registered social landlord which was first registered in June 1996 with Scottish Homes and ownership and management of the properties commenced on 29 January 1997. The Association was formed for the benefit of the community. FHA 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 Ltd. The company provides market rented accommodation for non-social tenants.

Governance arrangements

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 the strategy and performance of the organisation.

During the year the Colleague Committee and the Remuneration and Governance Committee were merged to form the Colleague and Governance Committee.

There are currently four committees and one subsidiary board:

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

Members of the Boards and Committees that met during 2017/18 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 held annually. This gives the Board an opportunity to review its structure and performance, how well the sub-committees are operating, 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.

The Association has a business continuity and disaster recovery plan in place. Included within this is the IT disaster recovery plan.

The approach to effective risk management within 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 Risk Management Framework. 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.

FHG has used the '4Risk' system since early 2017 in order to administer our identification and effective management of risk. Utilising this system, the Group's risk management framework 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 reviewed during the year and revised as shown below:

- Governance : Fail to ensure effective governance arrangements are in place
- Collaboration and Growth : Fail to identify or to maximise opportunities for collaboration and growth
- Engagement : Fail to build on / maintain confidence, satisfaction and trust of tenants
- Government Changes : Unable to adapt to government / regulatory changes
- Finance : Unable to manage our financial position.

Under each of these strategic risks is a set of operational risks which are currently monitored on a monthly basis by the Director responsible for the risk area. During the year Fife Housing Group has worked with the software provider to improve the way in which we are identifying and managing and mitigating the risks identified.

Vision

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

Our Values

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

Our Strategic Objectives

During the year the Board reviewed the strategic objectives and these were agreed as follows:

- Investing in the right assets and communities;
- Listening to, understanding and responding to tenant aspirations;
- Continuous improvement in all that we do;
- Ensuring financial viability; and
- Supporting and engaging colleagues.

Our future plans

- We will conclude our loan refinancing exercise during the next financial year;
- We aim to recruit a further tenant Board member to enhance the existing Board skills;
- We will continue to work towards the achievement of the Energy Efficiency Standard for Social Housing (EESH) by 2020;
- We will consider the implications of EESH 2 and refine these in the business plan;
- We will complete the next third of our Stock Condition Surveys in September 2018 with the final third being completed around August 2019;
- We will complete our governance review with the aim of issuing our assurance statement to the SHR;

- 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;
- We will carry out a full review of colleague pension arrangements;
- We will carry out a salary benchmarking exercise;
- We will complete our new build development at Crombie Phase 2;
- We will continue with our work on rent affordability and harmonisation;
- Website development – we will develop the website so that it provides a more user-friendly experience for our tenants and other customers and information to our stakeholders;
- We will continue to improve tenant and other customer engagement and satisfaction across all areas;
- We will support our Scrutiny Group's continued development and engage with interested residents;
- We will continue to invest in our properties;
- We will deliver on our Value for Money Strategy in all that we do;
- We will continue to explore opportunities for development;
- We will carry out a review of our subsidiary, PACT Enterprises Limited;
- We will continue to invest in developing our colleagues;
- We will continue our work on our customer journey mapping;
- We will focus on 'Giving Something Back' our colleague project for the year;
- We aim to work towards achieving our Investors In People (IIP) Gold accreditation.
- We will upgrade our ICT system;
- We will renew our fleet of vans; and
- We will invest in our business and operational leaders by providing ongoing leadership training and coaching.

How we will achieve our future plans

- We aim to meet our strategic objectives through our formal Board reporting structure. Following approval of the Business Plan, annual Operational Plans are set for all teams which are then monitored and reported to the Board on a quarterly basis.
- All colleagues have personal objectives, set at the start of each financial year, which link back to the operational plans for their team. Progress on personal objectives is measured monthly, at one-to-one meetings, and any corrective action taken to address non-compliance and re-focus on the agreed plans.
- Colleague appraisals are reviewed in October and then again at the end of the financial year and performance during the year is discussed.
- The Board, Business Leadership Team and the Operational Leadership Team all receive regular reports on performance against the objectives for the year.
- The Group operates a succession planning process for early identification of future talent.

Partnership working

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 Association Alliance. As part of this grouping we work together to deliver community initiatives and development opportunities throughout Fife.

The Group is also a member of the G8 alliance who meet quarterly to benchmark, share good practice and discuss topical housing related matters.

The Group is also a member of HouseMark which provides a benchmarking service, cost and performance comparisons which assist with improvement and value for money.

Achievements and performance

The Group celebrated a number of successes in 2017/18:

- ✓ We closed our office at Lochgelly and moved all operations to our head office at Pitreavie;
- ✓ We achieved our Investor In People Silver award;
- ✓ We were awarded the 69th place in The Sunday Times 100 Best Not-For-Profit Organisations To Work For 2018 list at our first attempt and we have been awarded a one-star accreditation;
- ✓ We fully implemented our human resources software, Cascade;
- ✓ We selected a new ICT system for future implementation;
- ✓ We carried out a further review of the Management Team Structure with a trial period of the new structure commencing on 1 April 2018;
- ✓ We carried out a survey on the condition of 33% of our stock;
- ✓ We commenced our customer mapping exercise;
- ✓ We implemented a rent harmonisation exercise from 1 April 2018;
- ✓ We lowered the rent increase for 2018/19 to a November RPI increase only;
- ✓ We carried out a review of the finance team structure;
- ✓ We carried out our biennial Customer Satisfaction Survey which showed a substantial improvement in our results;
- ✓ We benefitted from our learning from others through visits to a number of high performing housing associations in Scotland and England;
- ✓ We agreed to carry out a review of colleagues' pension benefits and appointed a consultant to assist with this;
- ✓ We undertook a review of our treasury management services;
- ✓ We recruited one further Board member during the year;
- ✓ We commenced a governance review in terms of reviewing our compliance levels with the Scottish Housing Regulator's regulatory standards;
- ✓ We carried out a review of our committee structure and merged the Colleague Committee and the Remuneration and Governance Committees to form the Colleague and Governance Committee; and

- ✓ We set up a working party to work towards and achieve compliance with the General Data Protection Regulations.

Financial review – Fife Housing Group

The Board is satisfied with the Group's performance during the year. The Group has generated a deficit for the year after taxation of £27,584 (2017– surplus of £238,826). Total comprehensive income for the year was £3,182,223 (2017– expenditure of £975,686). Details of the movements are set out in page 16.

Turnover reduced by £46,087 and operating costs by £42,616. The operating surplus decreased from £2,547,028 in 2017 to £2,543,557 in 2018.

The Group is now in a net asset position of £1,927,325 (2017 – deficit of £1,254,894) after pension liability of £3.417m (2017 £3.643m).

Going concern

After reviewing the detailed Statement of Comprehensive Income 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 in October 2016 on an existing use basis (Social Housing) (EUV-SH). The net value of the Association's housing properties is £79.0m (2017 - £78.1m).

Impairment review

The impairment review carried out at 31 March 2018 showed that the value in use of the housing 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 3% on 1 April 2017. Our gross rental income increased from £10,979,054 to £11,247,407. The loss of income from void properties has increased from £141,480 in 2017 to £165,542 in 2018.

£204,911 of bad debts were written off by the Association this year (2017 - £83,712), and after a review of the rent arrears the bad debt provision against rent arrears has decreased to £342,180 (2017 - £429,796). We are actively monitoring and pursuing our current and former tenants' arrears with a view to reducing the bad debt provision further in the coming year.

Right to Buy sales

The 'Right to Buy' scheme (which gave certain tenants the preserved right to buy their rented home at a discounted price) ended for housing association tenants in Scotland on 31 July 2016. In the twelve months to 31 March 2018 two tenants who had commenced their applications prior to the removal of the statutory right completed their right to buy and the Association received £72,800 before selling costs (note 12b), resulting in a net gain on sale of £28,112.

Pension Fund

The Association operates a defined benefit pension scheme which is open to all its permanent colleagues. In common with most employers applying FRS102 Section 28, the scheme has produced a funding deficit. This deficit has decreased from £3,643,000 at 31 March 2017 to £3,417,000 at 31 March 2018.

Full details have been provided in note 26.

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 (2017 - £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 2018 the Association had four interest-rate-swaps as shown below:

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 liability of £17.2m. (2017 - £19.8m) (note 18).

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 Investors in People (IIP) status and during the financial year the Group achieved the Silver IIP accreditation. During the year we were also awarded the accreditation of being one of the Sunday Times Top 100 Best Companies to Work For. These awards demonstrate the Group's commitment to training and development for colleagues. We also continued with our ambitious management development programme to ensure that our managers are equipped with the skills and tools required to deliver excellent leadership throughout the organisation.

Colleague involvement

The Group encourages colleague involvement in all initiatives and holds Colleague Council meetings quarterly, as well as holding regular team talkbacks to inform colleagues of matters affecting them. The Group holds an annual colleague conference where topical initiatives are discussed. Regular one to one meetings continue to take place for all colleagues as this is seen as the most effective way of improving and maintaining performance.

Team meetings are held on a regular basis by each Director - and at least following each Business Leadership Team meeting - which ensures that all colleagues are kept up to date and informed about the strategic direction of the Business.

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 effective 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.

Disclosure of Information to Auditors

In so far as the Board of Management are aware:

- There is no relevant audit information (information needed by the Association's auditor in connection with preparing their report) of which the Association's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken to make aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Board of Management's Statement on Internal Financial Controls

The Board of Management acknowledges that it has ultimate responsibility for ensuring that the Group and Association have 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 Group and Association or for publication;
- The maintenance of proper accounting records; and
- The safeguarding of assets against unauthorised use or disposal.

During the year there have been significant colleague changes within the finance team including a high turnover of colleagues and the loss of the Interim Finance Manager. The Board are aware that some of the key control reconciliations that should have been carried out during the year have not been carried out as expected. Key balances were reconciled at the year end and the Board are confident that an improvement in reconciliations will happen in 2018/19.

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. Such systems can only provide reasonable and not

absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

Board of Management's Statement on Internal Financial Controls (cont.)

- 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 Group and Association's assets;
- Experienced and suitably qualified colleagues 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 2018 and until 20 August 2018. 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 re-appointed as auditors during the year. A motion to re-appoint them as auditors will be proposed at the Annual General Meeting.

By order of the Board

Nicola Donaldson
Secretary

Date : 31 March 2018

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

Opinion

We have audited the financial statements of Fife Housing Association Limited (the 'Association') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Statements of Financial Position, the Group and Association Statement in Changes in Reserves, the Group and Association Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2018 and of the income and expenditure of the Group and the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – December 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be

materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 requires 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 of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 11, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

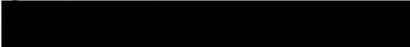
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.


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

Date: 

Report by the Auditor to the Members of Fife Housing Association on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on page 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 which are 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 page 11 and 12 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes 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
Statutory Auditor
Chartered Accountants
First Floor, Quay 2,
139 Fountainbridge
Edinburgh, EH3 9QG

Date: 

Financial Statements:

Group Statement of Comprehensive Income for the year ended 31 March 2018

		2018	2017
	Note	£	£
Turnover	2a	11,981,084	12,027,171
Less: Operating expenditure	2a	(9,437,527)	(9,480,143)
Operating surplus	7	2,543,557	2,547,028
Gain on disposal of fixed assets	12a	9,702	37,289
Interest receivable	9	2,605	2,553
Interest payable and financing costs	8	(2,660,883)	(2,505,023)
Revaluation of investment properties	13c	69,000	280,000
Net return on pension assets	26	-	(91,000)
(Deficit)/surplus for the year before taxation		(36,019)	270,847
Taxation	10a	8,435	(32,021)
(Deficit)/surplus for the year after taxation		(27,584)	238,826
Actuarial gain/(loss) in respect of pension scheme	26	579,000	(925,000)
Fair value gain/(loss) on financial liabilities	18	2,630,807	(289,512)
Total comprehensive income/(expenditure) for the year		3,182,223	(975,686)

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

The notes on pages 26 to 57 form part of these financial statements.

Association Statement of Comprehensive Income for the year ended 31 March 2018

		2018	2017
	Note	£	£
Turnover	2b	11,748,302	11,791,994
Less: Operating expenditure	2b	(9,354,043)	(9,434,769)
Operating surplus	7	2,394,259	2,357,225
Gain on disposal of fixed assets	12b	32,417	37,289
Interest receivable	9	119,683	121,451
Interest payable and similar charges	8	(2,660,883)	(2,505,023)
Net return on pension assets	26	-	(91,000)
(Deficit) for the year before taxation		(114,524)	(80,058)
Taxation	10b	(9,653)	-
(Deficit) for the year after taxation		(124,177)	(80,058)
Actuarial gain/(loss) in respect of pension scheme	26	579,000	(925,000)
Fair value gain/(loss) on financial liabilities	18	2,630,807	(289,512)
Total comprehensive income/(expenditure) for the year		3,085,630	(1,294,570)

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

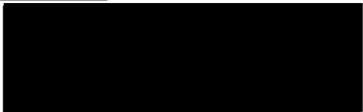
The notes on pages 26 to 57 form part of these financial statements.

Group Statement of Financial Position as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Housing properties	11	78,988,589	78,051,336
Other fixed assets	14a	851,596	933,157
Investment properties	13c	4,598,000	4,673,792
Intangible fixed assets	13a	155,609	208,185
		84,593,794	83,866,470
Current assets			
Trade and other debtors	16a	745,419	1,055,926
Cash and cash equivalents		3,484,679	3,317,252
		4,230,098	4,373,178
Current liabilities			
Creditors: amounts falling due within one year	17	(2,661,708)	(2,884,371)
Net current assets		1,568,390	1,488,807
Total assets less current liabilities			
		86,162,184	85,355,277
Creditors: falling due after more than one year	18	(80,769,417)	(82,900,641)
Provision for liabilities			
Pension liability	26	(3,417,000)	(3,643,000)
Other provisions	22	(48,442)	(66,530)
Total net assets/(liabilities)		1,927,325	(1,254,894)
Capital and reserves			
Share capital	23	85	89
Revenue reserve		(8,661,874)	(12,074,299)
Revaluation reserve		10,589,114	10,819,316
Total capital and reserves		1,927,325	(1,254,894)

The financial statements on pages 16 to 57 were approved by the Board of Management and authorised for issue on 13 September 2018 and were signed on its behalf by:

Maureen Garvie Chair 

Derek Adam Audit Committee Convener 

Nicola Donaldson Secretary 

The notes on pages 26 to 57 form part of these financial statements.

Association Statement of Financial Position as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Housing properties	11	78,988,589	78,051,336
Other fixed assets	14b	850,803	931,087
Investment properties	13d	120,000	130,000
Investment in subsidiary	13b	1	1
Intangible assets	13a	155,609	208,185
		80,115,002	79,320,609
Current assets			
Trade and other debtors	16a	736,315	1,057,493
Debtors : falling due after more than one year	16b	3,795,000	3,900,000
Cash and cash equivalents		3,364,373	3,199,552
		7,895,688	8,157,045
Current liabilities			
Creditors: amounts falling due within one year	17	(2,642,232)	(2,837,597)
Net current assets		5,253,456	5,319,448
Total assets less current liabilities			
		85,368,458	84,640,057
Creditors: falling due after more than one year	18	(80,769,416)	(82,900,641)
Provision for liabilities			
Pension liability	26	(3,417,000)	(3,643,000)
Total net assets/(liabilities)		1,182,042	(1,903,584)
Capital and reserves			
Share capital	23	85	89
Revenue reserve		(9,407,157)	(12,722,989)
Revaluation reserve		10,589,114	10,819,316
Total capital and reserves		1,182,042	(1,903,584)

The financial statements on pages 16 to 57 were approved by the Board of Management and authorised for issue on 13 September 2018 and were signed on its behalf by:

Maureen Garvie Chair
Derek Adam Audit Committee Convener
Nicola Donaldson Secretary

The notes on pages 26 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 2016	101	(11,789,208)	11,509,911	(279,196)
Surplus for the year	-	238,826	-	238,826
Actuarial (loss) in respect of pension scheme	-	(925,000)	-	(925,000)
Fair value (loss) on financial liabilities	-	(289,512)	-	(289,512)
Issued share capital	3	-	-	3
Redeemed share capital	(15)	-	-	(15)
Transfer in year	-	690,595	(690,595)	-
Balance at 31 March 2017	89	(12,074,299)	10,819,316	(1,254,894)
(Deficit) for the year	-	(27,584)	-	(27,584)
Actuarial gain in respect of pension scheme	-	579,000	-	579,000
Fair value gain on financial liabilities	-	2,630,807	-	2,630,807
Redeemed share capital	(4)	-	-	(4)
Transfer in year	-	230,202	(230,202)	-
Balance at 31 March 2018	85	(8,661,874)	10,589,114	1,927,325

Association Statement of Changes in Reserves

	Share capital	Income and expenditure reserve	Revaluation reserve	Total
	£	£	£	£
Balance at 1 April 2016	101	(12,119,014)	11,509,911	(609,002)
(Deficit) for the year	-	(80,058)	-	(80,058)
Actuarial loss in respect of pension scheme	-	(925,000)	-	(925,000)
Fair value loss on financial liabilities	-	(289,512)	-	(289,512)
Issued share capital	3	-	-	3
Redeemed share capital	(15)	-	-	(15)
Transfer in year	-	690,595	(690,595)	-
Balance at 31 March 2017	89	(12,722,989)	10,819,316	(1,903,584)
Deficit for the year	-	(124,177)	-	(124,177)
Actuarial gain in respect of pension scheme	-	579,000	-	579,000
Fair value gain on financial liabilities	-	2,630,807	-	2,630,807
Redeemed share capital	(4)	-	-	(4)
Transfer in year	-	230,202	(230,202)	-
Balance at 31 March 2018	85	(9,407,157)	10,589,114	1,182,042

Group Statement of Cash Flows for the year ended 31 March 2018

	Notes	2018 £	2017 £
Operating activities			
Cash generated from operating activities	A	4,657,849	4,927,707
Income taxes paid		(8,960)	(27,181)
Net cash generated from operating activities		4,648,889	4,900,526
Cash flow used in investing activities			
Purchase of tangible and intangible fixed assets	11, 13, 14	(3,314,412)	(2,799,230)
Proceeds from sale of tangible fixed assets	12	183,325	640,922
Grants received		1,201,389	-
Interest received	8	2,605	2,553
Net cash used in investing activities		(1,927,093)	(2,155,755)
Cash flow used in financing activities			
Interest paid		(2,554,369)	(2,498,385)
Net cash used in financing activities		(2,554,369)	(2,498,385)
Net increase/(decrease) in cash and cash equivalents		167,427	246,386
Cash and cash equivalents at beginning of year		3,317,252	3,070,866
Cash and cash equivalents at end of year		3,484,679	3,317,252

Group Statement of Cash Flows

A. Reconciliation of surplus to net cash generated from operations

		2018	2017
	Notes	£	£
Surplus for the year		(27,584)	238,826
Adjustments for non-cash items:			
Depreciation of fixed assets		2,286,349	2,309,879
Amortisation of intangible fixed assets		64,636	65,147
Fair value gains on investment properties		(59,000)	(280,000)
Movement in defined benefit pension		353,000	(135,000)
Impairment losses on fixed assets		-	214,311
Gain on disposal of tangible fixed assets	12a	(9,702)	(37,289)
Loss on disposal of other fixed assets	14a	-	21,225
Interest payable	8	2,660,883	2,505,023
Interest receivable	9	(2,605)	(2,553)
Taxation	10a	(8,435)	32,021
Deferred income amortisation	21	(513,034)	(524,576)
Operating cash flows before movements in working capital		4,744,508	4,407,014
Share capital (net receipts)		(4)	(12)
Decrease/(increase) in trade and other debtors		131,437	(165,540)
(Decrease)/increase in trade and other creditors		(218,092)	739,873
(Decrease) in other provisions		-	(53,628)
Cash generated from operations		4,657,849	4,927,707

Association Statement of Cash Flows for the year ended 31 March 2018

		2018	2017
	Notes	£	£
Net cash generated from operating activities	B	4,537,352	4,842,323
Income taxes paid		(8,147)	-
Net cash generated from operating activities		4,529,205	4,842,323
Proceeds from sale of tangible fixed assets	12b	78,325	640,922
Grants received		1,201,389	-
Interest received	9	119,683	121,451
Loan repayment		105,000	
Net cash used in investing activities		(1,810,015)	(2,036,858)
Cash flow used in financing activities			
Interest paid		(2,554,369)	(2,498,385)
New secured loans			-
Net cash used in financing activities		(2,554,369)	(2,498,385)
Net increase/(decrease) in cash and cash equivalents		164,821	307,080
Cash and cash equivalents at beginning of year		3,199,552	2,892,472
Cash and cash equivalents at end of year		3,364,373	3,199,552

Association Statement of Cash Flows

B. Reconciliation of surplus to net cash generated from operations

	Notes	2018 £	2017 £
Surplus for the year		(124,177)	(80,058)
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		2,285,072	2,373,495
Amortisation of intangible fixed assets		64,636	65,147
Revaluation and impairment of fixed assets		10,000	214,311
Movement in defined benefit pension		353,000	(135,000)
(Gain) on disposal of tangible fixed assets	12b	(32,417)	(37,289)
Loss on disposal of other fixed assets	14a	1,859	21,225
Interest receivable	9	(119,683)	(121,451)
Interest payable	8	2,660,883	2,505,023
Taxation	10	9,654	-
Deferred income amortisation	21	(513,034)	(524,576)
Operating cash flows before movements in working capital		4,595,793	4,280,827
Share capital (net receipts)		(4)	(12)
Increase/(decrease) in trade and other debtors		141,295	(57,981)
(Decrease)/increase in trade and other creditors		(199,732)	673,117
(Decrease) in provisions		-	(53,628)
Cash generated from operations		4,537,352	4,842,323

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 FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS102"), 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 (£). Monetary amounts in these financial statements are rounded to the nearest £.

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.

Basis of consolidation

The accounts consolidate the results and net assets of the Association's wholly owned subsidiary company, PACT Enterprises Limited (a company limited by shares and registered in Scotland – company number SC375254), using acquisition accounting. Profits or losses on intra-group transactions and intra-group balances are both eliminated in full.

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.

The Board did review and approve the financial aspects of the Business Plan in May 2017 and noted that the interest cover loan covenant was close to the original agreed limit in the short term. After discussion with the bank, a revised covenant has been agreed in this area.

After 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

Notes to the Financial Statements

1. Accounting Policies (continued...)

future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

The Group has a number of means of ensuring that it continues to have adequate resources to continue operations, including but not limited to: flexibility in the phasing of planned maintenance, the financing structure of the group, and being able to adapt the proposed development plan. The Board have agreed to monitor the covenant position and terms relating to the revised covenant closely.

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:

- Useful lives of Housing Property – see Depreciation and Impairment;
- Components of Housing Properties – see Depreciation and Impairment;
- The measurement of the recoverable amount of assets for impairment reviews – see Depreciation and Impairment;
- Recoverable amount of rent arrears and other debtors – see Financial Instruments; and
- Amortisation of Government Grants – see Government Grants.

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 became deemed cost at that date. The revaluation reserve relating to this revaluation is being amortised over 50 years.

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.

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.

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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

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.

Social Housing Grant (SHG) 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.

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 recognise Stage 3 Medical Adaptations Social Housing Grants (SHG) in the income and expenditure account as the performance conditions are met 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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

Capitalisation Policy

The Association capitalises all assets over £500, these could be depreciated at various rates as outlined in these policies.

Other tangible fixed assets

Tangible fixed assets are initially measured at cost and are subsequently 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 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.

Intangible fixed assets (other than goodwill)

Intangible fixed assets are initially measured at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible fixed assets are amortised to profit or loss on a straight-line basis over their useful lives as follows:

Computer software	20%
-------------------	-----

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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

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.

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 its charitable activities.

The tax expense represents the sum of the current tax expense and deferred tax expense relating to the non-charitable activities. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

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.

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 total at the end of each year is included within creditors.

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.

Pension 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; and
- The difference between the interest income on the plan assets and the actual return on the plan assets.

Notes to the Financial Statements

1. Accounting Policies (continued...)

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. FRS 102 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.

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.

Notes to the Financial Statements

1. Accounting Policies (continued...)

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.

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

			2018	2017
		Turnover	Operating Costs	Operating Surplus
		£	£	£
Affordable lettings/activities	(Note 3)	11,683,286	9,308,127	2,375,159
Other activities	(Note 4a)	297,798	129,400	168,398
Total		11,981,084	9,437,527	2,543,557
Total 2016/17		12,027,171	9,480,143	2,547,028

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

			2018	2017
		Turnover	Operating Costs	Operating Surplus/Deficit
		£	£	£
Affordable lettings/activities	(Note 3)	11,683,286	9,308,127	2,375,159
Other activities	(Note 4b)	65,016	45,916	19,100
Total		11,748,302	9,354,043	2,394,259
Total 2016/17		11,791,994	9,434,769	2,357,225

Notes to the Financial Statements

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

	General needs	Shared ownership housing	2018	2017
	£	£	£	£
Rent receivable net of service charges	11,140,507	11,290	11,151,797	10,878,617
Service charges receivable	92,590	3,020	95,610	100,437
Gross income from rents and service charges	11,233,097	14,310	11,247,407	10,979,054
Less rent losses from voids	(165,542)	-	(165,542)	(141,480)
Net income from rents and service charges	11,067,555	14,310	11,081,865	10,837,574
Grants released from deferred income	513,034	-	513,034	524,576
Grants from the Scottish Ministers	88,387	-	88,387	238,067
Other revenue grants	-	-	-	-
Total turnover from social letting activities	11,668,976	14,310	11,683,286	11,600,217
Management and maintenance administration costs	3,775,784	7,827	3,783,611	4,062,588
Service costs	80,125	-	80,125	79,073
Planned and cyclical maintenance including major repair costs	857,314	-	857,314	925,150
Reactive maintenance costs	2,071,523	-	2,071,523	1,736,238
Bad debts – rent and service charges	204,911	-	204,911	83,712
Depreciation of affordable let properties	2,310,643	-	2,310,643	2,178,875
Operating costs for social letting activities	9,300,300	7,827	9,308,127	9,065,636
Operating surplus from social lettings	2,368,676	6,483	2,375,159	
Operating surplus from social lettings for previous year	2,520,763	13,818		2,534,581

Notes to the Financial Statements

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

								2018	2017
	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus (deficit)	Operating surplus (deficit)
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	12,145	(12,145)	(12,145)
Investment property activities	-	-	-	14,500	14,500	-	-	14,500	11,675
Factoring	-	-	-	16,558	16,558	-	23,772	(7,214)	5,002
Contracted out activities for registered social landlords	-	-	-	20,251	20,251	-	-	20,251	23,938
Other agency/management services - PACT	-	-	-	232,782	232,782	-	93,483	139,297	189,803
Office land and buildings impairment	-	-	-	-	-	-	-	-	(214,313)
Other activities	-	-	-	13,707	13,707	-	-	13,707	8,487
Total from other activities	-	-	-	297,798	297,798	-	129,400	168,398	-
Total from other activities - previous year	-	-	-	426,954	426,954	-	414,507	-	12,447

Notes to the Financial Statements

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

								2018	2017
	Grants from Scottish Ministers	Other revenue grants	Supporting People income	Other income	Total turnover	Operating costs – bad debts	Other operating costs	Operating surplus / (deficit)	Operating surplus / (deficit)
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	12,145	(12,145)	(12,145)
Investment property activities	-	-	-	14,500	14,500	-	-	14,500	11,675
Factoring	-	-	-	16,558	16,558	-	23,772	(7,214)	5,002
Contracted out activities for registered social landlords	-	-	-	20,251	20,251	-	-	20,251	23,938
Office land and buildings impairment	-	-	-	-	-	-	10,000	(10,000)	(214,313)
Other activities	-	-	-	13,707	13,707	-	-	13,707	8,487
Total from other activities	-	-	-	65,016	65,016	-	45,917	19,099	(177,356)
Total from other activities - previous year	-	-	-	191,777	191,777	-	369,133	-	-

Notes to the Financial Statements

5. Employee information

The average monthly number of persons, including key management personnel, employed during the period (Full-time Equivalent) was:	Group		Association	
	2018	2017	2018	2017
Office	47.6	42.9	47.6	42.9
Maintenance services	12.0	18.1	12.0	18.1
Total	59.6	61.0	59.6	61.0
	£	£	£	£
Office				
Wages and salaries	1,564,114	1,293,494	1,564,114	1,293,494
Redundancy costs	13,952	38,892	13,952	38,892
Social security costs	150,705	129,989	150,705	129,989
Pension costs (Note 26)	353,713	288,664	353,713	288,664
Adjustment to past/current service costs	202,591	29,389	202,591	29,389
Temporary employee costs	140,534	240,323	140,534	240,323
Sub-total	2,425,609	2,020,751	2,425,609	2,020,751
Maintenance				
Wages and salaries	366,870	621,518	366,870	621,518
Redundancy costs	-	6,456	-	6,456
Social security costs	35,078	62,554	35,078	62,554
Pension costs (note 26)	91,503	143,516	91,503	143,516
Adjustment to past/current service costs	52,409	14,611	52,409	14,611
Temporary employee costs	38,149	56,123	38,149	56,123
Sub-total	584,009	904,778	584,009	904,778
Total				
Wages and salaries	1,930,984	1,914,922	1,930,984	1,914,922
Redundancy costs	13,952	45,438	13,952	45,438
Social security costs	185,783	192,543	185,783	192,543
Pension costs (note 26)	445,216	432,180	445,216	432,180
Adjustment to past/current service costs	255,000	44,000	255,000	44,000
Temporary employee costs	178,683	296,446	178,683	296,446
Total employee costs	3,009,618	2,925,529	3,009,618	2,925,529

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:

	2018	2017
	Number	Number
£60,000 - £70,000	3	2
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1
£90,001 - £100,000	-	-
£100,000 - £110,000	-	-
	4	3
	£	£
Aggregate emoluments for the above key management personnel (excluding pension contributions)	288,954	219,662
The emoluments of the Chief Executive (excluding pension contributions)	89,162	87,278
Pension Contributions of the Chief Executive	19,843	19,378
Aggregate pension contributions in relation to the above key management personnel	63,598	48,179

Total expenses paid to Board members during the year was £746 (2017 - £623).

Notes to the Financial Statements

7. Operating surplus

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Operating surplus is stated after charging:				
Depreciation of housing properties (note 11)	2,195,659	2,178,875	2,195,659	2,178,875
Depreciation of other assets (note 14)	90,690	131,004	89,413	129,472
Amortisation of intangible assets (note 13a)	64,636	65,147	64,636	65,147
Auditor's remuneration in their capacity as auditors	32,523	18,848	27,903	12,732
Auditor's remuneration in respect of other services	8,945	13,430	7,835	13,430
Operating lease rentals	209,148	316,529	209,148	316,529

8. Interest payable and similar charges

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Interest arising on:				
Long term bank loan	2,562,883	2,505,023	2,562,883	2,505,023
Other interest payable	98,000	-	98,000	-
Total	2,660,883	2,505,023	2,660,883	2,505,023

9. Interest receivable and other income

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Interest arising on:				
Group interest	-	-	117,078	118,898
Other interest receivable	2,605	2,553	2,605	2,553
Total	2,605	2,553	119,683	121,451

Notes to the Financial Statements

10a. Taxation - Group

Tax on surplus on ordinary activities

	2018	2017
	£	£
Analysis of charge in period		
Current Tax		
UK Corporation tax	(9,653)	(16,094)
Total current tax charge	(9,653)	(16,094)
Deferred Tax		
Timing differences, origination and reversal (note 21)	18,088	(15,927)
Tax on profit on ordinary activities	8,435	(32,021)

	2018	2017
	£	£
Reconciliation of tax charge		
Surplus for the year before taxation	(36,019)	270,847
Tax on surplus at standard rate of corporation tax of 19%	(6,844)	54,170
Association deficit/(surplus) not subject to tax	23,266	16,012
Income not subject to tax	(13,110)	(56,000)
Chargeable gains	(20,216)	22,045
Other items not allowable for taxation	(1,806)	1,912
Adjustments in respect of previous periods	8,147	-
Adjustments for different rates of taxation on deferred tax	2,128	(6,118)
Tax charge for the year	(8,435)	32,021

Notes to the Financial Statements

10b. Taxation - Association

Tax on surplus on ordinary activities

	2018	2017
	£	£
Analysis of charge in period		
Current Tax		
UK Corporation tax	(9,653)	-
Total current tax charge	(9,653)	-
Deferred Tax		
Timing differences, origination and reversal (note 21)	-	-
Tax on profit on ordinary activities	(9,653)	-

	2018	2017
	£	£
Reconciliation of tax charge		
Surplus for the year before taxation	(114,524)	(80,058)
Tax on surplus at standard rate of corporation tax of 19%	(21,760)	(15,211)
Association deficit/(surplus) not subject to tax	23,266	15,211
Income not subject to tax	-	-
Chargeable gains	-	-
Other items not allowable for taxation	-	-
Adjustments in respect of previous periods	8,147	-
Adjustments for different rates of taxation on deferred tax	-	-
Tax charge for the year	9,653	-

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 valuation				
At 1 April 2017	98,369,776	609,979	273,145	99,252,900
Additions	1,290,889	2,000,475	-	3,291,364
Disposals	(372,190)	-	-	(372,190)
Impairment	-	-	-	-
As at 31 March 2018	99,288,475	2,610,454	273,145	102,172,074
Depreciation				
As at 1 April 2017	(21,128,303)	-	(73,261)	(21,201,564)
Depreciation charged in year	(2,190,582)	-	(5,077)	(2,195,659)
Disposals	213,738	-	-	213,738
As at 31 March 2018	(23,105,147)	-	(78,338)	(23,183,485)
Net Book Value as at 31 March 2018	76,183,328	2,610,454	194,807	78,988,589
Net Book Value as at 31 March 2017	77,241,473	609,979	199,884	78,051,336

Major repairs in the year amounted to £2,148,203 (2017: £2,811,656). Of the total, £1,290,889 (2017: £2,463,084) was capitalised and related to the replacement of components with enhancements of £nil (2017: £nil). The remaining £857,314 (2017: £348,572) was charged to the Statement Of Comprehensive Income.

The total cost of land included above is £17,249,831 (2017: £17,249,831).

12a. Gain on disposal of assets - Group

	Right to Buy Sales	Other fixed assets	Investment properties	Housing properties	Total 2018	Total 2017
	£	£	£	£	£	£
Proceeds	72,800	5,525	105,000	-	183,325	654,850
Expenses	(1,200)	-	(3,085)	-	(4,285)	(10,089)
Cost of sale	(43,467)	(1,220)	(124,630)	-	(169,317)	(338,649)
Abortive costs	(21)	-	-	-	(21)	(3,838)
Disposals	-	-	-	-	-	(264,985)
Gain on disposal of assets	28,112	4,305	(22,715)	-	9,702	37,289

Notes to the Financial Statements

12b. Gain on disposal of assets - Association

	Right to Buy Sales	Other fixed assets	Investment Properties	Housing properties	Total 2018	Total 2017
	£	£	£	£	£	£
Proceeds	72,800	5,525	-	-	78,325	654,850
Expenses	(1,200)	-	-	-	(1,200)	(10,089)
Cost of sale	(43,467)	(1,220)	-	-	(44,687)	(338,649)
Abortive costs	(21)	-	-	-	(21)	(3,838)
Disposals	-	-	-	-	-	(264,985)
Gain on disposal of assets	28,112	4,305	-	-	32,417	37,289

13a. Intangible fixed assets - Group and Association

	Total
	£
Cost	
As at 1 April 2017	675,523
Additions	12,060
Disposals	(62,390)
As at 31 March 2018	625,193
Amortisation	
As at 1 April 2017	467,338
Charge for year	64,636
Disposals	(62,390)
As at 31 March 2018	469,584
Net Book Value as at 31 March 2018	155,609
Net Book Value as at 31 March 2017	208,185

13b. Fixed asset investments in Subsidiary - Association only

	2018	2017
	£	£
Cost		
PACT Enterprises Limited	1	1

Notes to the Financial Statements

13b. Fixed asset investments in Subsidiary - Association only (continued..)

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.

13c. Fixed assets - investment properties - Group

	Investment properties	Shared equity	Commercial property	Total
	£	£	£	£
As at 1 April 2017	4,524,000	19,792	130,000	4,673,792
Additions	-	-	-	-
Revaluation	69,000	-	(10,000)	59,000
Transferred from current assets	-	-	-	-
Disposals	(115,000)	(19,792)	-	(134,792)
As at 31 March 2018	4,478,000	-	120,000	4,598,000
As at 31 March 2017	4,524,000	19,792	130,000	4,673,792

A desktop valuation was carried out by Shepherds, an external valuer, of the investment and commercial properties as at 31 March 2018. The basis of the valuation is Open-Market Value with the assumption of vacant possession.

Notes to the Financial Statements

13d. Fixed assets - investment properties – Association

	Commercial Property
	£
As at 1 April 2017	130,000
Additions	-
Revaluation	(10,000)
Transferred from current assets	-
Disposals	-
As at 31 March 2018	120,000
As at 31 March 2017	130,000

A desktop valuation was carried out by Shepherds, an external valuer, as at 20 May 2018. The basis of the valuation is Open-Market Value with the assumption of vacant possession.

Notes to the Financial Statements

14a. Tangible fixed assets - other - Group

	Eco House	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost or valuation							
As at 1 April 2017	40,030	52,202	675,000	253,518	168,419	351,200	1,540,369
Additions	-	-	-	8,757	2,231	-	10,988
Disposals	-	(52,202)	-	-	(4,235)	(71,498)	(127,935)
As at 31 March 2018	40,030	-	675,000	262,275	166,415	279,702	1,423,422
Depreciation							
As at 1 April 2017	6,805	52,202	-	181,297	62,948	303,960	607,212
Charge for year	801	-	-	35,499	7,150	47,240	90,690
Disposals	-	(52,202)	-	-	(2,376)	(71,498)	(126,076)
As at 31 March 2018	7,606	-	-	216,796	67,722	279,702	571,826
Net Book Value as at 31 March 2018	32,424	-	675,000	45,479	98,693	-	851,596
Net Book Value as at 31 March 2017	33,225	-	675,000	72,221	105,471	47,240	933,157

In May 2018, Shepherd's, an external valuer, valued the Group's offices at Pitreavie Court at £675,000 on a market value basis. If the property had not been revalued it would have been included at a net book value of £819,704 (2017: £842,699).

Notes to the Financial Statements

14b. Tangible fixed assets - other – Association

	Eco House	Tenant Improvements	Office land and buildings	Computer Hardware	Furniture and fittings	Vehicles	Total
	£	£	£	£	£	£	£
Cost							
As at 1 April 2017	40,030	52,202	675,000	253,518	160,489	351,200	1,532,439
Additions	-	-	-	8,757	2,231	-	10,988
Disposals	-	(52,202)	-	-	(4,235)	(71,498)	(127,935)
As at 31 March 2018	40,030	-	675,000	262,275	158,485	279,702	1,415,492
Depreciation							
As at 1 April 2017	6,805	52,202	-	181,297	57,088	303,960	601,352
Charge for year	801	-	-	35,499	5,873	47,240	89,413
Disposals	-	(52,202)	-	-	(2,376)	(71,498)	(126,076)
As at 31 March 2018	7,606	-	-	216,796	60,585	279,702	564,689
Net Book Value as at 31 March 2018	32,424	-	675,000	45,479	97,900	-	850,803
Net Book Value as at 31 March 2017	33,225	-	675,000	72,221	103,401	47,240	931,087

On 31 March 2018, Shepherds, an external valuer, valued the Association's offices at Pitreavie Court at £675,000 on a market value basis. If the property had not been revalued it would have been included at a net book value of £819,704 (2017: £842,699).

Notes to the Financial Statements

15. Housing Stock

	Group		Association	
	2018	2017	2018	2017
Opening stock	2,526	2,544	2,476	2,489
Units sold during year	(3)	(18)	(2)	(18)
Closing stock	2,523	2,526	2,474	2,476
Split:				
Wholly-owned and managed	2,503	2,506	2,454	2,456
Shared ownership units	5	5	5	5
Units managed but not owned	15	15	15	15
Total Units	2,523	2,526	2,474	2,476

16a. Debtors

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due within one year:				
Rent and service charge receivable	644,819	668,625	632,958	665,280
Less: Bad debt provision -rent	(348,256)	(429,796)	(342,180)	(429,796)
Net rental debtors	296,563	238,829	290,778	235,484
Prepayments and accrued income	246,533	389,053	246,533	389,053
Intercompany debtors	-	-	9,064	6,345
Other debtors	420,656	499,055	409,086	497,622
Less: Bad debt provision – non-rent	(283,508)	(265,916)	(283,508)	(265,916)
Corporation tax receivable	813	-	-	-
Stock	43,045	-	43,045	-
Grants receivable	21,317	194,905	21,317	194,905
Total	745,419	1,055,926	736,315	1,057,493

16b. Debtors

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Amounts falling due after more than one year:				
Intercompany loan to Subsidiary	-	-	3,795,000	3,900,000
Total	-	-	3,795,000	3,900,000

The Intercompany loan is an approved facility of £3.9million of which £3.9million has been drawn down and £105k repaid during the year. The loan is fully repayable by March 2047. Interest is charged at LIBOR plus 2.5%.

Notes to the Financial Statements

17. Creditors: Amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Loan interest payable	316,339	307,825	316,339	307,825
Accruals and deferred income	181,290	342,046	174,250	323,051
Holiday pay	53,972	67,738	53,972	67,738
Rent in advance	475,949	538,452	475,949	538,452
Trade creditors	622,119	832,255	614,757	826,449
Taxation and social security	46,901	83,962	46,901	67,868
Corporation tax	1,507	-	1,507	-
Intercompany creditors	-	-	36	-
Other creditors	430,166	187,517	425,056	181,638
Deferred capital grants (note 21)	533,465	524,576	533,465	524,576
Total	2,661,708	2,884,371	2,642,232	2,837,597

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	
	2018	2017	2018	2017
	£	£	£	£
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 financial instruments	17,177,320	19,808,127	17,177,320	19,808,127
Deferred capital grant (note 21)	23,814,709	23,315,126	23,814,709	23,315,126
Total	80,769,417	82,900,641	80,769,417	82,900,641

Notes to the Financial Statements

19. Financial Instruments

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	433,711	105,128	4,220,420	4,008,128
Carrying amount of financial liabilities				
Derivatives held at fair value	17,177,320	17,177,320	19,808,127	19,808,127
Financial liabilities held at amortised cost	41,307,826	41,307,826	41,416,351	41,416,351

20. Analysis of duration of loans

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

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
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

21. Deferred capital grant

	Group		Association	
	2018	2017	2018	2017
	£	£	£	£
As at 1 April 2017	23,839,702	24,263,974	23,839,702	24,263,974
Grant received in the year	1,021,506	173,444	1,021,506	173,444
Capital grant written off on disposal	-	(73,140)	-	(73,140)
Capital grant released in the year	(513,034)	(524,576)	(513,034)	(524,576)
At 31 March 2018	24,348,174	23,839,702	24,348,174	23,839,702
Amounts to be released within one year	533,465	524,576	533,465	524,576
Amounts to be released in more than one year	23,814,709	23,315,126	23,814,709	23,315,126
Total	24,348,174	23,839,702	24,348,174	23,839,702

Notes to the Financial Statements

22. Provisions - Group

	Deferred Tax
	£
As at 1 April 2017	66,530
Utilised in the year	(18,088)
Additional provision in the year	-
Transferred to creditors in the year	-
As at 31 March 2018	48,442

23. Called up share capital - Group and Association

	2018	2017
	£	£
Allotted, issued and fully paid at 1 April 2017	89	101
Issued in period	4	3
Redeemed in period	(8)	(15)
At 31 March 2018	85	89

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.

24. Capital Commitments - Group and Association

At 31 March 2018 commitments outstanding were as follows:

	Group		Association	
	2018	2017	2018	2017
Authorised and contracted for	£	£	£	£
Planned maintenance	-	215,042	-	215,042
Developments	500,320	2,414,046	500,320	2,414,046
Total authorised and contracted for	500,320	2,629,088	500,320	2,629,088

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

Notes to the Financial Statements

24. Capital Commitments - Group and Association (continued...)

Capital commitments post balance sheet date were as follows:

	Group		Association	
	2018	2017	2018	2017
Authorised and contracted for	£	£	£	£
ICT Project	647,736	-	647,736	-

25. Lease obligations - Group and Association

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

	2018		2017	
	Land and buildings	Other operating leases	Land and buildings	Other operating leases
	£	£	£	£
Lease obligations:				
Within one year	192,042	17,106	130,683	149,748
Between one and five years	148,813	18,159	366,731	7,634
After five years	48,764	302	46,244	-
Total lease obligations	389,620	35,567	543,658	157,382

26. 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 FRS102, section 28. The pension contributions for the period were £445,216 (2017 - £432,180).

The fund is actuarially valued on a triennial basis with the most recent being at 31 March 2017. 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 statement of financial position this year. The change in market conditions has led to a higher discount rate. The real discount rate in 2018 was 2.7% compared to 2.6% as at 31 March 2017. A higher real discount rate leads to a lower value being placed on the liabilities and asset returns have been lower than expected.

The actuary-recommended employer's contribution rates remain at 23.3% of employees' pensionable payments for the year to 31 March 2018.

Notes to the Financial Statements

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

Assumptions

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31 March 2018 for FRS102, section 28 purposes were:

Valuations

	2018	2017	2016	2015	2014	2013	2012
	%	%	%	%	%	%	%
Main assumptions							
Discount rate	2.7	2.6	3.5	3.2	4.3	4.5	4.8
Consumer Price / Retail Price Inflation	1.0	1.0	2.2	2.4	2.8	2.8	2.5
Rate of increase - pensions in payment	2.4	2.4	2.2	2.4	2.8	2.8	2.5
Salary increases*	2.9	2.82	3.3	3.3	5.1	5.1	4.8

* Salary increases are assumed to be 1% until 31 March 2018 and reverting to the long-term assumption thereafter.

The expected rate of return and the assets in the scheme at 31 March 2018 were:

	2018		2017	
	Long term rate of return	% split of assets	Long term rate of return	% split of assets
Equities	3.5	72%	3.5	72%
Bonds	3.5	14%	3.5	15%
Property	3.5	9%	3.5	8%
Cash	3.5	5%	3.5	5%

The above asset values at 31 March 2018 are at bid value as required under FRS102, Section 28.

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	21.2 years	23.8 years
Future pensioners	22.6 years	25.8 years

Notes to the Financial Statements

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

Statement of Financial Position

	31 March 2018	31 March 2017
	£'000	£'000
Fair Value of Employer Assets	13,664	13,308
Present Value of Funded Liabilities	(17,081)	(16,951)
Net liability	(3,417)	(3,643)

Analysis of the amount charged to operating surplus

	2018	2017
	£'000	£'000
Current service cost	702	464
Past service cost	-	12
Total operating charge	702	476

Analysis of the amount debited to other finance costs

	2018	2017
	£'000	£'000
Expected return on pension scheme assets	(348)	(379)
Interest on pension scheme liabilities	446	470
Net return	98	91

Notes to the Financial Statements

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

Reconciliation of defined benefit obligation

	31 March 2018	31 March 2017
	£'000	£'000
Opening defined benefit obligation	16,951	13,294
Current service cost	702	464
Interest cost	446	470
Contributions by members	124	117
Actuarial (losses)/gains	(736)	2,881
Past service costs	-	12
Impact of settlements and curtailments	-	-
Estimated benefits paid	(406)	(287)
Closing defined benefit obligation	17,081	16,951

Reconciliation of fair value of employer assets

	31 March 2018	31 March 2017
	£'000	£'000
Opening fair value of employer assets	13,308	10,711
Expected return on assets	348	379
Contributions by members	124	117
Contributions by employer	447	432
Actuarial (losses)/gains	(157)	1,956
Benefits paid	(406)	(287)
Closing fair value of employer assets	13,664	13,308

Amount recognised in Statement of Comprehensive Income

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	(157)	1,956	(330)	442	128
Change in assumptions underlying the present value of scheme liabilities	736	(2,881)	1,413	(481)	(646)
Actuarial gains/(losses)	579	(925)	1,083	(39)	(518)
Increase/decrease in irrecoverable surplus from membership fall and other factors	-	-	-	-	-
Actuarial gains/(losses) recognised in OCI	579	(925)	1,083	(39)	(518)
Cumulative actuarial losses	(2,701)	(3,280)	(2,355)	(3,438)	(3,399)

Notes to the Financial Statements

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

History of gains and losses

	2018	2017	2016	2015	2014
	£	£	£	£	£
Fair value of employer assets	13,664	13,308	10,711	10,371	9,085
Present value of defined benefit obligations	(17,081)	(16,951)	(13,294)	(13,815)	(12,412)
Deficit	(3,417)	(3,643)	(2,583)	(3,444)	(3,327)
Experience gains/(losses) on assets	(157)	1,956	(330)	442	128
Experience losses/(gains) on liabilities	220	0	132	(253)	3

27. Related parties - Group and Association

The tenant who sits on the Board of Management has entered into a tenancy 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 tenant Board of Management members' rent account was in credit of £584 at the year-end 31 March 2018.

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. Nicola Donaldson and Susan Bramley are directors of PACT Enterprises Limited and are employed under a standard contract of employment as Executive Officers within Fife Housing Association.

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 £3,900,000 and repaid £105,000. Interest is charged at LIBOR plus 2.5% margin. £3,795,000 remains outstanding at 31 March 2018

A Service Level Agreement exists between Fife Housing Association and PACT Enterprises Limited dated May 2017.

Fife Housing Association has levied fees for the following amounts to PACT Enterprises during the period 1 April 2017 to 31 March 2018:

	2018	2017
	£	£
Colleague and overhead costs for services provided to PACT Enterprises Limited	31,936	19,880
Repairs carried out by Fife HA on behalf of PACT Enterprises Limited	21,656	28,086
Interest receivable on intercompany loan	117,078	118,898

The balance outstanding from PACT Enterprises at 31 March 2018 was £9,027 (2017 - £6,345). This figure is net of £36 due from Fife Housing Association to PACT. Payments totalling £167,952 (2017 - £278,096) towards the balance outstanding at 31 March 2017 were made during the year.

