

FORTH HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012

Register of the Industrial and Provident Societies No. 2268 RS

Registered Housing Association No. HAL 110

Registered Charity No. SC 003550

French Duncan LLP
Chartered Accountants & Statutory Auditor
375 West George Street
Glasgow
G2 4LW

FORTH HOUSING ASSOCIATION LIMITED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**

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MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Committee of Management

Gordon Mason	(Chairperson)
Thomas Bell	(Vice Chair)
John Fyfe	(Secretary)
Clark Davidson	(Treasurer)
Linda Mason	
Audrey Anderson	
Harry Deerin	
Neil MacLeod	
David Cumming	
Patrick Heneghan	
Philip Sim	
Stephen Harland	
Iain Mclean	
Margaret Turner	
Cllr Jim Thomson	Stirling Council Attendee
Gerry McLaughlin	Joined 08/09/11

Executive Officers

John Cameron	(Director)
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Registered Office

4th Floor Wallace House
17-21 Maxwell Place
Stirling
FK8 1JU

Auditor

French Duncan LLP
Chartered Accountants & Statutory Auditor
375 West George Street
Glasgow
G2 4LW

Finance Agent

FMD Financial Services Ltd
KCEDG Commercial Centre
Unit 29
Ladyloan Place
Glasgow
G15 8LB

Bankers

Clydesdale Bank plc
Suite 2
Ochil House
Springkerse Business Park
Stirling
FK7 7XE

Solicitors

T C Young LLP
30 George Square
Glasgow
G2 1LH

REPORT OF THE MANAGEMENT COMMITTEE**FOR THE YEAR ENDED 31 MARCH 2012**

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

Structure, governance and management**Charitable status and constitution**

The Association is a registered Scottish charity, reference number SC003550 and a registered company under the provision of the Industrial and Provident Societies Acts 1965 to 1978, registered number 2268 RS. The Association is governed by its rules which were last updated in September 2011.

The Management Committee and Executive Officers

The Management Committee and Executive Officers of the Association are listed on page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officer of the Association holds no interest in the Association's share capital and acts as an executive within the authority delegated by the Committee.

Governance

The Management Committee meets at monthly intervals during the year to review and consider the principal operational, strategic and risk matters arising in connection with the Association's affairs.

Each monthly meeting focuses on a particular aspect of the Association's business and obtains comprehensive monitoring reports relating to this function. This allows close monitoring of performance against our key performance targets and benchmarking information for similar landlords.

In addition each meeting also reviews a number of policies to ensure that each policy statement is reviewed at least every three years. These reviews consider existing operations, legislation and good practice guidance.

The Management Committee meetings also consider significant strategic and operational matters as and when required. Although this may involve additional focus meetings and/or issues being considered by small focus groups, final decision making is retained by the full committee.

Objectives and activities

The principal activity of the Association is the provision of affordable rented accommodation and low cost home ownership for those in greatest need. The Association has set the following strategic objectives which are reviewed on an annual basis as part of the internal management planning process.

- To strive to meet the recognised Performance Standards for Social Landlords and to establish the necessary internal monitoring procedures.
- To provide sensitive management of properties to the highest possible standards.
- To allocate houses by implementing a clear, impartial and comprehensive system of processing all requests for tenancy from whatever source.
- To facilitate tenant participation by ensuring tenants have the opportunity to influence decisions and take part in matters which affect the quality of their lives.
- To provide housing which focuses on tenant comfort and security, low running costs, high thermal insulation, low maintenance costs, barrier free environment and environmental sustainability.
- To ensure financial viability by making the best use of resources in all the Association's activities whilst ensuring risk management principals are adhered to.
- To demonstrate commitment to community development through wider role activity.
- To ensure that staff, Committee members and tenants have the opportunity to undertake the type and level of development which support the achievement of the aims and objectives of the Association.

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2012

Achievements, performance and financial review

An updated Internal Management Plan was adopted with effect from 1 April 2011. This plan outlines the strategic and operational ambitions of the associations and outlined SMART objectives and targets. These formed the basis for monitoring and reporting during the period.

The Association's financial performance remains subject to close scrutiny by Management Committee on a quarterly basis and before any major capital expenditure, through new housing development, is undertaken.

The organisation has the use of modern office facilities with a full suite of modern IT facilities. These are well suited to current working practices and have been secured on a long lease with a competitive rental.

Strategic co-operation with Stirling Council and Raploch Urban Regeneration Company remain a priority for the Association. During the year 42 new homes at Fallin were completed within budget and ahead of program. Two further projects were granted funding approval via the Scottish Governments Innovation & Investment Funding process. These will involve the construction of 16 new homes for rent in Raploch and 15 homes for rent along with 14 homes for Shared Equity sale in Dunblane.

The Association continues to have a low level of engagement with the Scottish Housing Regulator, which reflects the good performance against KPIs.

Collaboration with Rural Stirling and Ochil View Housing Associations continues via the Strath For Housing Alliance. This is a non constituted collaboration through which the three organisations are progressing closer working relationships and seeking to identify service improvements and/or economies of operation which can be achieved without losing local autonomy. Specific collaborations throughout the year included the adoption of a Shared Design Guide, shared procurement of gas safety services and comprehensive benchmarking of costs and performance.

External consultants continue to be utilized as required, to provide specialist advice and assistance to the Management Committee.

Plans for future periods

The downturn in the general economy and cuts in public funding will have an effect on the Association's future plans. The most obvious of these is that the previously envisaged growth in the Association's housing stock will not proceed as quickly as planned. The Affordable Housing Investment Programme is much reduced and Forth has joined with Stirling Council and other associations to agree a revised strategy for new affordable rented homes. This reduction in the development programme will have no detrimental effect on the projected financial security of the Association.

Forth welcomes the Scottish Social Housing Charter as this matches many of the Association's own ambitions to ensure that the organisation becomes more responsive to the needs of local people. The intention remains to develop services in a responsive and efficient manner.

Changes in fixed assets

Details of fixed assets are set out in Note 9.

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2012

Statement of Management Committee's responsibilities

The Industrial and Provident Societies Acts and registered social housing legislation requires the Committee 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 for that period. In preparing those financial statements the Committee is required to:

- select suitable accounting policies and then 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 Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The Committee has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

Statement on internal financial control

The Management Committee is responsible for establishing and maintaining the Association's system of internal financial control. Internal financial control systems are designed to meet the particular needs of the Association and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the Management Committee has established with a view to providing effective internal financial control are as follows:-

- **Management Structure**
The Management Committee has overall responsibility for the Association and there is a formal schedule of matters specifically reserved for decision by the Committee.
- **Budgetary Process**
Each year the Management Committee approves the annual budget and rolling three year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year, through the quarterly reporting to the Committee of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.
- **Investment Appraisal**
Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals must be submitted to the Committee. Reviews are carried out during the development period to monitor expenditure and performance.
- **Monitoring and Corrective Action**
External auditors report on weaknesses in internal financial control identified during the course of their audits. These reports, together with the replies from management and details of measures taken as a consequence are reviewed by the Management Committee.
- In addition, the Committee reviews reports produced by the independent Internal Audit Function. The Management Committee confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year under review.

REPORT OF THE MANAGEMENT COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2012

Auditors' Review

In addition to their audit of the financial statements, our auditors have reviewed the Management Committee's statement concerning the Association's compliance with the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting". Their report is set out on page 7.

Auditors

A resolution to appoint French Duncan LLP, Chartered Accountants as auditor will be put to the members at the Annual General Meeting

By order of the committee



John Fyfe
Secretary

5 September 2012

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FORTH HOUSING ASSOCIATION LIMITED
For the year ended 31 March 2012**

We have audited the Financial Statements of Forth Housing Association Limited for the year ended 31 March 2012 on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of management committee and auditor

As explained more fully in the Committee's Responsibilities statement set out on page 4, the Committee is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private/cfm.

Opinion on financial statements

In our opinion the financial statements:

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

Matters arising on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 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.



FRENCH DUNCAN LLP

Chartered Accountants
Statutory Auditor
375 West George Street
Glasgow
G2 4LW

Date: 12 September 2012

**REPORT OF THE INDEPENDENT AUDITORS TO FORTH HOUSING ASSOCIATION
LIMITED ON CORPORATE GOVERNANCE ISSUES**

For the year ended 31 March 2012

In addition to the audit of the Financial Statements, we have reviewed whether the statement on page 4 reflects the Association's compliance with the disclosure required by the Scottish Federation of Housing Associations - "Raising Standards" guidance on "Internal financial control and financial reporting".

Basis of Opinion

We have carried out the review having regard to Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement of Internal Financial Controls on page 4 has provided the disclosures required by the Scottish Federation of Housing Associations "Raising Standards" guidance on "Internal financial control and financial reporting", and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



French Duncan LLP
Chartered Accountants
Statutory Auditor
375 West George Street
Glasgow
G2 4LW

Date: 12 September 2012

FORTH HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2012

PAGE 8

		2012	2011 (as restated)
	Notes	£	£
TURNOVER	2	2,329,211	2,251,970
Operating costs	2	1,473,811	1,306,159
OPERATING SURPLUS	6	<u>855,400</u>	945,811
Gain/(loss) on sale of assets		10,723	-
Interest receivable and other income		24,140	9,763
Interest payable	7	<u>(272,264)</u>	<u>(273,497)</u>
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		<u>617,999</u>	682,077
Tax on surplus on ordinary activities	8	-	-
SURPLUS FOR YEAR		<u><u>617,999</u></u>	<u><u>682,077</u></u>

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	2012	2011 (as restated)
	£	£
Surplus for the year	617,999	682,077
Release of Revaluation Reserve	<u>68,484</u>	-
TOTAL SURPLUSES AND DEFICITS RECOGNISED SINCE LAST ANNUAL REPORT	<u><u>686,483</u></u>	<u><u>682,077</u></u>

The results for the year relate wholly to continuing activities.

The notes on pages 11 to 26 form part of these Financial Statements.

BALANCE SHEET AS AT 31 MARCH 2012

	Notes	2012 £	2011 (as restated) £
TANGIBLE FIXED ASSETS			
Housing properties – cost and valuation less depreciation		57,200,472	55,420,488
Less: HAG and other grants	9	(33,869,895)	(33,134,690)
		<hr/>	<hr/>
Other fixed assets	9	23,330,577	22,285,798
	9	77,968	90,734
		<hr/>	<hr/>
		23,408,545	22,376,532
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Debtors	10	240,939	640,963
Cash at bank and in hand		1,942,963	1,845,445
		<hr/>	<hr/>
		2,183,902	2,486,408
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	11	(2,076,345)	(1,786,927)
		<hr/>	<hr/>
NET CURRENT ASSETS		107,557	699,481
TOTAL ASSETS LESS CURRENT LIABILITIES			
		23,516,102	23,076,013
Creditors: amounts falling due after one year	12	(13,075,551)	(13,253,447)
		<hr/>	<hr/>
		10,440,551	9,822,566
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	13	75	89
Designated reserves	14	1,786,254	1,322,755
Revenue reserves	15	532,896	309,912
Revaluation Reserve	15	8,121,326	7,308,307
		<hr/>	<hr/>
		10,440,551	8,941,063
		<hr/> <hr/>	<hr/> <hr/>

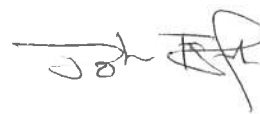
Approved by the Management Committee at its meeting on 5 September 2012



Gordon Mason
CHAIRPERSON



Clark Davidson
TREASURER



John Fyfe
SECRETARY

CASH FLOW STATEMENT

FOR THE YEAR TO 31 MARCH 2012

	Notes	2012 £	2011 (as restated) £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	<u>739,819</u>	<u>1,857,375</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		24,140	9,763
Interest paid		<u>(272,264)</u>	<u>(273,497)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(248,124)</u>	<u>(263,734)</u>
TAXATION			
Tax paid		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Cash paid for development, construction and purchase of housing		<u>(2,091,857)</u>	<u>(3,380,877)</u>
Cash paid for purchase of other fixed assets		<u>(5,177)</u>	<u>(100,690)</u>
Social Housing Grant received		474,919	1,667,488
Other grants received		266,464	-
Receipt from property sales		<u>13,667</u>	<u>-</u>
		<u>(1,341,984)</u>	<u>(1,814,079)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(850,289)</u>	<u>(220,438)</u>
FINANCING			
Loan finance received		1,016,030	1,434,141
Loans repaid		<u>(68,227)</u>	<u>(386,989)</u>
Shares issued		<u>4</u>	<u>5</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>947,807</u>	<u>1,047,157</u>
INCREASE IN CASH	18	<u><u>97,518</u></u>	<u><u>826,719</u></u>

The notes on pages 11 to 26 form part of these Financial Statements.

1 ACCOUNTING POLICIES

The Association is incorporated under the Industrial and Provident Societies Acts and is registered by The Registrar of Friendly Societies. The financial statements have been prepared in compliance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Accounting Convention

The financial statements are prepared under the historical cost convention, subject to the revaluation of its housing stock.

Basis of Accounting

The financial statements are prepared in accordance with applicable Accounting Standards and Statement of Recommended Practice "Accounting by Registered Social Landlords" 2010.

Grants

Housing Association Grants (HAG) are made by the Scottish Government and are utilised to reduce the capital costs of an approved scheme to an amount of required loan finance which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on qualifying costs of the scheme in accordance with instructions issued from time to time by the Scottish Government. HAG is repayable under certain circumstances, primarily following sale of property, but will normally be restricted to net proceeds of sale.

Revenue grants are credited to income in the period to which they relate.

Tangible Fixed Assets - Housing Properties

Shared ownership properties held for letting and housing properties in course of construction are stated at cost. The development cost of these includes the following:

- (i) cost of acquiring land and buildings;
- (ii) development expenditure;
- (iii) internal administration costs relating to the acquisition and development of housing properties; and
- (iv) clerk of works costs.

These costs are termed "qualifying costs" by the Scottish Government for approved Housing Association Grant schemes.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Housing properties held for letting are stated at valuation. The last valuation was carried out at 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

1 ACCOUNTING POLICIES (Continued)**Depreciation - Housing Properties**

The Association adopted component accounting during the financial year. Properties other than heritable land are depreciated in accordance with FRS15 at rates calculated to reduce the net book value of each component of the property to its estimated residual value, on a straight line basis, over the expected remaining life of the component. Heritable land is not depreciated. The estimated useful lives of the assets and components are shown in the table below:

Windows / Doors	30 years	Bathrooms	30 years
Boilers	15 years	Heating Systems	30 years
Kitchens	20 years	Rewiring	30 years
Structure	100 years		

The year to March 2012 represents the first full year of implementation of component accounting and prior to this only land and structure were recognised.

Depreciation - Other Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged by equal instalments commencing in the year of acquisition at rates estimated to write off the costs less any residual value over the expected economic lives at the annual rates shown below:

Office equipment, fixtures and fittings	-	15% per annum
Computer equipment	-	25% per annum

Works to existing housing properties

Where work on existing housing properties is classed as components it is capitalised and depreciated over its expected useful life.

Works on existing properties that are not classed as components are charged to the income and expenditure account and are included under maintenance costs in note 3.

Shared Ownership Transactions

For HAG funded shared ownership schemes, the first tranche proceeds arising from the part-owner's purchase of equity are regarded as a contribution towards the cost of the assets and no revenue surplus or deficit is taken. Sales taking place after the initial purchase are accounted for as a disposal of fixed assets.

Cyclical Repairs

The costs of cyclical repairs are charged to the Income and Expenditure Account in the year in which they are incurred.

Designated Reserves

The Association maintains its housing properties in a state of repair which at least maintains their residual value at prices prevailing at the time of acquisition and construction. Provision is made for such future repair expenditure on the basis of a costed programme.

Pensions

The Association participates in the Scottish Housing Associations' Pension Scheme (SHAPS) which provides benefits based on final pensionable salary. Contributions are charged to the income and expenditure account so as to spread the cost of pensions over the employees' working lives with the Association.

Turnover

Turnover represents rents and service charges receivable as well as factoring and wider action income.

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

2 TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

		2012		2011 (as restated)	
	Note	Turnover	Operating Costs	Turnover	Operating Costs
			Operating Surplus/ (Deficit)		Operating Surplus/ (Deficit)
Income/Expenditure from Lettings					
Social lettings	3	2,303,559	(1,434,212)	2,058,444	(1,182,840)
Other activities	3A	25,652	(39,599)	193,526	(123,319)
TOTAL		2,329,211	(1,473,811)	2,251,970	(1,306,159)
			855,400		945,811

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

3 PARTICULARS OF INCOME AND EXPENDITURE FROM LETTINGS

	Housing Accommodation	Supported Housing	Shared Ownership	2012 Total	2011 (as restated) Total
	£	£	£	£	£
Income from Lettings					
Rent Receivable net of identifiable Service Charges	2,158,299	-	40,604	2,198,903	1,977,252
Service Charges Receivable	101,996	-	3,114	105,110	81,316
	2,260,295	-	43,718	2,304,013	2,058,568
Gross Income from Rents and Service Charges	(454)	-	-	(454)	(124)
Less: Rent losses from voids					
	2,259,841	-	43,718	2,303,559	2,058,444
Net Income from Rents and Service Charges					
Expenditure on Letting Activities					
Service Charges	109,342	-	3,114	112,456	81,316
Management and maintenance administration costs	748,362	-	14,006	762,368	659,256
Reactive Maintenance costs	183,597	-	-	183,597	120,108
Planned Maintenance costs	59,978	-	-	59,978	99,571
Bad Debts – rents and service charges	13,062	-	-	13,062	(2,636)
Depreciation of Social Housing	300,390	-	2,361	302,751	225,225
	1,414,731	-	19,481	1,434,212	1,182,840
Operating Costs for Social Letting Activities					
	845,110	-	24,237	869,347	875,604
Operating Surplus on Letting activities					

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

3A PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES

	Grants from Scottish Ministers	Other Income	Total Turnover	Other Operating Costs	Operating Surplus
	£	£	£	£	£
Wider action/wider role	20,538	-	20,538	(37,712)	(17,174)
Factoring	-	2,467	2,467	(1,887)	580
Other Income	-	2,647	2,647	-	2,647
Total from other activities	20,538	5,114	25,652	(39,599)	(13,947)
2011	30,701	162,825	193,526	(123,319)	70,207

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

4 DIRECTORS' EMOLUMENTS

The Management Committee members are all classed as Directors of the Association. All perform their duties on a voluntary basis and receive no emoluments from the Association. There is no director or any other person who reports directly to the Director or the Management Committee whose total emoluments exceed £60,000 per year.

	2012	2011
	£	£
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>1,311</u>	<u>966</u>

Re-imbusement is only made for expenses directly incurred in connection with performing the Association's business. Expenses incurred are within the designated classes under Schedule 7 of the Housing (Scotland) Act 2001.

5 EMPLOYEES

	Number	Number
The average weekly numbers of persons employed during the year was:	<u>12</u>	<u>12</u>
Staff Costs:		
	£	£
Wages and salaries	424,566	416,599
Social security costs	36,796	34,154
Other pension costs	74,254	54,923
	<u>535,616</u>	<u>505,676</u>

6 OPERATING SURPLUS

	2012	2011
	£	(as restated) £
Operating surplus is stated after charging:-		
Depreciation	320,694	256,763
Auditor's remuneration - Audit Services (Incl VAT)	6,025	4,992
Internal audit	1,819	1,819
	<u><u> </u></u>	<u><u> </u></u>

7 INTEREST PAYABLE

On bank loans and overdrafts	275,861	278,269
Less: Interest capitalised	(3,597)	(4,772)
	<u><u> </u></u>	<u><u> </u></u>
	272,264	273,497

8 TAXATION

There is no tax liability arising in the current or previous year.

9. TANGIBLE FIXED ASSETS

	Housing Properties Held for Letting £	Shared Ownership Properties Held for Letting £	Housing Properties in course of Construction £	Housing Properties Total £
Housing Properties				
Cost				
At 1 April 2011 (as restated)	52,309,537	1,091,784	2,025,786	55,427,107
Additions	159,000	-	1,932,857	2,091,857
Transfers	3,704,135	-	(3,704,135)	-
Disposals	-	(10,052)	-	(10,052)
At 31 March 2012	56,172,672	1,081,732	254,508	57,508,912
Housing Association Grants				
At 1 April 2011 (as restated)	30,367,516	855,701	1,911,173	33,134,690
And other capital grants	-	-	266,464	266,464
Additions	12,618	-	462,301	474,919
Transfers	2,497,198	-	(2,497,198)	-
Disposals	-	(6,178)	-	(6,178)
At 31 March 2012	32,877,332	849,523	143,040	33,869,895
Depreciation				
At 1 April 2011 (as restated)	-	6,619	-	6,619
Provided during year	300,390	2,361	-	302,751
On disposals	-	(930)	-	(930)
At 31 March 2012	300,390	8,050	-	308,440
Net Book Value as at 31 March 2012	22,994,950	224,159	111,468	23,330,577
Net Book Value as at 31 March 2011	21,942,021	229,464	114,313	22,285,798

Housing properties held for letting were revalued at 31 March 2011 by Allied Scotland Chartered Surveyors by using the existing use value for social housing basis giving a valuation of £21,942,021.

This was an interim valuation. The full valuation was conducted at 31 March 2008.

HAG which had previously been written off to the revaluation reserve has been written back and is now reflected in the above figures. The overall effect of this change in treatment is £nil in so far as the net book value of the Association's properties is unaffected.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

9 TANGIBLE FIXED ASSETS (continued)

	Office Equipment, Fixtures and Fittings £	Computer Equipment £	Total £
Cost			
At 1 April 2011	111,750	40,234	151,984
Additions	4,936	241	5,177
Disposals	-	-	-
At 31 March 2012	116,686	40,475	157,161
Depreciation			
At 1 April 2011	34,503	26,747	61,250
Provided During Year	12,510	5,433	17,943
On Disposals	-	-	-
At 31 March 2012	47,013	32,180	79,193
Net Book Value			
At 31 March 2012	69,673	8,295	77,968
At 31 March 2011	77,247	13,487	90,734

Homestake

	2012 £
Cost	
At 1 April 2011	153,732
Additions	-
At 31 March 2012	153,732
Housing Association Grant	
At 1 April 2011	153,732
Additions	-
At 31 March 2012	153,732
Net Book Value	
At 31 March 2012	-
At 31 March 2011	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

10 DEBTORS	2012	2011
	£	£
Arrears of rent and service charges	58,123	67,090
Less: provision for doubtful debts	(15,893)	(6,698)
	<u>42,230</u>	<u>60,392</u>
Social Housing Grants receivable	146,104	528,987
Prepayments and accrued income	28,001	33,020
Other debtors	24,604	18,564
	<u>240,939</u>	<u>640,963</u>
	<u><u>240,939</u></u>	<u><u>640,963</u></u>
11 CREDITORS - amounts falling due within one year	2012	2011
	£	£
Prepaid rent	61,628	43,542
Trade creditors	83,771	627,824
Accruals and deferred income	381,359	714,072
Other taxation and social security	20,020	17,787
Loans repayable within one year	478,262	368,593
Development overdraft	1,016,030	-
Other creditors	35,275	15,109
	<u>2,076,345</u>	<u>1,786,927</u>
	<u><u>2,076,345</u></u>	<u><u>1,786,927</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

12 CREDITORS - amounts falling due after more than one year

	2012	2011
	£	£
Housing loans due within one year	478,262	368,593
Due between one and two years	482,054	312,960
Due between two and five years	1,481,008	738,210
Due after five years	11,112,489	12,202,277
	<u>13,553,813</u>	<u>13,622,040</u>
Less: included in current liabilities (note 11)	(478,262)	(368,593)
	<u><u>13,075,551</u></u>	<u><u>13,253,447</u></u>

Loans are secured by a standard security held over the housing properties of the Association and are repayable at varying rates of interest in instalments.

13 SHARE CAPITAL

	2012	2011
	£	£
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2011	89	93
Issued during the year	4	5
Forfeited during the year	(18)	(9)
At 31 March 2012	<u><u>75</u></u>	<u><u>89</u></u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends or distributions on a winding up. Each member has a right to vote at members' meetings.

14 DESIGNATED RESERVES

	2012	2011
	£	£
Balance at 1 April 2011 (as previously stated)	2,214,574	
Prior year adjustment (as explained in note 21)	(891,819)	
Balance at 1 April 2011 (as restated)	<u>1,322,755</u>	684,582
Transferred in year	463,499	638,173
Balance at 31 March 2012	<u><u>1,786,254</u></u>	<u><u>1,322,755</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

	2012	2012
	Revenue Reserves £	Revaluation Reserve £
Balance at 1 April 2011 (as previously stated)	299,596	7,308,307
Prior year adjustment (as explained in note 21)	10,316	881,503
	<u>309,912</u>	<u>8,189,810</u>
Surplus for the year	617,999	-
Transferred to designated reserves	(463,499)	-
Transfer	68,484	(68,484)
	<u>532,896</u>	<u>8,121,326</u>
At 31 March 2012	<u>532,896</u>	<u>8,121,326</u>

	2012	2011 (as restated)
	£	£
OPERATING SURPLUS FOR THE YEAR	855,400	945,811
Depreciation	320,694	256,763
Decrease / (increase) in debtors	400,024	(24,432)
(Decrease) / increase in creditors	(836,281)	678,203
Cancelled shares - balance sheet	(18)	(9)
Loss on disposal of fixed assets	-	1,039
NET CASH INFLOW FROM OPERATING ACTIVITIES	739,819	1,857,375

	2012	2011
	£	£
Increase in cash in the year	97,518	826,719
Cash Inflow from financing	(947,803)	(1,047,152)
	<u>(850,285)</u>	<u>(220,433)</u>
Change in net debt	(850,285)	(220,433)
Net debt at 1 April 2011	(11,776,595)	(11,556,162)
Net debt at 31 March 2012	(12,626,880)	(11,776,595)

	As at 1 April 2011 £	Cash Flows £	Other Changes £	As at 31 March 2012 £
Debt due within 1 year	(368,593)	(947,803)	(177,896)	(1,494,292)
Debt due after 1 year	(13,253,447)	-	177,896	(13,075,551)
Cash at bank and in hand	1,845,445	97,518	-	1,942,963
	<u>(11,776,595)</u>	<u>(850,285)</u>	<u>-</u>	<u>(12,626,880)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

19 HOUSING STOCK	2012	2011
	Number	Number
The number of units of accommodation in management at the year end was		
General needs - new build	666	624
- rehabilitation	-	-
Supported housing	-	-
Shared ownership	23	23
	<u>689</u>	<u>647</u>

20 CAPITAL COMMITMENTS	2012	2011
	£	£
Expenditure contracted less paid and certified	<u>1,976,126</u>	<u>2,514,949</u>

The Management Committee expects the expenditure to be fully financed by the Scottish Government, mortgages from private sector lenders or from its own resources.

21 PRIOR YEAR ADJUSTMENT

During the year, the Association changed its accounting policy in relation to housing properties and depreciation, as detailed in Note 1 of the Financial Statements, in order to incorporate component accounting. Major repairs which relate to identified components are now capitalised, with major components being depreciated over the estimated useful economic lives of each identified component.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance, and Financial Reporting Standard 18 - Accounting Policies.

Balances brought forward have been adjusted as follows:

	Reported in 2011 Accounts £	Adjustment £	Restated 2011 Figures £
Housing Property - Net Book Value	22,285,798	-	22,285,798
Revenue Reserves	299,596	10,316	309,912
Designated Reserves	2,214,574	(891,819)	1,322,755
Revaluation Reserves	7,308,307	881,503	8,189,810
		<u>-</u>	
Net prior year adjustment		<u>-</u>	

The reported surplus in 2011 has been increased by £10,316 and now stands at £682,077.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

22 PENSION SCHEME**General**

Forth Housing Association Limited (the "Association") participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are commingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members and new members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

22 PENSION OBLIGATIONS (continued)

During the year, the Association paid contributions at the rate of 9.6%. Member contributions were 9.6%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Forth Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2011. As of this date the estimated employer debt for Forth Housing Association Limited was £1,957,569.

As at the balance sheet date there were 11 active members of the Scheme employed by Forth Housing Association Limited.

Forth Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure and the same for new entrants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 (Continued)

22 PENSION OBLIGATIONS (continued)

During the year Forth Housing Association Limited paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2009 Valuation Assumptions	% p.a.
Investment return pre retirement	7.4
Investment return post retirement - Non-pensioners	4.6
Investment return post retirement - Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non-pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/70ths	14.9
Career average revalued earnings 1/80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions *	10.4

(* Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

As Forth Housing Association Limited continues to offer membership of the scheme to employees it therefore regards crystallisation of the buy-out as remote. No provision for the buy-out debt is therefore required.

The pension cost charge of £74,254 (2011: £54,923) represents amounts paid by the Association to this scheme during the year.

The Association's Director is an ordinary member of the pension scheme and no enhanced or special terms apply. The Director does not have an individual pension arrangement. The Association paid £4,916 (2011: £7,802) of contributions towards the Director's pension in the year.