

FORTH HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 2013**

CONTENTS

	Page
Members, Executives and Advisers	1
Report of the Management Committee	2
Reports of the Auditors	6
Income and Expenditure Account	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS

Committee of Management

Margaret Turner	(Chairperson)
Gordon Mason	(Secretary)
Thomas Bell	(Vice Chair)
Clark Davidson	(Treasurer)
John Fyfe	
Linda Mason	
Audrey Anderson	
Iain Mclean	
Neil MacLeod	
David Cumming	
Patrick Heneghan	
Gerry McLaughlin	
Philip Sim	Resigned 5 September 2012
Stephen Harland	Resigned 5 September 2012
Harry Deerin	Resigned 5 September 2012
Cllr Jim Thomson	Resigned 26 June 2012
Robert Buchanan	Appointed 5 September 2012
Pamela Brown	Appointed 5 September 2012
Cllr Violet Weir	Appointed 30 July 2012

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

Stirling Council Attendee

Stirling Council Attendee

Executive Officers

John Cameron	(Director)
--------------	------------

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

REPORT OF THE MANAGEMENT COMMITTEE**FOR THE YEAR ENDED 31 MARCH 2013**

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

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 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 2013 (Continued)****Achievements, performance and financial review**

An updated Internal Management Plan was adopted with effect from 1 April 2012. 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 work began to build 43 new homes with grant assistance.

Approval was also received committing grant funding for two further developments involving 24 homes.

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 shared procurement of painter work 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 ongoing 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 2013 (Continued)****Statement of Management Committee's responsibilities**

The Management Committee is responsible for preparing the financial statements in accordance with the applicable law and United Kingdom Generally Accepted Accounting Practice.

Statute requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Housing Association and of the surplus or deficit of the Housing Association for that year. In preparing those financial statements, the Management Committee is required to fulfil the following obligations:

- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Housing Association will continue its business; and
- prepare a statement on Internal Financial Control.

The Management 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 them to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements (April 2012) and the Statement of Recommended Practice for Registered Social Landlords (SORP 2010). They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Committee confirms that the financial statements comply with the above requirements.

Statement on internal financial control

The Management Committee has overall responsibility for 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 2013 (Continued)

Related party transactions

Two of the Committee members are tenants. Their tenancies are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Raising Standards Guidance on Internal Financial Control and Financial Reporting

The Association considers that it has complied with "Raising Standards" guidance on "Internal financial control and financial reporting" contained within "Raising Standards in Housing", published by the Scottish Federation of Housing Associations and endorsed by the Scottish Housing Regulator.

Statement of disclosure to auditor

In so far as the Management Committee are aware

- (a) there is no relevant audit information of which the Association's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as members of the committee in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

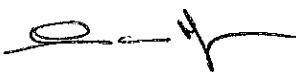
Auditors' review

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 re-appoint French Duncan LLP as auditors to the Association will be put to the members at the Annual General Meeting.

By order of the committee



Gordon Mason
Secretary

Date: 04/09/2013.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS
FOR THE YEAR ENDED 31ST MARCH 2013**

We have audited the financial statements of Forth Housing Association Limited for the year ended 31 March 2013 on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the 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

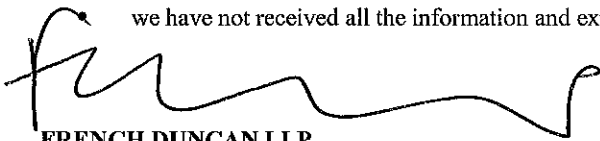
In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2013 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, Part 6 of the Housing (Scotland) Act 2010 and the Scottish Housing Regulator's Determination of Accounting Requirements (April 2012).

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

Statutory Auditors
375 West George Street
Glasgow
G2 4LW

Date: 11/09/2013.

**REPORT OF THE INDEPENDENT AUDITORS
CORPORATE GOVERNANCE ISSUES**

In addition to our audit of the financial statements, we have reviewed your statement on page 5 concerning 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 carried our 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 the 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 Association's "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: 11/09/2013.

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 2013

		2013	2012
	Notes	£	£
TURNOVER	2	3,103,139	2,329,211
Operating costs	2	2,271,975	1,473,811
OPERATING SURPLUS	6	831,164	855,400
Gain on sale of assets		-	10,723
Interest receivable and other income		53,299	24,140
Interest payable	7	(243,615)	(272,264)
TOTAL SURPLUS FOR YEAR BEFORE TAXATION		640,848	617,999
Tax on surplus on ordinary activities	8	-	-
SURPLUS FOR YEAR		640,848	617,999

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	2013	2012
	£	£
Surplus for the year	640,848	617,999
Release of Revaluation Reserve	68,484	68,484
Unrealised loss on revalued properties	(1,718,420)	-
TOTAL SURPLUSES AND DEFICITS RECOGNISED SINCE LAST ANNUAL REPORT	(1,009,088)	686,483

The results for the year relate wholly to continuing activities.

The notes on pages 11 to 25 form part of these Financial Statements.

BALANCE SHEET AS AT 31 MARCH 2013

	Notes	2013 £	2012 £
TANGIBLE FIXED ASSETS			
Housing properties – cost and valuation less depreciation		59,050,781	57,200,472
Less: HAG and other grants	9	(35,535,568)	(33,869,895)
	9	<u>23,515,213</u>	<u>23,330,577</u>
NSSE Loan		340,000	-
NSSE Grant		(340,000)	-
		<u>-</u>	<u>-</u>
Other fixed assets	9	58,148	77,968
		<u>23,573,361</u>	<u>23,408,545</u>
CURRENT ASSETS			
Debtors	11	200,270	240,939
Cash at bank and in hand		4,697,090	1,942,963
		<u>4,897,360</u>	<u>2,183,902</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	12	(2,583,667)	(2,076,345)
NET CURRENT ASSETS			
		<u>2,313,693</u>	<u>107,557</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>25,887,054</u>	<u>23,516,102</u>
Creditors: amounts falling due after one year	13	(16,524,077)	(13,075,551)
		<u>9,362,977</u>	<u>10,440,551</u>
CAPITAL AND RESERVES			
Called up share capital	14	73	75
Designated reserves	15	2,395,060	1,786,254
Revenue reserves	16	633,422	532,896
Revaluation reserve	16	6,334,422	8,121,326
		<u>9,362,977</u>	<u>10,440,551</u>

Approved by the Management Committee at its meeting on

04/09/2013.


Margaret Turner
CHAIRPERSON

Clark Davidson
TREASURER

Gordon Mason
SECRETARY

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 MARCH 2013

		2013	2012
	Notes	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>1,498,888</u>	<u>739,819</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		53,299	24,140
Interest paid		<u>(243,615)</u>	<u>(272,264)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(190,316)</u>	<u>(248,124)</u>
TAXATION			
Tax paid		-	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Cash paid for development, construction and purchase of housing		(4,580,410)	(2,091,857)
Cash paid for purchase of other fixed assets		-	(5,177)
Social Housing Grant received		1,621,938	474,919
Other grants received		43,735	266,464
Receipt from property sales		<u>708,971</u>	<u>13,667</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(2,205,766)</u>	<u>(1,341,984)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(897,194)</u>	<u>(850,289)</u>
FINANCING			
Loan finance received		4,026,474	1,016,030
Loans repaid		(375,154)	(68,227)
Shares issued		1	4
NET CASH INFLOW FROM FINANCING		<u>3,651,321</u>	<u>947,807</u>
INCREASE IN CASH	18	<u><u>2,754,127</u></u>	<u><u>97,518</u></u>

The notes on pages 11 to 25 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 accordance with applicable Accounting Standards, the Statement of Recommended Practice 2010 and comply with the Scottish Housing Regulator Determination of Accounting Requirements (April 2012). The principal accounting policies are set out below.

Basis of Accounting

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

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 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

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

The Association adopted component accounting during the prior 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		

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 centralised Scottish Housing Associations' Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the independently administered Pensions Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole. The expected cost to the Association of pensions is charged to income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole. Any deficiencies arising will be spread over this period.

Turnover

Turnover represents rental and service charge income, factoring service income and fees or revenue grants receivable from local authorities and from the Scottish Government, together with the proceeds of NSSE sales.

Loans

Mortgage loans are advanced by Private Lenders or the Scottish Housing Regulator under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval by Stirling Council.

Stock and work in progress

Stock and work in progress comprises the costs to balance sheet date of properties being developed for sale as shared equity properties under the New Supply Shared Equity Scheme (NSSE).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

2	TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS	2013		2012	
		Turnover	Operating Costs	Operating Surplus	Operating Surplus
	Income/Expenditure from Lettings				
	Social lettings	2,461,609	(1,558,067)	903,542	869,347
	Other activities	641,530	(713,908)	(72,378)	(13,947)
	TOTAL	3,103,139	(2,271,975)	831,164	855,400
	Total for previous period of account	2,329,211	(1,473,811)	855,400	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

3a PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM SOCIAL LETTING ACTIVITIES

	General Housing Needs £	Supported Housing Accommodation £	Shared Housing Ownership £	Other £	2013 Total £	2012 Total £
Rent receivable net of service charges	2,308,441	-	41,522	-	2,349,963	2,198,903
Service charges	109,280	-	2,727	-	112,007	105,110
Gross income from rents and service charges	2,417,721	-	44,249	-	2,461,970	2,304,013
Less voids	(361)	-	-	-	(361)	(454)
Net income from rents and service charges	2,417,360	-	44,249	-	2,461,609	2,303,559
Grants from the Scottish Ministers	-	-	-	-	-	-
Other revenue grants	-	-	-	-	-	-
Total turnover from social letting activities	2,417,360	-	44,249	-	2,461,609	2,303,559
Management and maintenance administration costs	764,042	-	19,066	-	783,108	762,368
Service Costs	62,390	-	1,557	-	63,947	112,456
Planned and cyclical maintenance including major repairs costs	215,396	-	-	-	215,396	59,978
Reactive maintenance costs	183,457	-	-	-	183,457	183,597
Bad debts – rents and service charges	9,451	-	-	-	9,451	13,062
Depreciation of social housing	297,267	-	5,441	-	302,708	302,751
Impairment of social housing	-	-	-	-	-	-
Operating costs for social letting activities	1,532,003	-	26,064	-	1,558,067	1,434,212
Operating surplus for social lettings	885,357	-	18,185	-	903,542	869,347
Operating surplus for social letting for previous period of account	845,110	-	24,237	-	869,347	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

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

	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) For Previous Period of Account £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	20,888	20,888	-	(38,461)	(17,573)	(17,174)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	4,639	4,639	-	(1,894)	2,745	580
Development and construction of property activities	-	-	-	2,457	2,457	-	(63,553)	(61,096)	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	610,000	610,000	-	(610,000)	-	-
Other activities	-	-	-	3,546	3,546	-	-	3,546	2,647
Total from other activities	-	-	-	641,530	641,530	-	(713,908)	(72,378)	(13,947)
Total from other activities for the previous period of account	20,538	-	-	5,114	25,652	-	(39,599)	(13,947)	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (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.

	2013 £	2012 £
Total expenses re-imbursed insofar as not chargeable to income tax		
Management Committee	<u>1,945</u>	<u>1,311</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	432,701	424,566
Social security costs	38,443	36,796
Other pension costs	76,897	74,254
	<u>548,041</u>	<u>535,616</u>

6 OPERATING SURPLUS

	2013	2012
	£	£
Operating surplus is stated after charging:-		
Depreciation	322,528	320,694
Auditor's remuneration - Audit Services (Incl VAT)	6,243	6,025
Internal audit	874	1,819
	<u>329,645</u>	<u>328,538</u>

7 INTEREST PAYABLE

On bank loans and overdrafts	266,076	275,861
Less: Interest capitalised	(22,461)	(3,597)
	<u>243,615</u>	<u>272,264</u>

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 2012	56,172,672	1,081,732	254,508	57,508,912
Additions	153,812	-	4,426,598	4,580,410
Transfers to stock	-	-	(708,975)	(708,975)
Disposals	-	-	-	-
Revaluation	(2,319,194)	-	-	(2,319,194)
At 31 March 2013	54,007,290	1,081,732	3,972,131	59,061,153
Housing Association Grants				
At 1 April 2012	32,877,332	849,523	143,040	33,869,895
Received in year	88,957	-	1,631,956	1,720,913
Transfers to stock	-	-	(98,975)	(98,975)
Disposals	-	-	-	-
At 31 March 2013	32,966,289	849,523	1,676,021	35,491,833
Other Grants				
At 1 April 2012	-	-	-	-
Received in year	-	-	43,735	43,735
Disposals	-	-	-	-
At 31 March 2013	-	-	43,735	43,735
Depreciation				
At 1 April 2012	300,390	8,050	-	308,440
Provided during year	300,386	2,322	-	302,708
On disposals	-	-	-	-
On revaluation	(600,776)	-	-	(600,776)
At 31 March 2013	-	10,372	-	10,372
Net Book Value as at 31 March 2013	21,041,001	221,837	2,252,375	23,515,213
Net Book Value as at 31 March 2012	22,994,950	224,159	111,468	23,330,577

Housing properties held for letting were revalued at 31 March 2013 by DTZ Chartered Surveyors by using the existing use value for social housing basis giving a valuation of £21,041,001. This was a full valuation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

9 TANGIBLE FIXED ASSETS (continued)

	Office Equipment, Fixtures and Fittings £	Computer Equipment £	Total £
Cost			
At 1 April 2012	116,686	40,475	157,161
Additions	-	-	-
Disposals	-	-	-
At 31 March 2013	116,686	40,475	157,161
Depreciation			
At 1 April 2012	47,013	32,180	79,193
Provided During Year	15,104	4,716	19,820
On Disposals	-	-	-
At 31 March 2013	62,117	36,896	99,013
Net Book Value			
At 31 March 2013	54,569	3,579	58,148
At 31 March 2012	69,673	8,295	77,968

Homestake

	2013 £
Cost	
At 1 April 2012	153,732
Additions	-
At 31 March 2013	153,732
Housing Association Grant	
At 1 April 2012	153,732
Additions	-
At 31 March 2013	153,732
Net Book Value	
At 31 March 2013	-
At 31 March 2012	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

10 STOCK AND WORK IN PROGRESS

	£	New Supply Shared Equity £	Total £
Incomplete Stock			
At 1 April 2012	-	-	-
Cost transfer from other assets	-	708,976	708,976
Grants transfer from other assets	-	(98,976)	(98,976)
Transfers to completed	-	(610,000)	(610,000)
At 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>
Completed Stock			
At 1 April 2012	-	-	-
Cost transfer from other assets	-	-	-
Transferred from Incomplete	-	610,000	610,000
Write down of Cost of Sales	-	(610,000)	(610,000)
At 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>
Total Stock at 31 March 2013	<u>-</u>	<u>-</u>	<u>-</u>
Total Stock at 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>

The Association participates in the Scottish Government's New Supplied Share Equity Scheme (NSSE) with the aim of providing assistance to those on lower incomes to own their own home. Grants are made to equity sharing owners to reduce the purchase cost to an affordable level. A standard security is taken over the property in favour of the Scottish Government and no rent or interest is receivable from the equity sharing owner.

11 DEBTORS	2013	2012
	£	£
Arrears of rent and service charges	58,643	58,123
Less: provision for doubtful debts	(15,893)	(15,893)
	<u>42,750</u>	<u>42,230</u>
Social Housing Grants receivable	21,258	146,104
Prepayments and accrued income	49,425	28,001
Other debtors	86,837	24,604
	<u>200,270</u>	<u>240,939</u>
12 CREDITORS - amounts falling due within one year	2013	2012
	£	£
Prepaid rent	79,105	61,628
Trade creditors	308,051	83,771
Accruals and deferred income	450,031	381,359
Other taxation and social security	39,238	20,020
Loans repayable within one year	497,084	478,262
Development overdraft	1,200,000	1,016,030
Other creditors	10,158	35,275
	<u>2,583,667</u>	<u>2,076,345</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

13 CREDITORS - amounts falling due after more than one year

	2013	2012
	£	£
Housing loans due within one year	497,084	478,262
Due between one and two years	485,045	482,054
Due between two and five years	1,427,712	1,481,008
Due after five years	14,611,320	11,112,489
	<u>17,021,161</u>	<u>13,553,813</u>
Less: included in current liabilities (note 11)	(497,084)	(478,262)
	<u><u>16,524,077</u></u>	<u><u>13,075,551</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.

14 SHARE CAPITAL

	2013	2012
	£	£
Shares of £1 each fully paid and issued		
Allotted, issued and fully paid at 1 April 2012	75	89
Issued during the year	1	4
Forfeited during the year	(3)	(18)
At 31 March 2013	<u><u>73</u></u>	<u><u>75</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.

15 DESIGNATED RESERVES

	2013	2012
	£	£
Balance at 1 April 2012	1,786,254	1,322,755
Transferred in year	608,806	463,499
Balance at 31 March 2013	<u><u>2,395,060</u></u>	<u><u>1,786,254</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

	2013	2013
16 RECONCILIATION OF MOVEMENTS IN RESERVES	Revenue Reserves £	Revaluation Reserve £
Balance at 1 April 2012	532,896	8,121,326
Surplus for the year	640,848	-
Transferred to designated reserves	(608,806)	-
Transfer	68,484	(68,484)
Revaluation in year	-	(1,718,420)
At 31 March 2013	<u>633,422</u>	<u>6,334,422</u>

	2013	2012
17 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES	£	£
OPERATING SURPLUS FOR THE YEAR	831,164	855,400
Depreciation	322,528	320,694
Decrease in debtors	40,669	400,024
Increase in creditors	304,530	(836,281)
Cancelled shares - balance sheet	(3)	(18)
Loss on disposal of fixed assets	-	-
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,498,888</u>	<u>739,819</u>

	2013	2012
18 RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT	£	£
Increase in cash in the year	2,754,127	97,518
Cash Inflow from financing	(3,651,319)	(947,803)
Change in net debt	(897,192)	(850,285)
Net debt at 1 April 2012	(12,626,880)	(11,776,595)
Net debt at 31 March 2013	<u>(13,524,072)</u>	<u>(12,626,880)</u>

	As at 1 April 2012 £	Cash Flows £	Other Changes £	As at 31 March 2013 £
Debt due within 1 year	(1,494,292)	456,906	(659,698)	(1,697,084)
Debt due after 1 year	(13,075,551)	(4,108,225)	659,698	(16,524,078)
Cash at bank and in hand	1,942,963	2,754,127	-	4,697,090
	<u>(12,626,880)</u>	<u>(897,192)</u>	<u>-</u>	<u>(13,524,072)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

20 HOUSING STOCK	2013	2012
	Number	Number
The number of units of accommodation in management at the year end was		
General needs - new build	673	666
- rehabilitation	-	-
Supported housing	-	-
Shared ownership	23	23
	<u>696</u>	<u>689</u>
	<u>696</u>	<u>689</u>
21 CAPITAL COMMITMENTS	2013	2012
	£	£
Expenditure contracted less paid and certified	<u>1,097,784</u>	<u>1,976,126</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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

22 PENSION OBLIGATIONS

Forth Housing Association Limited (the "Association") participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state 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 co-mingled 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 contributions 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%.

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.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2012. As of this date the estimated employer debt for Forth Housing Association Limited was £2,158,844.

The Scheme offers five benefit structures to employers, namely:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013 (Continued)

22 PENSION OBLIGATIONS (continued)

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

During the accounting period the Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 11 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £373,207.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

2009 Valuation Assumptions	% pa
- Investment return pre retirement	7.4
- Investment return post retirement – non-pensioners	4.6
- Investment return – pensioners	4.8
- Rate of salary increases	4.5
- Rate of pension increases	
pension accrued pre 6 April 2005	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5%)	
- Rate of price inflation	3

The valuation was carried out using the PA92C2025 short cohort mortality table for non-pensioners and PA92C2013 short cohort mortality table for pensioners.

The long-term joint contribution rates required from employers and members to meet the costs of future benefit accrual were assessed as:

Mortality Tables:

Non-pensioners and 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):	%pa
Final Salary 1/60	19.2
Career average revalued earnings 1/60	17.1
Career average revalued earnings 1/70	14.9
Career average revalued earnings 1/80	13.2
Career average revalued earnings 1/120	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.)

23 RELATED PARTIES

Various members of the Management Committee are tenants of the Association. The transactions with the Association are all done on standard terms, as applicable to all tenants.