

Fife Special Housing Association Limited

Report of the Board of Management
and
Financial Statements



For the year ended 31st March 2005

Registered Office

7 Pitreavie Court
Pitreavie Business Park
Dunfermline
KY11 8UU

Registered No.2476R(S)
Scottish Charity No.SC025647

Fife Special Housing Association Limited

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Members, Executive and Advisers

Board of Management

Alex Condie	(Chair)
Lorna Paterson	(Secretary)
Robert Donaldson	(Treasurer)
Cllr George Allan	(Co-opted 21 st March 2005)
John Allan	
Alistair Berwick	
Angela Braid	(Resigned 21 st March 2005)
Jim Buchanan	(Co-opted 13 th September 2004)
Nicola Clelland	
Vivienne Cramb	
Margaret Cunningham	
Janette Donaldson	
Linda Greig	(Co-opted 21 st March 2005)
Gary Guichan	
Ann Handford	
Alex Jarret	(Co-opted 21 st March 2005)
Matt Stobbs	
Hazel Weierner	(Resigned)

Executive Officers

Bryan K. Hay	(Chief Executive)
Andrew Clark	(Finance Director)
William Macfarlane	(Personnel & Administration Manager)
Robert C. Milne	(Technical Services Director)
Martin S. Urquhart	(Housing Services Director) retired 31 st March 2005
Helen P. Barclay	(Housing Services Director) appointed 13 th June 2005

Auditors Findlay & Company, 11 Dudhope Terrace, Dundee, DD3 6TS

Bankers Bank of Scotland, 38 St Andrew Square, Edinburgh, EH2 2YR

Solicitors Ledingham Chalmers, Princes Exchange, 1 Earl Grey Street
Edinburgh EH3 9BN

Solicitors Skene Edwards W.S., 5 Albyn Place, Edinburgh EH2 4NJ

Report of the Board of Management for the year ended 31st March 2005

The Board of Management present their report and the audited financial statements for the year ended 31st March 2005.

Principal Activity

The principal activity of the Association is the provision of affordable social rented accommodation.

Review of Business

The Board is satisfied with the Association's performance during the year. The surplus for the year was £153,792 (2004 - £244,277). The surplus for the year has been taken to revenue reserves. The Association's net assets are now £4,909,741 (2004 - £4,766,482).

Scottish Housing Quality Standard

The Association and its consultants have been working towards the production of our Standard Delivery Plan to meet the criteria laid down by the Scottish Housing Quality Standard. The Standard Delivery Plan was submitted to Communities Scotland in April 2005 containing our proposals to spend £25 million pounds over the next 10 years.

Impairment Review

The Association has carried out an impairment review of its Housing properties. A comparison of our carrying cost with the valuations carried out on an existing use basis has resulted in an impairment provision of £204,356. This provision does not have an impact on the life span of the assets. Accordingly no change has been made to the economic lives of the Housing properties.

Rental Income

Our commitment to restrict rent increases to RPI +1% resulted in a rent increase of 3.5% (2004 – 4.4%) and our gross rental income increased from £5,653,639 to £5,873,974. The Association has continued to review the process of letting void properties, however, there has been a slight increase in void rent loss from £64,224 to £66,120. The bad debts written off by the Association have increased from £42,456 to £94,118 with a reduction in the Bad Debt provision from £160,000 to £120,000.

Report of the Board of Management (Continued)

Right to Buy House Sales

The Association has charitable status and only those tenants with the preserved right to buy (i.e. those tenants who transferred from Scottish Homes) can exercise this right. In the twelve months to 31st March 2005, 47 tenants exercised their right to buy and the Association received £1,234,167 net of selling costs.

Pension Fund

The Association operates a defined benefit pension scheme which is open to all its permanent employees. In common with most employers adopting Financial Reporting Standard 17 – Retirement Benefits, the scheme has produced a deficit. This deficit has increased from £572,000 at 31st March 2004 to £1,297,000 at 31st March 2005. Full details have been provided in Note 21.

Developments

In July 2004 the Association successfully completed and let eight mobility and elderly amenity flats at Barbara Stocks Lane, Culross.

The Association also successfully completed its first lead tenancy development at Church Street Kirkcaldy in March 2005 which provides 15 flats intended for homeless families.

The Association has also received grant funding for the construction of the proposed development of 18 flats in Castlandhill Road, Rosyth and 26 properties in Dunn Crescent, Dunfermline.

A further property was acquired under the Mortgage to Rent Scheme which is an initiative partially funded by the Scottish Executive to provide help to those with mortgage difficulties.

Details of the Capital Commitments are disclosed in Note 19 to the accounts.

The Association can look forward to further growth in its net assets during the year to 31st March 2006.

Details of the movement in tangible fixed assets are set out in Notes 10 and 12.

Partnership

The Association will continue to pursue the principles of the Egan agenda through working in partnership with the building industry to improve best value whilst simultaneously engaging in developing sustainable housing solutions.

Report of the Board of Management (Continued)

Treasury Management

The Association operates in accordance with its Treasury Management policy to ensure effective use of the organisation's cashflows 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 available to it which are 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.

At 31st March 2005 there was £422,277 in undrawn facilities.

Charitable Donations

During the year the Association made charitable donations totalling £10,408 (2004 £4,285)

Staff

The Association promotes equal opportunities for all and aims to eliminate unlawful discrimination in all areas of its work. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities, as are applicants irrespective of sex, age, religious belief or ethnic origin.

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.

Going Concern

After reviewing detailed Income & Expenditure and Business Plan projections and taking account of available bank facilities and making such further enquiries as they consider appropriate, the Board of Management are 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.

Related Party Transactions

The tenants who sit on the Board of Management have entered into tenancies on the Association's normal terms and conditions and they gain no advantage from their involvement on the Board.

Report of the Board of Management (Continued)

The Board of Management and Executive Officers

The Board of Management and executive officers of the Association are listed on page 1. Each member of the Board of Management 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.

Statement of Board of Management's Responsibilities

Housing Association legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for the period ended on that date. In preparing those financial statements the Board of Management is required to:

- Select suitable accounting policies and 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 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 ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing Associations Act 1985, the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2002.

The Board of Management acknowledges that it has ultimate responsibility for ensuring that the Association has in place a system of internal financial control that is appropriate to the business environment in which it operates. These controls are designed to give reasonable assurance with respect to: -

- The reliability of the financial information used within the Association or for publication.
- The maintenance of proper accounting records.
- The safeguarding of assets against unauthorised use or disposal.

It is the Board of Management's responsibility to establish and maintain systems of internal financial control. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. The Board has adopted a risk based approach to internal controls and is consistent with Turnbull principles. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. Key elements include ensuring that: -

Report of the Board of Management (Continued)

Statement of Board of Management's Responsibilities (Continued)

- Management responsibility has been clearly defined for the identification, evaluation and control of significant risks.
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and prohibit the unauthorised use of the Association's assets.
- Experienced and suitably qualified and trained staff take responsibility for important business functions and have been provided with comprehensive guidance on the standards to be applied throughout the Association. Appraisal procedures have been established and implemented to review standards of performance on at least an annual basis.
- Forecasts and budgets are prepared which allow the Board of Management to monitor the financial objectives and key business risks and progress towards financial plans set for the year and the medium term. Regular quarterly management accounts comparing actual results against budget are prepared promptly and presented to the Board of Management to provide relevant reliable and up-to-date financial information. Significant variances from budget are investigated as appropriate. The Board also regularly reviews key performance indicators to assess progress towards the achievement of objectives, targets and outcomes.
- All significant new initiatives, major commitments and investment projects and their financial implications are assessed and are subject to formal authorisation procedures through the Board of Management.

The Audit Committee reviews reports from the external auditors, the internal auditors and from management, to provide reasonable assurance that control procedures are in place and are being followed. The Audit Committee also receives progress reports on areas where the external auditors have commented and ensures that action is taken where it considers appropriate.

Acting on behalf of the Board of Management, the Audit Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31st March 2005 and until 26th August 2005. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Auditors

A resolution to appoint the auditors, Findlay & Company will be proposed at the annual general meeting.

By order of the Board

L Paterson
Secretary
26th August 2005



Independent Auditors' Report to the Members of Fife Special Housing Association Limited

We have audited the financial statements of Fife Special Housing Association Limited for the year ended 31 March 2005 on pages 10 to 27. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 37 of the Industrial and Provident Societies Act 1965. Our audit work has been undertaken so we might state to the Association's members those matters we are required to state to them in an auditors' 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 Directors and Auditors

As described on page 5 the Association's Board of Management are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Section 24(1) of the Housing Associations Act 1985, Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and Statement of Recommended Practice: Accounting by Registered Social Landlords. We also report to you if, in our opinion, the Board of Management report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Board of Management report and considered whether it is consistent with the audited financial statements. If we became aware of any apparent misstatements within the financial statements, we considered the implications for our report. Our responsibilities in this respect do not extend to a consideration of any other information.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31 March 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Section 24(1) of the Housing Associations Act 1985, Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999 and Statement of Recommended Practice: Accounting by Registered Social Landlords.

Findlay & Company
Chartered Accountants & Registered Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

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Report by the auditors on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Board of Management's statements on internal controls set out on pages 5 to 6. The object of our review is to draw attention to any non-compliance with Communities Scotland Guidance Note 2001/10.

We carried out our review in accordance with guidance issued by the Auditing Practices Board. The guidance does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the Association's system of internal financial control or its corporate governance procedures.

With respect to the Board of Management's statements on internal control on pages 5 to 6, in our opinion the Board of Management has provided the disclosures required under Communities Scotland Guidance Note 2001/10 referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Board of Management's members and officers of the Association and examination of relevant documents, in our opinion the Board of Management's statement on pages 5 to 6 appropriately reflects the Association's compliance with the Communities Scotland Guidance Note 2001/10 specified for our review.

Findlay & Company
Chartered Accountants & Registered Auditors
11 Dudhope Terrace
Dundee
DD3 6TS

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Income & expenditure account for the year ended 31st March 2005

	Notes	2005 £	2004 £
Turnover	2	5,982,954	5,752,523
Less: Operating Costs	2	4,736,103	4,249,636
Operating surplus	6	1,246,851	1,502,887
Gain/(Loss) on realisation of assets		729,551	507,270
Interest receivable and other income	8	14,273	8,585
Interest payable and similar charges	7	(1,836,883)	(1,774,465)
Surplus / (Deficit) on ordinary activities before taxation		153,792	244,277
Tax on surplus on ordinary activities	9	-	-
Surplus/(Deficit) for the period		153,792	244,277
Transfer from / (to) charitable reserves	24	(7,000)	(8,000)
Surplus/(Deficit) for the year		146,792	236,277
Balance brought forward	24	4,748,199	4,511,922
Balance carried forward		4,894,991	4,748,199

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

Other than the potential liabilities in Note 21 the Association has no recognised surpluses and deficits other than those included in the surplus/deficit above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the surplus/deficit on ordinary activities before taxation and the retained surplus/deficit for the period as stated above and their historical cost equivalents.

The notes on pages 13 to 27 form part of these financial statements.

Balance sheet as at 31st March 2005

	Notes	2005 £	2004 £
Tangible fixed assets			
Housing properties - gross cost	10	34,255,810	32,416,825
Less: Depreciation		(3,847,535)	(2,799,551)
		<u>30,408,275</u>	<u>29,617,274</u>
Less: Grants		(2,800,456)	(2,313,711)
	10	<u>27,607,819</u>	<u>27,303,563</u>
Other	12	1,163,060	1,230,466
		<u>28,770,879</u>	<u>28,534,029</u>
Current assets			
Debtors	13	652,993	793,643
Cash at bank & in hand		945,000	1,127
		<u>1,597,993</u>	<u>794,770</u>
Current Liabilities			
Creditors: amounts falling due within one year	15	(881,408)	(1,034,048)
		<u>716,585</u>	<u>(239,278)</u>
Net current assets/liabilities			
Total assets less current liabilities		<u>29,487,464</u>	<u>28,294,751</u>
Creditors: falling due after more than one year	16	(24,577,723)	(23,377,723)
Provisions for liabilities and charges	17	-	(150,546)
		<u>4,909,741</u>	<u>4,766,482</u>
Net assets			
Capital and reserves			
Share Capital	18	176	301
Revenue reserve	24	4,894,991	4,748,199
Charitable reserve	24	14,574	17,982
		<u>4,909,741</u>	<u>4,766,482</u>

The financial statements on pages 10 to 27 were approved by the Board of Management on 26th August 2005 and were signed on its behalf by

Alex Condie Chair

Robert Donaldson Treasurer

Lorna Paterson Secretary

The notes on pages 13 to 27 form part of these financial statements.

Cash flow statement for the year ended 31st March 2005

	Notes	2005 £	2004 £
Reconciliation of operating surplus to net cash flow from operating activities	2	1,246,851	1,502,887
Depreciation charges		1,225,685	816,895
(Increase)/decrease in debtors		140,650	(148,811)
Increase/(decrease) in creditors		(69,323)	(154,138)
Increase/(decrease) in provisions		(150,546)	150,546
Net cash inflow from operating activities		2,393,317	2,167,379
CASHFLOW STATEMENT			
Net cash inflow from operating activities		2,393,317	2,167,379
Returns on investments and servicing of finance	25.1	(1,822,610)	(1,765,880)
Taxation		-	-
Capital expenditure	25.1	(732,984)	(992,830)
Management of liquid resources	25.1	-	-
Financing	25.1	(10,533)	(4,330)
Increase/(Decrease) in cash		(172,810)	(595,661)
Reconciliation of net cash flow to movement in net debt	25.2	(172,810)	(595,661)
Increase/(Decrease) in cash in the period		(172,810)	(595,661)
Cash used to increase liquid resources		-	-
Change in net debt		(172,810)	(595,661)
Net debt at 31.3.04		(23,459,913)	(22,864,252)
Net funds at 31.3.05		(23,632,723)	(23,459,913)

1. Notes to the financial statements

Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards, Statement of Recommended Practice: Accounting by Registered Social Landlords revised in 2002 and comply with the Registered Housing Associations (Accounting Requirements) (Scotland) Order 1999. The principal Accounting Policies of the Association are set out below.

Basis of accounting

The Financial Statements are prepared on the historical cost basis of accounting.

Turnover

Turnover represents rental income from leasing residential property, fees receivable and revenue grants from Communities Scotland, Local Authorities and other agencies.

Loans

Loans are advanced by private lenders, under the terms of individual mortgage deeds in respect of each property.

Fixed assets - Housing properties

Tangible fixed assets are stated at cost less accumulated depreciation and capital grants. Housing properties classified as under development are stated at cost and not depreciated. Housing properties are transferred to completed properties when they are ready for letting. Development of shared ownership properties is dealt with under fixed assets in the same way as properties generally. The first sale of the units is deducted from the cost of the shared ownership properties. Subsequent tranches sold are reflected in the income and expenditure account as a surplus or deficit.

Depreciation - Housing properties

Tangible fixed assets are depreciated to write off the cost less the residual balance of the assets over their estimated useful lives. The useful economic lives of all tangible fixed assets are reviewed annually. All our properties are assumed to have an economic life of 50 years from the date of acquisition or practical completion. No depreciation is charged on land.

Major components are treated as separate assets and depreciated over their expected useful economic lives, or the lives of the properties to which they relate if that is shorter.

Depreciation - Office property

Depreciation is charged on a straight line basis over the remaining expected useful life of the property.

Depreciation - Other fixed assets

The depreciation bases for the other classes of assets are as follows:

Computer Software & Equipment	-	20%	Straight line
Furniture, Fittings & Office Equipment	-	10%	Straight line

Repairs and maintenance

Costs for reactive and planned maintenance are charged to the income and expenditure account as they are incurred. Property improvements are capitalised and depreciated in accordance with the depreciation policy.

Improvements are capitalised if they result in an enhancement of the economic benefits of the property which can occur if the improvement results in:

- o an increase in rental income or
- o a material reduction in future maintenance costs or
- o a significant extension of the life of the property

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

Impairment

Reviews for impairment are only carried out if there is some indication that impairment has occurred, in line with the criteria laid down in FRS11, Impairment of Fixed Assets.

Grants

Where grants of a capital nature have been received towards the cost of developments, the cost of these developments has been reduced by the amount of the grant receivable. This amount is shown separately on the balance sheet. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Pensions

The Association operates a defined benefits Pension Scheme, the cost of which is written off on an accruals basis. The assets of the scheme are held separately from those of the Association in an independently administered fund. The disclosure in the accounts meets the transitional requirements of FRS 17, Retirement Benefits

Operating leases

Rental applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

Research and development expenditure

Research and development expenditure is written off in the Income and Expenditure Account in the year in which it is incurred, with the exception of expenditure incurred on individual development projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with turnover from the relevant projects



2. Lettings and other related information

Particulars of turnover, cost of sales, operating costs and operating surplus

	2005				2004			
	Turnover £	Cost of Sales £	Operating Costs £	Operating Surplus £	Turnover £	Cost of Sales £	Operating Costs £	Operating Surplus £
Income & expenditure from lettings	5,841,330	-	4,336,099	1,505,231	5,674,924	-	4,018,208	1,656,716
Other income and expenditure	-	-	-	-	-	-	-	-
Development services	31,645	-	240,020	(208,375)	20,401	-	132,000	(111,599)
Management services	-	-	-	-	-	-	-	-
Development for sale	-	-	-	-	-	-	-	-
Other	65,438	-	65,295	143	14,832	-	14,832	-
Wider Action	29,598	-	57,204	(27,606)	-	-	914	(914)
Factoring	14,943	-	37,485	(22,542)	42,366	-	83,682	(41,316)
Total	5,982,954		4,736,103	1,246,851	5,752,523		4,249,636	1,502,887

The amount of service charges receivable on housing accommodation not eligible for housing benefit was £19,695 (2004 £5,989)



3. Particulars of income and expenditure from lettings

Income from lettings	General needs	Shared ownership	Total 2005	Total 2004
Units for letting	2,328	7	2,335	2,375
	£	£	£	£
Housing Accommodation:-				
Rent receivable net of identifiable service charges	5,814,235	9,170	5,823,405	5,615,289
Service charges receivable	47,369	3,200	50,569	38,350
Gross rents receivable	5,861,604	12,370	5,873,974	5,653,639
Less rent losses from voids	(66,120)	-	(66,120)	(64,224)
Net Rents Receivable	5,795,484	12,370	5,807,854	5,589,415
Revenue grants from local authorities and other agencies	3,500	-	3,500	10,000
Revenue grants from Communities Scotland	29,976	-	29,976	75,509
Revenue grants received for major repairs	-	-	-	-
Total Income from lettings	5,828,960	12,370	5,841,330	5,674,924
Expenditure on Lettings activities				
Services	19,624	3,955	23,579	30,675
Management	725,062	2,376	727,438	764,574
Routine maintenance	1,501,381	555	1,501,936	1,670,429
Rent losses from bad debts	94,118	-	94,118	42,456
Major repairs expenditure	890,314	-	890,314	768,709
Depreciation of housing properties	892,895	1,463	894,358	741,365
Impairment of housing properties	204,356	-	204,356	-
Other costs	-	-	-	-
Total expenditure on lettings	4,327,750	8,349	4,336,099	4,018,208
Operating surplus or (deficit) on Lettings activities	1,501,210	4,021	1,505,231	1,656,716
	£	£	£	£
Average Assured Tenancy Rent for Housing Accommodation	2449.25	-	-	2322.52
Average annual increase	5.46%	-	-	2.13%

4. Directors' emoluments

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Board whose total emoluments including pension contributions exceed £40,000 per year.

No members of the Board of Management received any remuneration from the Association.

The remuneration paid to the directors (defined as the Board of Management and the Executive Officers) of Fife Special Housing Association was:-

	2005 £	2004 £
Total emoluments (including pension contributions and benefits in kind)	254,907	240,872
The emoluments (excluding pension contributions) of the highest paid director amounted to:-	55,490	52,557

The emoluments of the directors (excluding pension contributions) were within the following ranges:-

£		£	2005	2004
40,001	to	45,000	4	2
45,001	to	50,000	-	-
50,001	to	55,000	-	1
55,001	to	60,000	1	-

The directors are members of a defined contribution pension scheme under which payments made by the Association on their behalf were £31,222 (2004: £26,813)

	2005 £	2004 £
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax:-	2,337	3,546

Loans to directors

		Amount outstanding		Maximum outstanding during the year
		01/04/2004	31/03/2005	
		£	£	£
B Hay	Car purchase loan	10,441	8,266	10,441
B McFarlane	Car purchase loan	2,209	-	2,209
M Urquhart	Car purchase loan	1,868	146	1,868
R Milne	Car purchase loan	3,257	1,586	3,257
A Clark	Car purchase loan	8,956	6,837	8,956
		26,731	16,835	26,731

The loans made were for the purchase of a car. The rate of interest payable was 3.625% p.a. The loans were made by the Association on the same terms as were available to other employees who were essential car users.

5. Employee information

	2005	2004
The average weekly number of persons employed during the period was:	37	39
Full time equivalent	34.5	35.8
Office staff costs during the period	£	£
Wages and salaries	897,625	848,022
Social security costs	73,811	71,590
Pension costs (Note 21)	123,679	96,921
	1,095,115	1,016,533

6. Operating surplus

	2005	2004
Operating surplus is stated after charging /crediting	£	£
Depreciation of housing properties	892,895	728,781
Impairment of housing properties	204,356	-
Repairs: cyclical, major, day to day	1,501,381	2,439,138
Auditor's remuneration in their capacity as auditors	7,897	7,274
Auditor's remuneration in respect of other services	-	-
Receipt of grant	63,074	152,954
Operating lease rentals	51,872	51,941

7. Interest payable and similar charges

	2005	2004
	£	£
Long term bank loan	1,834,993	1,768,011
Other interest payable	1,890	6,454
	<hr/>	<hr/>
	1,836,883	1,774,465

8. Interest receivable and other income

	2005	2004
	£	£
Interest receivable	14,273	8,585

9. Taxation

Fife Special Housing Association Ltd. was accorded charitable status for taxation purposes by the Inland Revenue. In the period to 31st March 2005 it is considered that the Association's activities were within the scope of the charitable status and accordingly no provision for taxation is necessary.

10. Tangible fixed assets

	Housing Properties Held for Letting £	Housing Stock Under Development £	Shared Ownership £	Total £
Cost				
At 1st April 2004	31,099,202	897,790	419,833	32,416,825
Additions	1,899,325	628,483	(2,204)	2,525,604
Transfers	779,989	(779,989)	-	-
Disposals	(630,889)	-	(55,730)	(686,619)
As at 31st March 2005	33,147,627	746,284	361,899	34,255,810
Depreciation				
As at 1st April 2004	(2,167,085)	-	(657)	(2,167,742)
Charge for Year	(945,215)	-	(1,463)	(946,678)
Disposals	102,737	-	313	103,050
Impairment provision	(836,165)	-	-	(836,165)
At 31st March 2005	(3,845,728)	-	(1,807)	(3,847,535)
Grants				
Development Grants	(1,787,209)	(715,200)	(298,047)	(2,800,456)
Furniture Grant	-	-	-	-
	(1,787,209)	(715,200)	(298,047)	(2,800,456)
Net Book Value at 31st March 2005	27,514,690	31,084	62,045	27,607,819

11. Sale of properties not developed for outright sale

Shared ownership	First tranche £	Further tranches £	Others £	Total 2005 £	Total 2004 £
Proceeds of sales	-	17,667	-	17,667	232,375
Less: Costs of sales	-	2193	-	2193	232,375
Surplus	-	15,474	-	15,474	-

12. Tangible fixed assets

	Office land & buildings	Computer software	Furniture & fittings	Total
Cost	£	£	£	£
As at 1st April 2004	1,048,216	371,593	88,767	1,508,576
Additions	-	4,432	2,812	7,244
Disposals	-	(1,604)	-	(1,604)
As at 31st March 2005	1,048,216	374,421	91,579	1,514,216
Depreciation				
As at 1st April 2004	(33,801)	(213,501)	(30,808)	(278,110)
Charge for year	(19,406)	(45,394)	(9,850)	(74,650)
Disposals	-	1,604	-	1,604
As at 31st March 2005	(53,207)	(257,291)	(40,658)	(351,156)
Net Book Value as at 31st March 2005	995,009	117,130	50,921	1,163,060

13. Debtors

	2005	2004
	£	£
Amounts falling due within one year:-		
Debtors rental income	399,128	542,203
Bad debt provision	(120,000)	(160,000)
Prepayments and accrued income	142,311	129,983
Other debtors	198,486	197,482
Grants receivable	33,068	83,975
	652,993	793,643

14. Cash on deposit

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

	2005	2004
	£	£
Short term deposits	502,427	588

In the above are balances totalling £2,427 (2004 £588) which are held in trust for shared ownership proprietors.

15. Creditors: Amounts falling due within one year

	2005	2004
	£	£
Bank overdraft	-	83,317
Loan interest payable	241,785	371,595
Accruals and deferred income	167,066	178,027
Rent in advance	211,102	171,364
Trade creditors	185,637	157,728
Taxation & social security	28,949	26,793
Other creditors	46,869	45,224
	881,408	1,034,048

16. 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.

	2005	2004
	£	£
Housing Loans	24,577,723	23,377,723

An interest rate swap agreement fixes the interest rate charged on £16,595,792 of the total loan amount until 29/10/29.

17. Provisions for liabilities and charges	2005	2004
	£	£
At start of year	150,546	-
Transfer from income and expenditure account	(150,546)	150,546
Utilised in the year	-	-
At the end of year	-	150,546

The provisions are for the estimated claw back of RTB income by Communities Scotland in respect of excess house sales as per Sale and Purchase Agreement.

18. Called up share capital	2005	2004
	£	£
Allotted, issued and fully paid at 1st April 2004	301	346
Issued in period	18	8
Redeemed in period	(143)	(53)
At 31st March 2005	176	301

19. Capital commitments

At 31st March 2005 commitments outstanding were as follows: -

	2005	2004
	£	£
Authorised and contracted for	431,000	291,573
Authorised and not contracted for	3,510,723	1,733,536

The Association has agreed terms with the bank for additional funding of £3.5m on the same terms as the existing facility.

20. Lease obligations

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

	2005		2004	
	Land & buildings £	Other operating leases £	Land & buildings £	Other operating leases £
Operating leases which expire :-				
Within one year	1,689	52,988	1,011	46,796
In the second to fifth year exclusive	-	4,825	-	9,844
Over five years	24,167	-	-	-
	<u>25,856</u>	<u>57,813</u>	<u>1,011</u>	<u>56,640</u>

21. Pensions

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 using the projected unit method and are charged to the income and expenditure account as they are incurred. The pension costs for the period were £123,679 (2004 – £96,921).

The fund is actuarially valued on a triennial basis with the most recent being at 31st March 2002. The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rates of increase in salaries and pension and dividend growth. It was assumed that the investment returns would range between 5.2% p.a. and 6.5%, salary increases would average 4.1% p.a., present and future pensions would increase by 2.6% p.a. The most recent actuarial valuation showed that the market value of the assets which are held in a separately administered fund was £679m. The actuarial value of the fund's assets was £703m and represented 97% of the benefits, which had accrued to all members after allowing for expected future increases in earnings and pensions. The actuary recommended future employer's contribution rates of 220%, 245% and 270% of employee's contributions for the years to 31st March 2004, 2005 and 2006 respectively.

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31st March 2005 for Financial Reporting Standard 17 purposes were:

	2005	2004	2003
Main Assumptions	%	%	%
Discount rate	5.4	6.5	6.1
Retail price inflation	2.9	2.9	2.5
Rate of increase in salaries	4.4	4.4	4.0
Rate of increase for pensions in payment	2.9	2.9	2.5

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

	2005		2004		2003	
	Long term rate of return	Value £000	Long term rate of return	Value £000	Long term rate of return	Value £000
Equities	7.7%	2165	7.7%	1,817	8%	1,462
Bonds	4.8%	494	5.1%	444	4.8%	300
Property	5.7%	125	6.5%	108	6.0%	107
Cash	4.8%	52	4.0%	86	4.0%	111
Total market value of assets		2836		2,455		1,979
Actuarial present value of scheme liability		4133		3,027		2,806
Net pension surplus/(liability)		(1297)		(572)		(827)

In accordance with the transitional provisions of FRS17 the above assets and liabilities have not been recognised in the Income and Expenditure Account and Balance Sheet.

22. Legislation provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and was registered with Scottish Homes/Communities Scotland on 3rd June 1996.

23. Designated reserve

The Association has not made an allocation to designated reserves in the financial year as a programme of expenditure relating to the rehabilitation of the stock has already been planned to take place. The effect of this programme on the need to designate reserves will be assessed on an ongoing basis with the intention that when rehabilitation of the various units is complete reserves will be designated to cover future life cycle costing and major repairs.

24. Reconciliation of movement in reserves

	Revenue reserve 2005 £	Revenue reserve 2004 £	Charitable reserve 2005 £	Charitable reserve 2004 £
Opening balance at 1st April 2004	4,748,199	4,511,922	17,982	14,267
Surplus/(Deficit) for the year	153,792	244,277	-	-
Transfer to / (from) reserves	(7,000)	(8,000)	7,000	8,000
Utilised during year	-	-	(10,408)	(4,285)
Closing balance at 31st March 2005	4,894,991	4,748,199	14,574	17,982

The Association has created a charitable reserve to enable it to make charitable contributions to those organisations whose aims and objectives are similar to our own.

25. Cash flow notes

25.1	2005	2004
Gross cash flow	£	£
Returns on investments and servicing of finance		
Interest received	14,273	8,585
Interest paid	(1,836,883)	(1,774,465)
	(1,822,610)	(1,765,880)

Capital expenditure

Payments to acquire tangible fixed assets	(2,532,849)	(3,112,317)
Grants received	486,745	992,448
Receipts from sales of tangible fixed assets	1,313,120	1,127,039
	(732,984)	(992,830)

Management of liquid resources

Financing	-	-
Issue of ordinary share capital/change in reserves	(10,533)	(4,330)

25.2

Analysis of changes in net debt	At 31st Mar 2004	Cash flows	Other changes	At 31st Mar 2005
	£	£	£	£
Cash in hand /at bank	1,127	943,873	-	945,000
Debt due within 1 year	(83,317)	83,317	-	-
Debt due after 1 year	(23,377,723)	(1,200,000)	-	(24,577,723)
Current asset investments	-	-	-	-
Total	(23,459,913)	(172,810)	-	(23,632,723)