

Fife Housing Association Limited

Report of the Board of Management
and
Financial Statements



For the year ended 31st March 2008

Registered Office

7 Pitreavie Court
Pitreavie Business Park
Dunfermline
KY11 8UU

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



TABLE OF CONTENTS

	Pages
<i>Report to the Board of Management for year ended 31st March 2008.....</i>	1 - 12
<i>Independent Auditors' Report to the Members of Fife Housing Association Limited.....</i>	13 - 14
<i>Report by the Auditors on Corporate Governance Matters.....</i>	15
<i>Income & Expenditure Account for the year ended 31st March 2008.....</i>	16
<i>Balance Sheet as at 31st March 2008.....</i>	17
<i>Cash Flow Statement for the year ended 31st March 2008.....</i>	18
<i>Notes to the Financial Statement.....</i>	19 - 39

Members, Executive and Advisers

Board of Management

Lorna Paterson	(Elected as Chair 28 th April 2008)
Gary Guichan	(Elected Vice-Chair/Secretary 28 th April 2008)
Alex Condie	(Resigned as Chair 28 th April 2008)
Cllr George Allan	(Resigned 30 th April 2007)
Andrew Baillie	(Elected 28 th April 2008)
Alistair Berwick	
Jim Buchanan	(Co-opted 24 th September 2007)
Nicola Clelland	(Resigned 28 th April 2008)
Margaret Cunningham	
Janette Donaldson	(Resigned 26 th November 2007)
Ian Green	
Linda Greig	
Ann Handford	(Resigned 17 th September 2007)
Alex Jarrett	(Resigned 25 th February 2008)
Cllr Alice McGarry	(Co-opted 28 th January 2008)
Matt Stobbs	

Executive Officers

Bryan K. Hay	(Chief Executive)
Andrew Clark	(Corporate Services Director)
Robert C. Milne	(Technical Services Director)
Helen P. Barclay	(Housing Services Director)

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

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

Solicitors McClure Naismith, 3 Ponton Street, Edinburgh, EH3 9QQ

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



Report to the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31st March 2008.

Structure, Governance and Management

Fife Housing Association (formerly known as Fife Special Housing Association) is a charitable registered social landlord which was first registered in June 1996 with Scottish Homes and ownership and management of the properties commenced on 29th January 1997. The Association was formed for the benefit of the community. Fife Housing Association is registered with the Financial Services Authority as an Industrial and Provident Society, the Office of the Scottish Charities Regulator (OSCR) as a charity and the Scottish Housing Regulator as a Registered Social Landlord.

Appointment of Trustees

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

Each member of the Board of Management (other than those co-opted) holds one fully paid share of £1.00 in the Association. No financial or other benefit is obtained by being a member of the Board of Management. The executive officers of the Association hold no interest in the Association's share capital and, although not having the legal status of directors, they act as executives within the authority delegated by the Board.

Anyone over the age of 18 (tenants of the Association aged 16) can apply for membership.

Trustee Induction and Training

The Association provides relevant training as required for Board Members, ranging from induction training for new members to specific skills/topics, including attendance at conferences and seminars.

A training profile will be developed for each individual Board member and these will be updated on a regular basis, including a personal training history and meetings held to discuss future personal development and also specific training requirements. A programme of training will be delivered annually to meet any identified needs as well as to accommodate any legislative changes or current issues which need to be brought to the Board's attention.

A Board Members' "Away Day" will be arranged annually. This will give the Board an opportunity to review its structure and performance, the skills and experience of its members and, amongst other things, any weaknesses together with the Association's future overall strategy.

Organisational Management

The Board of Management must have a minimum of 7 and a maximum (including co-optees) of 17 members, 6 of these may be individuals from the wider community who are not tenants of the Association.

The Association can decide at a general meeting to increase or decrease the maximum number of Board Members. The Board can also co-opt to the Board anyone who is suitable to become a Board Member.

The Association reports most of its activities directly to the full Board of Management, but also has the following Committees:

- Emergency Standing Committee
- Performance Monitoring Committee
- Staffing Committee
- Health and Safety Committee
- Audit Committee.

Related parties

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.

Risk Management

The Association has a formal risk management process which assesses business risks and implements risk management strategies, which involves identifying the types of risk the organisation faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying ways of mitigating risk each year. The Board has adopted a risk based approach to internal controls which is consistent with the Turnbull principles. The Association has a disaster recovery plan in place.

Objectives and Activities

Charitable Objects

The Association is formed for the benefit of the community. Our mission statement is 'To contribute to a better quality of life by providing homes and services for customers by shaping communities with our partners'.

Its objects are to carry on for the benefit of the community:-

- The business of providing housing, accommodation, and assistance to help house people and associated families, and providing associated facilities and amenities for people on low incomes, and providing for the relief of the elderly, disabled, handicapped (whether physically or with a learning disability), or chronically sick people and as a means of achieving these objects;

- To provide, build and improve and manage housing and associated facilities specially designed or adapted for such people who are on low incomes, elderly, sick or who have a physical or learning disability;
- To provide or arrange home maintenance, repair and improvement services for such people who are on low incomes, elderly, sick or who have a physical or learning disability;
- To carry out any activity allowed under Section 58 of the Housing (Scotland) Act 2001 which is charitable;
- To provide land and buildings to meet the needs of such people who are on low incomes, elderly, sick or who have a physical or learning disability;
- To provide facilities and services for the benefit of such people either exclusively for them or together with other persons;
- We are a non surplus distributing organisation.

Aims and intended Impact

The Association's aims are:

- To be recognised as an exemplar Housing Association covering its roles as a landlord, developer, employer and governing body;
- As a registered charity to provide affordable quality housing and housing services that are accessible to those in the community;
- To assist Fife Partnership and the Scottish Government with delivering their respective Community Plan and Social Justice agendas;
- To maintain community involvement in the Association's activities.

Objectives for the year

- To provide sustainable, energy efficient, quality housing, accessible to people in housing need that is affordable especially to those on low incomes;
- To ensure all housing that the Association seeks to retain meets the Scottish Housing Quality Standard by 2015;
- To provide quality, professional, accessible and responsive services to tenants and future tenants;
- To develop affordable rented housing and home ownership options for those in housing need;
- To contribute to Community Care initiatives and promote independence and choice for people working in partnership with other agencies to meet Wider Action objectives;
- To improve the general environment and associated amenities in areas of Fife where the Association is active;
- To produce growth through developments and change the age profile of the stock;
- To develop as part of our equal opportunities commitment the Association's activities and standards out of respect for the people housed or in need of housing;
- To attain an excellent grading from the Scottish Housing Regulator;



-
- To promote good employment practices, fulfil employees' potential and retain Investor in People Status;
 - To identify business opportunities that will add value to the organisation and its stakeholders.

Strategies to achieve the year's objectives

The Association will, as an active participant in the Fife Housing Partnership, deliver quality housing solutions and provide input into the local Housing Strategy to achieve healthy, balanced and sustainable communities.

The Association is part of the Fife Housing Association Alliance which is currently the preferred development partner to deliver the Housing Association Grant funded new build programme.

Fife Housing Association continues to work in partnership with Fife Council and the other indigenous housing associations to implement the Fife Housing Register and the related Joint Allocations Policy.

The Association will continue to develop in two regeneration areas, Abbeyview and Dysart with grant support from the Government and Fife Council.

The Association has a Tenant Participation Strategy in place supported by systems and structures to ensure consultation and the effective handling and transfer of information with specified targets in an action plan.

The Association delivered its second Standard Delivery Plan to Communities Scotland. The plan meets the requirements of the planning framework and has received the support of the Scottish Housing Regulator.

Partnership working is recognised as a critical factor associated with successful delivery of the common Alliance objectives. The Fife Housing Association Alliance is the delivery partnership for affordable housing in Fife and the model builds upon other successful partnership initiatives developed and implemented by the participating organisations.

Principal activities of the year

Achievements and performance

The Association had a number of successes in 2007-08:

- Continued to achieve a high level of Board member commitment and competency;
- Implemented a new staffing structure which has delivered improved outcomes on key performance indicators;

- Started the implementation of the Flatted Stock strategy:-
 - Sold the 8 flats at Summer Road, East Wemyss;
 - Liaised with the Lochgelly Regeneration Management Team to include our 58 flats in their plan;
- Successfully created our Maintenance Services Department;
- Successfully worked in partnership with the Fife Alliance of Housing Associations;
- Housing Association Grant (HAG) Gross Planning Target (GPT) funded programme has increased from £0.4m in 2004/05 to £2.1m in 2005-06 and 2006-07 and £5.6m in 2007-08;
- Completed and let a 29 unit development at Tweed Street, Dunfermline as part of the regeneration of Abbeyview;
- Successfully tendered the Planned Maintenance programme through the EU procurement rules achieving a £300k saving;
- Supported the Mortgage to Rent initiative by acquiring a further 2 properties.

Future plans

Fife Housing Association is one of four Fife based Housing Associations that form the Fife Housing Association Alliance. The Alliance has been chosen as preferred Partner by Fife Council and Communities Scotland in the delivery of new affordable housing in Fife.

The Association proposes 14 new development proposals amounting to a gross expenditure of £24m subject to receiving Housing Association Grant Funding. The Association will carry out 7 of these developments and the other 7 will be developed for us through the Fife Alliance. The developments provide a mix of general needs and shared equity properties. This is anticipated to give rise to £10.5m of Housing Association Grant (HAG) funding and £1.4m of sales through shared equity. A borrowing requirement of £16m is anticipated. The Association has negotiated a £17.5m facility with Lloyds TSB Scotland to fund this.

The Association's development programme for 2008-09 includes the completion of the projects at Cameron Drive, Kirkcaldy, Allan Crescent and Ritchie Place, Dunfermline and Leishman Drive, Dunfermline. We also hope to commence with the next phase of the Abbeyview Dunfermline and the Lower Dysart Regeneration schemes in 2008-09.

In addition, the Alliance has developed 28 properties at Boyle Drive, Rosyth and the Association took ownership of these properties in May 2008 and are developing properties at the Dunfermline Eastern Expansion Area on our behalf.

The Association plans to invest £2.6m in the year ended 31st March 2009 and £2.5m each year for the following four years in planned maintenance and property improvements in order to meet the Scottish Housing Quality Standard. A 30-year Life Cycle Costing Model has been completed to ensure that our properties are maintained to the specified standard.



The Scottish Government has issued the document 'Firm Foundations' which sets out its proposals for new housing in Scotland. As the Association has a sizeable land bank and, if planning consent can be obtained for residential use, we will be well placed to help the Government achieve its aims. The Association has arranged for its land bank to be valued. If the land could be utilised for residential developments it would be valued at £5.45m.

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

Financial Review

The Board is satisfied with the Association's performance during the year. The Association has generated a surplus of £1,164,601 (2007 - £40,563).

Turnover increased by 5.97% whilst operating costs rose by 8.51% resulting in a 5.05% decrease in the operating surplus from £1,203,324 in 2007 to £1,142,538 in 2008.

The total surplus recognised in the Statement of Total Recognised Surpluses and Deficits is £1,794,601 (2007 £504,563). Details of the movements are set out in page 16.

The surplus for the year has been taken to revenue reserves. The Association's net assets are now £5,812,002 (2007 - £3,807,459).

Asset Value

The Board appointed external valuers, DTZ, to value the Association's housing properties as at 31st March 2008. The value of the properties, on an existing use basis (Social Housing) (EUV-SH) was £42.8m (2007 £35.4m) and the carrying value of our stock was £31.3m (2007 £29.5m).

Impairment Review

In accordance with FRS 15, the Association has carried out an impairment review of its housing properties as no depreciation has been charged on the basis that it would be immaterial due to the length of the remaining useful economic life and because of the estimated residual values of the properties. The impairment review at 31st March 2008 showed that the value in use of the properties exceeded the carrying value of the properties in the balance sheet therefore no impairment adjustment was required.



Rental Income

The Association applied a rent increase of RPI +1% on 1st April 2007. Our gross rental income increased from £6,297,762 to £6,656,340. The Association has continued to review the process of letting void properties and there has been a decrease in void rent loss from £74,645 to £71,691. The bad debts written off by the Association has decreased from £83,492 to £79,550. A review of the rent arrears has been carried out and the Bad Debt provision has increased from £110,000 to £140,000.

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 2008, 25 tenants exercised their right to buy and the Association received £878,739 net of selling costs. It is possible net proceeds may require to be repaid to the Scottish Government (see Note 26).

Void Sales

The Association successfully sold the 8 flats at Summer Road East Wemyss as part of the Flatted Stock Strategy and also sold 11 of our older void properties to help us meet the Scottish Housing Quality Standard.

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 decreased from £1,004,000 at 31st March 2007 to £373,000 at 31st March 2008. Full details have been provided in Note 21.

Policy on Payment of Creditors

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

Charitable Donations

During the year the Association made charitable donations totalling £1,800 (2007 £2,565). The Association did not make any donations to a political party.

Post Balance Sheet Events

There have been no important events since the financial year end that have had an impact on the financial position of the Association.

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 is satisfied that the Association has adequate resources to continue to operate for the foreseeable future. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

Reserves Policy

The Association has no designated reserves.

Treasury Management

The Association operates in accordance with its Treasury Management policy to ensure effective use of the organisation's cash flows and borrowings, and the effective control of the risks associated with these activities. The Association's objective is to ensure it has appropriate funding facilities to enable it at all times to have the level of funds necessary for the achievement of its business / service objectives. It will hold its surplus funds in cash or short-term deposits such as a high interest bearing account or a term deposit. At 31st March 2008 there was £2.2m in undrawn facilities with Bank of Scotland and £16.5m with Lloyds TSB Scotland.

Derivatives

The Association is not permitted to enter into speculative transactions with Financial Instruments. The Association follows the guidance set out by the Scottish Housing Regulator. Any financial instrument entered into by the Association is covered by an underlying loan.

As part of its Treasury Management Policy the Association uses financial derivatives to achieve interest rate certainty. Some of the SWAP instruments that the Association has entered into have produced immediate savings in interest payable by the Association and in some cases this can reduce the overall interest payable.

The Association currently has 3 fixed interest rate SWAPs as follows:-

- A 25 year fixed interest rate SWAP from July 2007 for £10m until July 2010 increasing to £20m from July 2010 at 6.936%;
- A 25 year fixed interest rate SWAP from August 2007 for £5m at 4.49% with a 12 month non call period and thereafter the counter-party has the right to terminate the SWAP at 3 monthly intervals;
- A 15 year fixed interest rate SWAP from March 2008 for £5m at 4.06% with a 12 month non call period and thereafter the counter-party has the right to terminate the SWAP at 3 monthly intervals.

Staff

The Association promotes equality and diversity 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, race, colour, marital status, sexual orientation, religion/belief or age.

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

The Association has successfully retained its Investor in People status following re-assessment against the standard in September 2005. The award demonstrates the Association's commitment to training and development for staff.

Employee Involvement

The Association encourages staff involvement in all initiatives and holds a staff conference each year as well as holding regular team talkbacks to inform staff of matters affecting them and the Association.

Health and Safety

The Association is aware of its responsibilities on Health & Safety matters and has a detailed policy in place. Employees are provided with instruction, training and supervision to secure health and safety.

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 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 enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001, the Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and the Statement of Recommended Practice: Accounting by Registered Social Landlords 2005.

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: -

- 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. Development reviews have been established on at least an annual basis and are designed to assist staff achieve their potential whilst assisting the organisation to achieve its objectives.
- 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 ensure that action is taken where considered 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 2008 and until 25th August 2008. 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

Gary Guichan Secretary

26th August 2008



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

We have audited the financial statements of Fife Housing Association Limited for the year ended 31 March 2008 on pages 16 to 39. 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 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 11 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

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, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 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 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 officers' remuneration and transactions with the Association 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 International Standards on Auditing (UK & Ireland) 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 and performed 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 evaluate 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 2008 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 (Scotland) Act 2001, The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and Statement of Recommended Practice: Accounting by Registered Social Landlords.

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

..... 2008



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 statement on internal controls set out on pages 11 to 12. The object of our review is to draw attention to any non-compliance with the information required by the section of Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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 systems of internal financial control or its corporate governance procedures.

With respect to the Board of Management's statement on internal control on pages 11 to 12, in our opinion the Board of Management has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 11 to 12 appropriately reflects the Association's compliance with the information required by the section of Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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

.....2008

By order of the Board



Income & Expenditure account for the year ended 31st March 2008

	Notes	2008 £	2007 £
Turnover	1a	6,811,610	6,427,916
Less: Operating Costs	1a	5,669,072	5,224,592
Operating surplus	6	1,142,538	1,203,324
Gain/(Loss) on realisation of assets		1,667,228	522,168
Interest receivable and other income	8	64,003	44,348
Interest payable and similar charges	7	(1,739,168)	(1,738,277)
Net return on pension assets	21	30,000	9,000
Surplus / (Deficit) on ordinary activities before taxation		1,164,601	40,563
Tax on surplus on ordinary activities	9	-	-
Surplus/(Deficit) for the period		1,164,601	40,563

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

The notes on pages 19 to 39 form part of these financial statements.

Statement of total recognised surpluses and deficits for the year ended 31 March 2008

		2008 £	2007 £
Surplus/(Deficit) for the year		1,164,601	40,563
Unrealised surplus/(deficit) on revaluation of housing properties		-	-
Deferred tax		-	-
Unrealised surplus/(deficit) on investments		-	-
Actual return less expected return on pension scheme assets	21	(532,000)	20,000
Experience gains and losses arising on pension scheme liabilities	21	1,000	1,000
Effect of changes in the actuarial assumptions	21	1,161,000	443,000
Total recognised surpluses/(deficits) for the year		1,794,601	504,563
Prior year adjustment	24	-	-
Total surpluses/(deficits) recognised since last annual report	24	1,794,601	504,563



Balance sheet as at 31st March 2008

	Notes	2008 £	2007 £
Tangible fixed assets			
Housing properties - gross cost	10	46,421,589	40,063,147
Less: Depreciation		(3,805,570)	(3,879,877)
		42,616,019	36,183,270
Less: Grants		(11,465,325)	(6,710,900)
	10	31,150,694	29,472,370
Other	12	1,223,269	1,105,474
		32,373,963	30,577,844
Current assets			
Work in Progress - Homestake Costs		954,691	
Work in Progress - Homestake Grants		829,520	125,171
Housing Stock Held for Sale		50,216	
Debtors	13	1,051,330	1,575,472
Cash at bank & in hand		504,241	548,460
		1,730,958	2,123,932
Creditors: amounts falling due within one year	15	1,592,196	1,562,594
Net current assets excluding pension asset		138,762	561,338
Pension asset / liability		(373,000)	(1,004,000)
Net current assets including pension asset		(234,238)	(442,662)
Total assets less current liabilities		32,139,725	30,135,182
Creditors: amounts falling due after more than one year	16	26,327,723	26,327,723
Provision for liabilities and charges	17	-	-
Net assets		5,812,002	3,807,459
Capital and reserves			
Share Capital	18	151	159
Revenue reserve	24	5,601,851	3,803,260
Charitable reserve	24	-	4,040
Revaluation Reserve		210,000	-
		5,812,002	3,807,459

The financial statements on pages 16 to 39 were approved by the Board of Management on 26th August 2008 and were signed on its behalf by:

Lorna Paterson Chair

Gary Guichan Secretary

The notes on pages 19 to 39 form part of these financial statements.



Cash flow statement for the year ended 31st March 2008

	Notes	2008 £	2007 £
Reconciliation of operating surplus to net cash flow from operating activities	1a	1,142,538	1,203,324
Depreciation charges		89,430	86,218
(Increase)/decrease in debtors		348,755	(387,871)
Increase/(decrease) in creditors		29,602	(15,842)
Increase /decrease in pensions		29,000	(13,000)
Net cash inflow from operating activities		1,639,325	872,829
CASHFLOW STATEMENT			
Net cash inflow from operating activities		1,639,325	872,829
Returns on investments and servicing of finance	25.1	(1,675,165)	(1,693,929)
Taxation		-	-
Capital expenditure	25.1	(8,321)	(854,354)
Management of liquid resources	25.1	-	-
Financing	25.1	(58)	(4)
Increase/(Decrease) in cash		(44,219)	(1,675,458)
Reconciliation of net cash flow to movement in net debt	25.2	(44,219)	(1,675,458)
Increase/(Decrease) in cash in the period		(44,219)	(1,675,458)
Cash used to increase liquid resources		-	-
Change in net debt		(44,219)	(1,675,458)
Net debt at 31.3.07		(25,779,263)	(24,103,805)
Net funds at 31.3.08		(25,823,482)	(25,779,263)

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 2005 and comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. 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.

Land

The Association's land banks are now stated at existing use value. The company's outright ownership interest in the land was valued on 16th May 2008 by an external valuer, Stephen H Booth BSc MRICS of Graham and Sibbald Chartered Surveyors. The valuations were in accordance with the requirements of the RICS Valuation Standards and FRS 15. The valuation of each interest in land was on the following bases and assumptions:

- For surplus land and land held for development: Valued to Market Value assuming that the land would be sold with vacant possession in its existing condition;
- The valuer's opinion on Market Value was primarily derived using comparable recent market transactions on arm's length terms.

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 and residual values of all tangible fixed assets are reviewed annually. This year no depreciation has been charged on our housing properties as in the opinion of the Board of Management the depreciation charge is considered to be immaterial due to the long useful life and high residual value of the properties. In accordance with FRS 15 - Tangible Fixed Assets, depreciation is considered immaterial as:

The Association has a policy of regular maintenance and repair (charges for which are made to the Income and Expenditure Account) such that the property is retained at its previously assessed standard of performance.

- The properties are unlikely to suffer from technological or economic obsolescence due to changes in demand.
- The estimated residual values are material as the disposal proceeds of similar assets have not historically been materially less than their carrying values.
- No depreciation is charged on land.

Depreciation - Office property

Depreciation is charged at 2% 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

Impairment

Reviews for impairment are carried out in accordance with FRS11, Impairment of Fixed Assets if there is some indication that impairment has occurred and FRS15- Tangible Fixed Assets, when no depreciation charge is made on the grounds that it is immaterial.

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

- an increase in rental income or
- a material reduction in future maintenance costs or
- 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.

The Association maintains its properties in a state of repair that maintains their residual value.

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.

Grants are repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

Pensions

The Association operates a defined benefit 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 requirements of Financial Reporting Standard 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.

1a. Particulars of turnover, operating costs and operating surplus or deficit

	2007-08			2006-07
	Turnover	Operating Costs	Operating Surplus or (Deficit)	Operating Surplus or (Deficit) for previous year
	£	£	£	£
Social lettings	6,697,294	5,408,849	1,288,445	1,309,446
Other activities	114,316	260,223	(145,907)	(106,122)
Total	6,811,610	5,669,072	1,142,538	1,203,324
Total for 2006-07	6,427,916	5,224,592	1,203,324	



2. Particulars of income and expenditure from lettings

	General needs £	Shared ownership housing £	Total 2008 £	Total 2007 £
Rent receivable net of service charges	6,562,086	7,455	6,569,541	6,215,507
Service charges receivable	79,760	7,039	86,799	82,255
Gross income from rents and service charges	6,641,846	14,494	6,656,340	6,297,762
Less rent losses from voids	(71,691)	-	(71,691)	(74,645)
Net income from rents and service charges	6,570,155	14,494	6,584,649	6,223,117
Grants from the Scottish Ministers	112,645	-	112,645	83,777
Other revenue grants			-	34,127
Total turnover from social letting activities	6,682,800	14,494	6,697,294	6,341,021
No of units managed by the Association	2,313	5	2,318	2,337
Management and maintenance administration costs	2,076,614	2,458	2,079,072	1,154,200
Service costs	68,479	4,482	72,961	61,059
Planned and cyclical maintenance including major repair costs	1,621,891		1,621,891	1,483,232
Reactive maintenance costs	1,553,915	536	1,554,451	2,201,745
Bad debts - rent and service charges	79,550	-	79,550	83,492
Depreciation of housing properties	924	-	924	47,847
Impairment of housing properties	-	-	-	-
Operating costs for social letting activities	5,401,373	7,476	5,408,849	5,031,575
Operating surplus or (deficit) for social lettings	1,281,427	7,018	1,288,445	1,309,446
Operating surplus or (deficit) for social lettings for previous period of account	1,304,305	5,141	1,309,446	-



3. 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 or (deficit)	Operating surplus or (deficit) previous period
	£	£	£	£	£	£	£	£	£
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	9,554	(9,554)	(6,408)
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	10,485	10,485	-	16,329	(5,844)	(1,401)
Development and Construction of property activities	-	-	-	95,309	95,309	-	234,340	(139,031)	(98,333)
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	-	-	-	-	-	-	-	-	-
Other activities	-	-	-	8,522	8,522	-	-	8,522	20
Total from other activities	-	-	-	114,316	114,316	-	260,223	(145,907)	(106,122)
Total from other activities for previous period of account				86,895	86,895		193,017	(106,122)	

4. Officers' Emoluments

The aggregate amount of emoluments payable to, or receivable by the officers and former officers of the registered social landlord whose total emoluments are £60,000 or more, excluding employer's pension contributions are:

	2008	2007
	£	£
Total emoluments (excluding pension contributions)	63,549	-

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

£		£	2008	2007
60,001	to	70,000	1	-

The emoluments (excluding pension contributions) of the Chief Executive amounted to :-

£	£
63,549	-

The pension contributions made by the Association to officers whose total emoluments (excluding pension contributions) are £60,000 or more were:

£	£
10,342	-

The Chief Executive is an ordinary member of the Association's pension scheme described in Note 21. No enhanced or special terms apply to membership and he has no other pension arrangements to which the Association contributes.

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

	2008	2007
	£	£
Total expenses reimbursed to directors in so far as not chargeable to United Kingdom income tax:-	3,556	3,764

Expenses of £4,449 (2007: £5,258) were paid to Committee Members.

Loans to directors

		Rate of interest	Amount outstanding		Maximum Outstanding During the Year
			31/03/2007	31/03/2008	
			£	£	£
B Hay	Car Purchase Loan	4.250%	9,570	7,377	9,570
A Clark	Car Purchase Loan	5.250%	2,362	14,637	17,200
R Milne	Car Purchase Loan	4.250%		1,380	2,500
			11,932	23,394	29,270
			11,932	23,394	29,270

The loans made were for the purchase of a car. 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

	2008	2007
The average weekly number of persons employed during the period (Full Time Equivalent) was	56.6	36.6

Office Staff

Staff Costs during the period	£	£
Wages and salaries	1,032,548	1,013,961
Social Security Costs	82,492	78,377
Pension Costs (Note 21)	169,262	280,218
Temporary Staff Costs	115,746	
	<u>1,400,048</u>	<u>1,372,556</u>

Maintenance Services Department

Wages and salaries	349,390	-
Social Security Costs	25,906	-
Pension Costs (Note 21)	53,237	-
Temporary Staff Costs	3,872	-
	<u>432,405</u>	<u>-</u>
	<u>1,832,453</u>	<u>1,372,556</u>

6. Operating surplus

	2008	2007
Operating surplus is stated after charging /crediting :	£	£
Depreciation of housing properties	924	9,007
Depreciation on disposal of housing properties	(75,231)	(56,488)
Impairment of housing properties	-	-
Repairs: cyclical, major, day to day	3,176,342	3,595,483
Auditor's remuneration in their capacity as auditors	9,826	8,721
Auditor's remuneration in respect of other services	-	-
Receipt of grant	112,645	117,904
Operating lease rentals	201,794	93,849

7. Interest payable and similar charges

	2008	2007
	£	£
Long term bank loan	1,738,925	1,738,275
Other interest payable	243	2
	<hr/> 1,739,168	<hr/> 1,738,277

8. Interest receivable and other income

	2008	2007
	£	£
Interest receivable	64,003	44,348
	<hr/> 64,003	<hr/> 44,348

9. Taxation

Fife Housing Association Ltd. was accorded charitable status for taxation purposes by the Inland Revenue. In the period to 31st March 2008 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

	Land	Housing Properties Held for Letting	Housing Stock Under Development	Shared Ownership	Total
	£	£	£	£	£
Cost					
At 1st April 2007	-	38,884,410	905,592	273,145	40,063,147
Additions	-	383,918	6,356,642	-	6,740,560
Transfers	-	2,737,691	(2,737,691)	-	-
Disposals	-	(592,118)	-	-	(592,118)
Revaluation	210,000	-	-	-	210,000
As at 31st March 2008	210,000	41,413,901	4,524,543	273,145	46,421,589
Depreciation					
As at 1st April 2007	-	(3,877,598)	-	(2,279)	(3,879,877)
Charge for Year	-	(924)	-	-	(924)
Disposals	-	75,231	-	-	75,231
Impairment provision	-	-	-	-	-
At 31st March 2008	-	(3,803,291)	-	(2,279)	(3,805,570)
Grants					
Development Grants	-	(7,555,063)	(3,614,027)	(225,859)	(11,394,949)
Furniture Grant	-	(70,376)	-	-	(70,376)
	-	(7,625,439)	(3,614,027)	(225,859)	(11,465,325)
Net Book Value at 31st March 2008	210,000	29,985,171	910,516	45,007	31,150,694
Net Book Value at 31st March 2007	-	29,367,915	59,448	45,007	29,472,370

The Association has capitalised £0 (2007 £164,689) of major component replacement expenditure. This is included in the additions stated in the above table.

11. Sale of properties not developed for outright sale

Shared ownership	First tranche	Further tranches	Others	Total 2008	Total 2007
	£	£	£	£	£
Proceeds of sales	-	-	-	-	54,750
Less: Costs of sales	-	-	-	-	(84,924)
Surplus/(Deficit)	-	-	-	-	(30,174)

12. Tangible fixed assets

	Office land & buildings	Computer software	Furniture & fittings	Total
	£	£	£	£
Cost				
As at 1 st April 2007	1,039,698	469,224	100,570	1,609,492
Additions	-	196,579	13,493	210,072
Disposals	-	(81,544)	-	(81,544)
As at 31st March 2008	1,039,698	584,259	114,063	1,738,020
Depreciation				
As at 1st April 2007	(90,676)	(354,646)	(58,696)	(504,018)
Charge for year	(19,310)	(59,804)	(9,391)	(88,505)
Disposals	-	77,772	-	77,772
As at 31st March 2008	(109,986)	(336,678)	(68,087)	(514,751)
Net Book Value as at 31st March 2008	929,712	247,581	45,976	1,223,269
Net Book Value as at 31st March 2007	949,022	114,578	41,874	1,105,474

13. Debtors

	2008	2007
	£	£
Amounts falling due within one year:-		
Debtors rental income	407,411	430,293
Bad debt provision	(140,000)	(110,000)
Prepayments and accrued income	192,849	142,277
Other debtors	427,553	198,697
Grants receivable	163,517	914,205
	1,051,330	1,575,472

14. Cash on deposit

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

	2008	2007
	£	£
Short term deposits	504,241	358,777

In the above are balances totalling £8,433 (2007 £6,120) which are held in trust for shared ownership proprietors.

15. Creditors: Amounts falling due within one year

	2008	2007
	£	£
Bank overdraft	-	-
Loan interest payable	205,464	244,963
Accruals and deferred income	106,509	73,764
Rent in advance	223,610	204,007
Trade creditors	654,932	644,290
Taxation & social security	52,707	30,577
Other creditors	348,974	364,993
	1,592,196	1,562,594

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.

	2008	2007
	£	£
Housing Loans	26,327,723	26,327,723

At 31st March 2008 the average rate of interest was 6.53%.

17. Provisions for liabilities and charges

	2008	2007
	£	£
At start of year	-	-
Transfer from Income and Expenditure Account	-	-
Utilised in the year	-	-
At the end of year	-	-

18. Called up share capital

	2008	2007
	£	£
Allotted, issued and fully paid at 1st April 2007	159	163
Issued in period	13	16
Redeemed in period	(21)	(20)
At 31st March 2008	151	159

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member the £1 paid becomes the property of the Association. Members are eligible to stand for election to the Board of Management and can vote for candidates at the Annual General Meeting.

19. Capital commitments

At 31st March 2008 commitments outstanding were as follows: -

	2008	2007
	£	£
Authorised and contracted for	5,685,060	9,871,201

Capital commitments of £926k relate to Planned Maintenance Contracts which were contracted for last year but were still uncompleted at 31st March. This will be funded from our bank balance. The remainder is Development Projects. The Association has a £16.5m facility remaining from Lloyds TSB bank to fund this development programme.

20. Lease obligations

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

	2008		2007	
	Land & buildings	Other operating leases	Land & buildings	Other operating leases
	£	£	£	£
Operating leases which expire :-				
Within one year	2,288	50,731	2,172	82,473
In the second to fifth year exclusive	25,935	83,041	-	9,937
Over five years	25,935	-	25,935	-
	54,158	133,772	28,107	92,410

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 £169,262 (2007 - £280,217).

The fund is actuarially valued on a triennial basis with the most recent being at 31st March 2005. 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 5.0% p.a. and 6.7%, salary increases would average 4.4% p.a., present and future pensions would increase by 2.9% p.a. The most recent actuarial valuation showed that the market value of the assets which are held in a separately administered fund was £776m. The actuarial value of the fund's assets was £908m and represented 86% 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 280% and 285% of employee's contributions for the years to 31st March 2008 and 2009 respectively.

The principal assumptions used by the independent qualified actuary in updating the most recent valuation to 31st March 2008 for Financial Reporting Standard 17 purposes were:

	2008	2007	2006	2005	2004
Main Assumptions	%	%	%	%	%
Discount rate	6.9	5.4	4.9	5.4	6.5
Retail price inflation	3.6	3.2	3.1	2.9	2.9
Rate of increase for pensions in payment	3.6	3.2	3.1	2.9	2.9
Salary increases	5.1	4.7	4.6	4.4	4.4

The expected rate of return and the assets in the scheme at 31st March 2008 were:

	2008		2007		2006		2005	
	Long term rate of return	Value £000	Long term rate of return	Value £000	Long term rate of return	Value £000	Long term rate of return	Value £000
Equities	7.7%	3,583	7.8%	3,547	7.4%	3,260	7.7%	2,165
Bonds	5.7%	756	4.9%	614	4.6%	580	4.8%	494
Property	5.7%	256	5.8%	275	5.5%	190	5.7%	125
Cash	4.8%	83	4.9%	87	4.6%	40	4.8%	52
	£000		£000		£000			£000
Total market value of assets	4,679	-	4,524		4,070	-	-	2,836
Actuarial present value of scheme liability	5,052	-	5,528		5,560	-	-	4,133
Net pension surplus / (liability)	(373)	-	(1,004)		(1,490)	-	-	(1,297)

Analysis of the amount charged to operating surplus

	2008		2007		2006		2005
	£000		£000		£000		£000
Current service cost	257		217		160		166
Past service cost			(74)				
Impact of Settlements and Curtailments	108						
Total operating charge	365		143		160		166

Analysis of the amount credited to other finance income

	2008		2007		2006		2005
	£000		£000		£000		£000
Expected return on pension scheme assets	339		285		200		176
Interest on pension scheme liabilities	(309)		(276)		(230)		(170)
Net return	30		9		(30)		6

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)

	2008		2007		2006		2005
	£000		£000		£000		£000
Actual return less expected return on pension scheme assets	(532)		20		500		125
Experience gains and losses arising on scheme liabilities	1		1		57		3
Changes in assumptions underlying the present value of scheme liabilities	1161		443		(700)		(817)
Actuarial Gain / (Loss) in Pension Plan	630		464		(143)		(689)
Increase/ (Decrease) in irrecoverable surplus from membership fall and other factors							
Actuarial Gain / (Loss) Recognised in STRSD	630		464		(143)		(689)



--	--	--	--	--	--	--	--

Movement in deficit during the year

	Year to 31/3/08	Year to 31/3/07	Year to 31/3/06	Year to 31/3/05
	£000	£000	£000	£000
Surplus / (Deficit) at beginning of the year	(1004)	(1,490)	(1,297)	(572)
Current service cost	(257)	(217)	(160)	(166)
Employer contributions	336	156	140	124
Contributions in respect of unfunded benefits	-	-	-	-
Other income	-	-	-	-
Other outgo	-	-	-	-
Past service costs	-	74	-	-
Impact of settlements and curtailments	(108)	-	-	-
Net return on assets	30	9	(30)	6
Actuarial Gains / (Losses)	630	464	(143)	(689)
Surplus / (Deficit) at end of year	(373)	(1004)	(1,490)	(1,297)

History of experience gains and losses

	Year to 31/3/08	Year to 31/3/07	Year to 31/3/06	Year to 31/3/05	Year to 31/3/04	Year to 31/3/03
	£000	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	(532)	20	500	125	288	(612)
Value of assets	4,679	4,524	4,070	2,836	2,455	1,979
Percentage of assets	(11.4%)	0.4%	12.2%	4.4%	11.7%	(30.9%)
Experience Gains / (Losses) on liabilities	1	1	57	3	(1)	(394)
Total present value of liabilities	5,052	5,528	5,560	4,135	3,028	2,806
Percentage of the total present value of liabilities	0%	0%	1.0%	0.1%	0	(14.0%)
Actuarial Gains / Losses recognised in STRSD	630	464	(143)	(689)	287	(1,006)
Total present value of liabilities	5,052	5,528	5,560	4,135	3,028	2,806
Percentage of the total present value of liabilities	12.5%	8.4%	(2.6%)	(16.7%)	9.4%	(35.9%)

22. Legislation provisions

The Association is incorporated under the Industrial and Provident Societies Act 1965 and was registered with Scottish Homes 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 2008 £	Revenue reserve 2007 £	Charitable reserve 2008 £	Charitable reserve 2007 £	Revaluation Reserve 2008 £	Revaluation Reserve 2007 £
Opening balance at 1st April	3,803,260	3,298,697	4,040	4,040	-	-
Surplus/(Deficit) for the year	1,721,222	504,563	-	-	-	-
Transfer to / (from) reserves	3,990	-	(3,990)	-	210,000	-
Utilised during year	-	-	(50)	-	-	-
Closing balance at 31st March 2008	5,528,472	3,803,260	-	4,040	210,000	-

The Association created a charitable reserve to enable it to make charitable contributions to those organisations whose aims and objectives are similar to our own. The Association no longer uses this reserve to fund these donations but now sets a budget each year for a Community Support Fund.

25. Cash Flow Notes

	2008 £	2007 £
25.1		
Gross cash flow	£	£
Returns on investments and servicing of finance		
Interest received	64,003	44,348
Interest paid	(1,739,168)	(1,738,277)
	(1,675,165)	(1,693,929)
Capital expenditure		
Payments to acquire tangible fixed assets	(6,950,632)	(3,517,672)
Grants received	4,754,425	1,747,579
Receipts from sales of tangible fixed assets	2,187,886	915,739
	(8,321)	(854,354)
Management of liquid resources		
Financing	-	-
Issue of ordinary share capital/change in reserves	(58)	(4)

25.2

Analysis of changes in net debt	At 31st Mar 2007	Cash flows	Other changes	At 31st Mar 2008
	£	£	£	£
Cash in hand /at bank	548,460	(44,219)	-	504,241
Debt due within 1 year	-	-	-	-
Debt due after 1 year	(26,327,723)	-	-	(26,327,723)
Current asset investments	-	-	-	-
Total	(25,779,263)	(44,219)	-	(25,823,482)

26. Contingent assets / liabilities

The Association entered into a Sale & Purchase Agreement (the Agreement) on 29th January 1997 with Scottish Homes who acted on behalf of the Scottish Ministers. The terms and conditions of the Agreement determine the activities the Association can undertake. The Agreement allowed for a certain level of sales through right to buy. However if this level was breached there is a formula for calculating the liability arising from the excess right to buy sales. There are clauses within the Agreement to protect the Association from material adverse effect and legal opinion supports the Association's view that the excess right to buy liability of £1.034m (2006: £620k) represents a material adverse effect and the Association is in discussions with the Scottish Government to resolve this issue.

The Scottish Executive introduced the Scottish Housing Quality Standard in 2005 with a target that all the Association's homes are compliant by 2015. The Association has presented its Standard Delivery Plan to Communities Scotland demonstrating how it can meet this timetable. The costs of meeting this initiative are significantly in excess of the sums budgeted for in the Association's initial Business Plan that was accepted by Scottish Homes at the time we acquired the properties. In view of the increased costs the Association considers that the comfort clauses contained in the Agreement are triggered and result in a material adverse effect on the Association. The Association is in discussions with the Scottish Government to address this issue.