

HOMES FOR LIFE HOUSING PARTNERSHIP LIMITED

(A Charitable Company Limited by Guarantee)

Registered number SC188299

Registered Charity number SC028542

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

	Page
Members, Executive and Advisers	1
Report of the Directors	2 – 4
Report of the Independent Auditor	5 – 6
Income and Expenditure Account	7
Statement of Total Recognised Gains and Losses	8
Balance Sheet	9
Cash Flow Statement	10
Notes to the Financial Statements	11 – 25

MEMBERS, EXECUTIVE AND ADVISERS**Directors**

Kevin Blackie
Alan Brown (elected 19 September 2011)
Iain Finlayson
Jamila Greig
Anthony James
Gordon Leitch
D Graeme MacGregor
James McLeish (Chair)
Iris McMillan (appointed 28 September 2011)
Thomas Mitchell
Andrew Robertson (elected 19 September 2011)
David Rose (Vice Chair)
Brenda Tonner

Executive Officers

George Russell Business Manager and Company Secretary

Registered Office

Tolbooth Gate
57 Market Street
Haddington
East Lothian
EH41 3JG

Bankers

The Royal Bank of Scotland plc
32 Court Street
Haddington
EH41 3NS

Solicitors

HBJ Gateley (Corporate matters)
Exchange Tower
19 Canning Street
Edinburgh
EH3 8EH

TC Young (Tenancy matters)
69a George Street
Edinburgh
EH2 2JG

External Auditor

Chiene + Tait
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Internal Auditor

Wylie & Bisset LLP
168 Bath Street
Glasgow
G2 4TP

Company Number
SC188299

Charity Number
SC028542

Registered Social Landlord Number
311

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012**

The Directors present their report and the audited financial statements for the year ended 31 March 2012.

Statement of Board of Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and
- Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information, and to establish that the company's auditors are aware of the information.

Structure and governance

The Company is a housing partnership created in July 1998, under the Scottish Government's New Housing Partnerships initiative, by founding members East Lothian Council and East Lothian Housing Association Limited. Under the initiative, the Company secured revenue support funding and capital funding for development projects, in the form of grants from East Lothian Council. Membership also includes tenants and other interested parties. Following a review of the Articles of Association, approved by the members at the AGM in September 2008, founding members no longer have any special rights or obligations.

The Company is limited by guarantee and is recognised as a charity. It does not trade for profit and is prohibited from making distributions to its members.

The Company is registered as a Registered Social Landlord with the Scottish Housing Regulator, and is required to prepare financial statements in accordance with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007, in addition to the Companies Act 2006.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)****Principal activities and review of business**

The Company's principal activity during the year was the provision, improvement and management of housing for persons in necessitous circumstances in East Lothian. The Company does not currently have access to development funding on any proposed development programme.

The Company comprehensively reviewed its Risk Management Strategy during an Away Day in April 2011. The Key Risk Register has subsequently been regularly reviewed by the Audit & Risk Committee, with a review of the Disaster Recovery Strategy and re-procurement of the IT system prioritised for action early in financial year 2012/13.

The Board review performance quarterly against Key Performance Indicators, and benchmark annual return performance against other rural, local, and smaller Registered Social Landlords. Action has been taken to improve repairs performance through re-procurement. Loan covenant compliance is also monitored quarterly, and the impact of Component Accounting has also been tested to ensure continued compliance.

During the year, the Company sought competitive tenders for Finance Agency Services, ultimately renewing the appointment of Scott-Moncrieff. The Company also sought competitive tenders for Responsive Maintenance, Void Property Work, Out of Hours Emergency Call-outs and Call Handling, ultimately appointing a new contractor, R3 Limited, to provide these services from April 2012.

During the next financial year, the Company will be seeking competitive tenders for External Audit, and will be reviewing life-cycle costings and Business Planning as well as monitoring and reporting on Key Performance Indicators. The Board of Directors has also been preparing for implementation of: the Social Housing Charter; changes to the Scottish Housing Regulator; new guidance on Complaints handling from the Scottish Public Services Ombudsman; the new Property Factors (Scotland) Act 2011; and ongoing Welfare Reform – all of which will impact on the company and our services.

Fixed assets

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Company has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment which is detailed at note 10. The introduction of component accounting ensures the major components of the Company's housing stock are identified and depreciated over their estimated economic life. The cost of any subsequent replacement of a major component will be capitalised in the balance sheet with the item replaced being disposed of from the balance sheet. This enables the financial statements to better reflect the use of the component over its life cycle.

Changes in respect of housing properties resulting from transactions during the year, are detailed in note 11.

All work necessary for Scottish Housing Quality Standard compliance has now been completed.

The Board of Directors and Executive Officers

The Board of Directors and Executive Officers are listed on page 1.

Victor Cummings passed away on 25 May 2012, having served as a Director since 30 November 2005.

Donations

Donations paid by the Company during the year did not exceed £2,000.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2012 (CONTINUED)****Statement on internal financial control**

1. The Board of Directors acknowledges its ultimate responsibility for ensuring that the Company has in place a system of financial controls that is appropriate for the business environment in which it operates. These financial controls are designed to give reasonable assurance with respect to:
 - (1) the reliability of financial information used within the Company, or for publication;
 - (2) the maintenance of proper accounting records;
 - (3) the safeguarding of assets against unauthorised use or disposal.

2. It is the Board of Directors' responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of the Company's systems include ensuring that:
 - (1) formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of financial controls and restrict the unauthorised use of the Company's assets;
 - (2) experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
 - (3) forecasts and budgets are prepared which allow the Board of Directors and Executive Officer to monitor the key business risks, financial objectives and the progress being made towards achieving plans set for the year and for the medium term;
 - (4) management accounts are prepared regularly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
 - (5) all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board of Directors;
 - (6) the Board of Directors receives an annual report from the external auditor who review and test the system of internal financial control only to the extent necessary to express their audit opinion;
 - (7) the Board of Directors receives an Annual Report from the internal auditor as part of an agreed audit plan. This year's report looked at income collection and credit control; budgetary and financial controls; personnel and payroll; and procurement, as well as follow up from previous reports;
 - (8) formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external reports, including for delegation of preliminary consideration of reports and action by an Audit and Risk Committee.

3. The Board have reviewed the Company's systems of internal financial controls and found no weaknesses resulting in material losses, contingencies or uncertainties or which require disclosure in the financial statements or in the independent auditor's report on the financial statements.

Auditor

Chiene + Tait, served as auditor for the year to 31 March 2012 having been reappointed at the AGM in September 2011.

By order of the board

Secretary:
George Russell

Date: 4/7/2012

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND MEMBERS OF HOMES FOR LIFE HOUSING PARTNERSHIP LIMITED

We have audited the financial statements of Homes for Life Housing partnership Limited for the year ended 31 March 2012 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the company's Trustees (the directors), as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, its members as a body and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors (who are also the trustees of the charitable company for the purposes of charities legislation) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2012 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, regulation 14 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Board's statement concerning internal financial control made under "The Code of Audit Practice" contained within the publication "Raising Standards in Housing" which is the guidance issued by the Scottish Federation of Housing Associations. The object of our review is to draw attention to non-compliance with the guidance.

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That 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 Company's system of internal financial control or its corporate governance procedures.

Opinion

With respect to the Board's statements on internal financial control, in our opinion the Board has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.



Jeremy Chittleburgh BSc CA (Senior statutory auditor)
for and on behalf of Chiene + Tait, Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Chiene + Tait is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

17 July 2012

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2012**

		31 March 2012	<i>As restated</i> 31 March 2011
	Notes	£	£
Turnover		1,128,064	1,088,998
Less: Operating costs	2	(790,681)	(716,988)
Operating surplus	2	337,383	372,010
Interest receivable and other income		27,334	21,667
Interest payable and similar charges	7	(188,821)	(199,895)
Surplus on ordinary activities before tax	8	175,896	193,782
Tax on surplus on ordinary activities	9	-	-
Retained surplus for the year	18	175,896	193,782

There is no difference between the surplus on ordinary activities for the year and the retained surplus for the year stated above and their historical equivalents.

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2012**


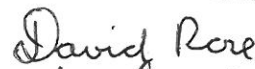

			<i><u>As restated</u></i>
	Notes	31 March 2012	31 March 2011
		£	£
Net surplus for the year		175,896	193,782
Actuarial (loss)/gain recognised in the defined benefit pension scheme	23	<u>(18,000)</u>	<u>29,000</u>
Total recognised gains and losses for the year		157,896	<u>222,782</u>
Prior year adjustment	10	<u>(773,416)</u>	
Total recognised gains and losses since the last financial statements		<u>(615,520)</u>	

The notes on pages 11 to 25 form part of these financial statements

BALANCE SHEET
AS AT 31 MARCH 2012

	Notes	31 March 2012 £	<i>As restated</i> 31 March 2011 £
Tangible fixed assets			
Housing properties – cost less depreciation	11	16,008,428	16,185,096
Less HAG and other grants	12	(12,507,840)	(12,501,324)
		3,500,588	3,683,772
Other fixed assets	13	76,552	82,339
Investments	14	2	2
		<u>3,577,142</u>	<u>3,766,113</u>
Current assets			
Debtors	15	57,790	69,375
Cash at bank and in hand		1,192,915	962,098
		<u>1,250,705</u>	<u>1,031,473</u>
Creditors: amounts falling due within one year	16	(560,016)	(477,420)
Net current assets		<u>690,689</u>	<u>554,053</u>
Total assets less current liabilities		<u>4,267,831</u>	<u>4,320,166</u>
Creditors: amounts falling due after more than one year	17	(2,850,132)	(3,062,363)
Pension liability	23	(2,000)	-
Net assets		<u><u>1,415,699</u></u>	<u><u>1,257,803</u></u>
Capital and reserves			
Designated reserves	18	536,943	430,959
General reserves:			
- General reserve	18	880,756	826,844
- Pension reserve	18	(2,000)	-
		<u>1,415,699</u>	<u>1,257,803</u>

The financial statements on pages 7 to 25 were approved by the Board of Directors on 27 June 2012 and were signed on its behalf by:

 Chair (James McLeish)
 Vice Chair (David Rose)
 Secretary (George Russell)

Company Registration No: SC188299

The notes on pages 11 to 25 form part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2012**

		<i><u>As restated</u></i>	
	Notes	31 March 2012 £	31 March 2011 £
Net cash inflow from operating activities	25	642,473	537,476
Returns on investments and servicing of finance			
Interest received		15,996	15,073
Interest paid		(188,821)	(199,895)
		<u>(172,825)</u>	<u>(184,822)</u>
Capital expenditure and financial investment			
Payments to acquire, develop and improve housing property		(45,245)	(401,685)
		<u>(45,245)</u>	<u>(401,685)</u>
Cash inflow/(outflow) before use of liquid resources and Financing		424,403	(49,031)
Management of liquid resources			
Outflows to fixed term deposits		(550,107)	(510,849)
Inflows from fixed term deposits		510,849	400,000
		<u>(39,258)</u>	<u>(110,849)</u>
Financing			
Capital grants received		18,645	6,450
Housing loans repaid		(212,231)	(201,158)
		<u>(193,586)</u>	<u>(194,708)</u>
Increase/(decrease) in cash	26	<u>191,559</u>	<u>(354,588)</u>

The notes on pages 11 to 25 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****1. Accounting policies****(a) Introduction and accounting basis**

These financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards and Statement of Recommended Practice (SORP) (2010), "Accounting by registered social housing providers" and comply with the requirements of The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The company has: a healthy bank balance, budgeted to make a surplus for the year ended 31 March 2013, a strong asset base, no liquidity issues and the directors are of the opinion that the company will continue to meet its obligations as they fall due for the foreseeable future. On this basis the directors consider it appropriate to adopt the going concern basis of accounting in preparing the annual financial statements.

The following principal accounting policies have been applied consistently in the preparation of the financial statements, except as noted below:

During the year, the company adopted Component Accounting for its social housing assets in line with the Statement of Recommended Practice (SORP) (2010), "Accounting by registered social housing providers".

In previous years, the capital costs of the company (net of grants) were depreciated at 2% to 3.33% per annum and most housing repairs and maintenance costs were treated as revenue expenses.

In accordance with the new standard, this policy has been changed and housing assets have been apportioned into their component parts, each of which has its own depreciation rate. The directors have opted to restate the previous years' figures produced by the company to show the assets as if component accounting had been in effect since the company was incorporated. A prior year adjustment has been made in respect of this change as per note 10. As a result of this change in policy the depreciation charge for the year ended 31 March 2012 has increased by £135,000.

(b) Tangible fixed assets – housing properties (note 11)

Housing properties are stated at cost including:

- cost of acquiring land and buildings;
- development expenditure on the project;
- internal administration costs relating to the acquisition and development of housing schemes.

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

Housing properties are split into the following components:

- Land;
- Structure;
- Roof;
- Kitchens;
- External doors and windows;
- Bathrooms & WCs;
- Electrics;
- Boilers;
- Specialist heating, plumbing, ventilation systems

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

1. Accounting policies (Continued)

(c) Depreciation

Depreciation is charged on tangible fixed assets so as to write off the asset cost (net of attributable grant) less any recoverable value on a straight line basis over its anticipated useful life as follows:

	Useful economic life
Office premises	30 years
Office furniture and equipment	3 years
Housing properties (by component):	
• Land	Infinite
• Structure	50 years
• Roof	50 years
• Kitchens	15 years
• External doors and windows	25 years
• Bathrooms & WCs	20 years
• Electrics	25 years
• Boilers	15 years
• Specialist heating, plumbing, ventilation systems	20 years

Land, having an infinite life, is not depreciated.

Depreciation is charged in full in the year of purchase and is not charged in the year of disposal.

As a result of implementing component accounting, the accumulated depreciation of the components has been restated in line with the amortisation rates noted above via a prior year adjustment as detailed in note 10.

In line with the SORP, losses arising on components replaced are included within the depreciation charge.

(d) Grants

Capital

New Housing Partnership Grants (NHP) were made by East Lothian Council and were utilised to reduce the amount of loans required in respect of an approved scheme.

For schemes developed with NHP the grant was paid directly to the Company as required to meet its liabilities during the development process.

Capital grants reduce the net book value of housing properties.

Capital grants in respect of property development are applied in the following order:

- Land;
- Structure;
- With any remaining balance being allocated as "unapplied grants".

Other components have various useful lives and to apportion grants to these components would not reflect that grants are not repayable except under disposal of the entire property. Unapplied grants are therefore amortised on a straight line basis at 2% per annum in line with the main structure.

Revenue (excluding Revenue Support Grant)

Revenue grants are credited to income in the appropriate period to match related expenditure, except that initial funding of the Company was transferred to a restricted revenue reserve to the extent that it was unutilised at the year end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012****1. Accounting policies (Continued)****(e) Designated reserves – planned maintenance reserves (note 18)**

The Company maintains its housing properties in a state of repair which at least maintains their residual value in prices prevailing at either the time of acquisition or construction. Provision is made for such future major repair expenditure based on 0.8% on total costs to date on completed developments.

(f) Pension scheme (note 23)

The Company participates in a defined benefit scheme in respect of its employees. The assets of the scheme are held by the Lothian Pension Fund.

In accordance with 'FRS 17 – Retirement Benefits', the operating and financing costs of pension and post retirement schemes (determined by a qualified actuary) are recognised separately in the income and expenditure account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise.

The differences between actual and expected returns on assets during the year, including changes in the actuarial assumptions, are recognised in the statement of total recognised gains and losses.

(g) Turnover

Turnover represents rental income and fees from tenants and revenue based grants receivable from The Scottish Government. The company has no shared-ownership properties and consequently all income relates to properties wholly-owned by the company.

(h) VAT

The Company is not registered for VAT purposes and all expenses are shown VAT inclusive.

(i) Apportionment of management expenses

Management and administration expenses are apportioned between housing and commercial activities based on the income generated for these activities. The costs thus allocated to housing are further apportioned based on the units held within each sub-type.

(j) Consolidation

The company has taken advantage of the exemption provided in section 402 of the Companies Act 2006 not to prepare group financial statements and accordingly these financial statements present information about the company as a single undertaking.

(k) Liquid resources

Liquid resources, for purposes of the cash flow statement, comprise fixed term deposit balances and are included within cash at bank and in hand on the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**
2. Particulars of turnover, operating costs and operating surplus

	Turnover £	2012 Operating Costs £	Operating Surplus £	<u>As restated</u> 2011 Operating Surplus £
Social lettings (note 3)	1,119,506	787,703	331,803	365,972
Other activities (note 4)	8,558	2,978	5,580	6,038
Total	<u>1,128,064</u>	<u>790,681</u>	<u>337,383</u>	<u>372,010</u>
Total for the year ended 31 March 2011, as restated	<u>1,088,998</u>	<u>716,988</u>	<u>372,010</u>	

3. Particulars of turnover, operating costs and operating surplus from social letting activities	General Needs Housing £	Supported Housing £	Other (Respite Unit) £	2012 Total £	<u>As restated</u> 2011 Total £
Gross income	1,080,589	26,754	16,919	1,124,262	1,088,350
Less voids	(5,407)	-	-	(5,407)	(8,918)
Net income from rents	1,075,182	26,754	16,919	1,118,855	1,079,432
Grants from the Scottish Ministers	651	-	-	651	1,176
Total turnover from social letting activities	<u>1,075,833</u>	<u>26,754</u>	<u>16,919</u>	<u>1,119,506</u>	<u>1,080,608</u>
Management and maintenance administration costs	359,902	12,037	1,204	373,143	268,531
Planned and cyclical maintenance including major repairs	65,853	2,203	220	68,276	132,413
Reactive maintenance costs	92,064	3,079	308	95,451	73,555
Bad debts – rents	4,282	-	-	4,282	1,104
Depreciation of social housing	239,343	4,860	2,348	246,551	239,033
Operating costs for social letting activities	<u>761,444</u>	<u>22,179</u>	<u>4,080</u>	<u>787,703</u>	<u>714,636</u>
Operating surplus for social lettings	<u>314,389</u>	<u>4,575</u>	<u>12,839</u>	<u>331,803</u>	<u>365,972</u>
Operating surplus for social lettings for year ended 31 March 2011, as restated	<u>354,090</u>	<u>(66)</u>	<u>11,948</u>	<u>365,972</u>	

The company has no shared ownership housing.

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

4. Particulars of turnover, operating costs and operating surplus from other activities	Other income	Other operating costs	Operating Surplus 2012	Operating Surplus 2011
	£	£	£	£
Commercial properties	7,923	2,326	5,597	5,963
Factoring activity	635	652	(17)	-
Other activities	-	-	-	75
Total from other activities	8,558	2,978	5,580	6,038
Total from other activities for the year ended 31 March 2011	8,390	2,352	6,038	

5. Directors' emoluments

The directors are defined as Board members, and did not receive any remuneration or accrue any retirement benefits during the year. During the year Board members were reimbursed £1,326 (2011: £1,172) for travel and subsistence expenses in respect of attendance at Board meetings and training sessions. Board members include tenant directors who must comply with the same regulations as non-director tenants.

	2012	2011
	£	£
The remuneration of the business manager (and company secretary) was:		
Total emoluments (excluding pension contributions)	56,021	55,611
Pension contributions	12,404	10,873
	<u>68,425</u>	<u>66,484</u>

Other staff members reporting directly to the Board did not receive emoluments (excluding employer's pension contributions) exceeding £60,000 per annum.

6. Employee information

	2012	2011
The number of full time equivalents employed during the year was:		
Office staff	<u>5</u>	<u>5</u>
	£	£
Staff costs:		
Wages and salaries	176,177	172,726
Social security costs	15,228	14,502
Pension costs	29,421	25,330
	<u>220,826</u>	<u>212,558</u>
FRS 17 pension adjustment	(6,000)	(73,000)
	<u>214,826</u>	<u>139,558</u>
Temporary staff costs	-	2,094

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

7. Interest payable and similar charges

	2012 £	2011 £
Loan interest payable	188,821	199,895

8. Surplus on ordinary activities before taxation

	2012 £	2011 £
		<i>As restated</i>
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation – housing	246,551	239,033
Deprecation – other assets	5,787	6,014
Auditor's remuneration		
- in their capacity as auditor	4,334	4,392
- other fees paid to auditor	600	-

9. Taxation

The Company is recognised by HM Revenue & Customs as a charity and no charge for taxation arises on the results for the year.

10. Prior year adjustment

In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Company has implemented component accounting for the first time this year. As this is a change in accounting policy the impact of component accounting has resulted in a restatement of the prior year figures via a prior year adjustment as noted below.

The principle of component accounting is to treat major components of an asset as if each component is a separate asset in its own right and depreciate the components over their individual useful economic lives. It follows therefore, that when a component is replaced, the old component is written off, in order to avoid double counting, with the new component capitalised and then amortised over its expected useful life.

This resulted in a reduction in the net book value of its housing assets of £773,416 as follows:

	31 March 2011 £	31 March 2010 £
Capitalisation of assets previously expensed	169,173	16,256
Depreciation catch-up	(127,575)	(831,270)
Total adjustments in respect of previous year income and expenditure account.	41,598	(815,014)
Cumulative adjustments in respect of the period ended 31 March 2010	(815,014)	
Total adjustments as at 31 March 2011	(773,416)	

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

11. Tangible Fixed Assets - Housing properties gross cost less depreciation	Owned Property held for letting £
Cost	
At 1 April 2011	17,786,696
Prior year restatement	47,773
	<hr/>
At 1 April 2011, as restated	17,834,469
Additions during year - replacement components	69,883
Disposals during the year - replaced components	(17,685)
	<hr/>
At 31 March 2012	<u>17,886,667</u>
Depreciation	
At 1 April 2011	724,897
Prior year restatement	924,476
	<hr/>
At 1 April 2011, as restated	1,649,373
Charge for year	237,148
Released on disposals during the year - replaced components	(8,282)
	<hr/>
At 31 March 2012	<u>1,878,239</u>
Depreciated gross costs	
At 31 March 2012	<u>16,008,428</u>
	<hr/>
At 1 April 2011, as restated	<u>16,185,096</u>

The net book value of components which have been replaced in the year of £9,403 is included in the depreciation charge of £246,551 in note 3.

12. Tangible Fixed Assets – Grants	Owned Property held for letting £
Cost	
At 1 April 2011	12,604,611
Prior year restatement	(103,287)
	<hr/>
At 1 April 2011, as restated	12,501,324
Received in year	6,516
	<hr/>
At 31 March 2012	<u>12,507,840</u>

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

13. Tangible fixed assets – other fixed assets

	Heritable office premises £	Office furniture and equipment £	Total £
Cost			
At 1 April 2011 and 31 March 2012	168,999	44,790	213,789
Depreciation			
At 1 April 2011	56,819	44,631	101,450
Charge for the year	5,628	159	5,787
At 31 March 2012	62,447	44,790	107,237
Gross cost less depreciation			
At 31 March 2012	106,552	-	106,552
At 1 April 2011	112,180	159	112,339
Less grants			
At 31 March 2011 and 31 March 2012	(30,000)	-	(30,000)
Net book value			
At 31 March 2012	76,552	-	76,552
At 1 April 2011	82,180	159	82,339

14. Investments

	Unlisted Investments £
Cost	
At 31 March 2011 and 31 March 2012	2

The investment represents 100% of the ordinary share capital of Homes for Life Developments Limited. The Company was dormant throughout the year. The directors consider that the value of the unlisted investments is not materially different from cost.

The aggregate share capital and reserves as at 31 March 2012 for Homes for Life Developments Limited was as follows:

	2012 £	2011 £
Aggregate capital and reserves	2	2

15. Debtors

	2012 £	2011 £
Amounts falling due within one year:		
Rental debtors	12,322	17,814
Less provision for bad and doubtful debts	(2,702)	(3,169)
	9,620	14,645
Other debtors	490	13,902
Prepayments and accrued income	47,680	40,828
	57,790	69,375

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

16. Creditors – Amounts falling due within one year	2012	2011
	£	£
Rent in advance	51,862	15,633
Other creditors	1,802	1,802
Other taxes and social security	4,650	4,659
Accruals	100,649	54,273
Loans: Housing	401,053	401,053
	<u>560,016</u>	<u>477,420</u>

Details of security in respect of loans are included in note 17.

17. Creditors – Amounts falling due after more than one year	2012	2011
	£	£
Loans:		
Housing	<u>2,850,132</u>	<u>3,062,363</u>

The Company has a term loan facility with the Dunfermline Building Society. The loan is repayable in equal instalments and is due to be fully repaid in April 2023. Interest is charged on the loan at a fixed rate of 5.505%. Loans are secured by a standard security over certain properties and a bond and floating charge over the assets of the company.

Amounts are due within the following periods:

	£	£
Between one and two years	401,053	401,053
Between two and five years	1,203,158	1,203,158
In five years or more	1,245,921	1,458,152
	<u>2,850,132</u>	<u>3,062,363</u>

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

18. Reserves

The Company is limited by guarantee and has no share capital. However, in the event of winding up, each member undertakes to contribute a sum not exceeding £1.

	<u>General reserves</u>			<u>Designated Reserve Planned Maintenance</u>	<u>Grand Total</u>
	<u>General Reserve</u>	<u>Pension Reserve</u>	<u>Total</u>		
	£	£	£	£	£
At 31 March 2011 as reported	1,600,260	-	1,600,260	430,959	2,031,219
Prior year adjustments (note 10):					
- As at 31 March 2010	(815,014)	-	(815,014)	-	(815,014)
- Year ended 31 March 2011	41,598	-	41,598	-	41,598
At 31 March 2011, as restated	<u>826,844</u>	<u>-</u>	<u>826,844</u>	<u>430,959</u>	<u>1,257,803</u>
Surplus for year	175,896	-	175,896	-	175,896
Other recognised gains and losses (note 23)	-	(18,000)	(18,000)	-	(18,000)
Net transfers during the year	(121,984)	16,000	(105,984)	105,984	-
At 31 March 2012	<u><u>880,756</u></u>	<u><u>(2,000)</u></u>	<u><u>878,756</u></u>	<u><u>536,943</u></u>	<u><u>1,415,699</u></u>

19. Controlling party

The company is controlled by its board. There is no ultimate controlling party.

20. Related party transactions

Tenant directors must comply with the same regulations as non-director tenants and do not receive favourable terms or discounted rents.

One director is also on the board of East Lothian Housing Association Limited which has a trading subsidiary, R3 Limited, which is now contracting with the company.

21. Capital commitments

	2012	2011
	£	£
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	14,588
Capital expenditure that has been authorised by the Board of Directors but has not yet been contracted for	-	-

Contracted expenditure will be financed from existing funds.

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

22. Planned maintenance commitments

	2012 £	2011 £
Housing Developments		
Expenditure that has been contracted for but has not been provided for in the financial statements:		
Trickle transfers	-	15,397
Other maintenance	2,485	-
	<u>2,485</u>	<u>-</u>
Contracted planned maintenance commitments	<u>2,485</u>	<u>15,397</u>

Contracted expenditure will be financed from existing funds.

23. Pension scheme

Defined benefit scheme – Lothian Pension Fund

The company operates a defined benefit scheme in the UK that provides pensions linked to final salaries. A valuation of the pension fund is carried out triennially. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2011, with the next formal valuation due as at 31 March 2014.

Liabilities are valued on an actuarial basis using the projected unit credit method, which assess the future liabilities of the fund discounted to their present value. The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

The principal actuarial assumptions used by the actuary for the purposes of the FRS17 valuation at each year end are as follows:

	31 March 2012 % pa	31 March 2011 % pa
Pension Increase Rate	2.5%	2.8%
Salary Increase Rate	4.8%	5.1%
Expected Return on Assets	5.8%	7.0%
Discount Rate	4.8%	5.5%
Inflation Assumption	2.5%	2.8%

Previously, life expectancy was based on the PFA92 and PMA92 'year of birth' tables. Life expectancy is based on the Funds VitaCurves with improvements for 2008 in line with the Medium Cohort and a 1% p.a. underpin. Based on the new assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	20.4 years	22.8 years
Future Pensioners	22.6 years	25.4 years

The major categories of plan assets as a % of total plan assets:

	31 March 2012	31 March 2011
Equities	79%	79%
Bonds	8%	8%
Property	11%	10%
Cash	2%	3%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2012**
23. Pension scheme (continued)

The amounts recognised in the balance sheet are as follows:

	31 March 2012 £'000	31 March 2011 £'000
Fair value of employer assets	692	539
Present value of funded liabilities	(694)	(519)
	<u> </u>	<u> </u>
Net (under)/overfunding in funded plans	(2)	20
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
Amount not recognised as an asset	-	(20)
	<u> </u>	<u> </u>
Net Liabilities	(2)	-
	<u> </u>	<u> </u>
Amount in the Balance Sheet		
Liabilities	(2)	-
Assets	-	-
	<u> </u>	<u> </u>
Net Liabilities	(2)	-
	<u> </u>	<u> </u>

The amounts recognised in the income and expenditure account are as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Current service cost	23	26
Interest on obligation	29	31
Expected return on employer assets	(39)	(36)
Past service cost/(gain)	-	(74)
Losses/(gains) on curtailments and settlements	-	-
	<u> </u>	<u> </u>
Total	13	(53)
	<u> </u>	<u> </u>
Actual Return on Scheme Assets	12	27
	<u> </u>	<u> </u>

Changes in the fair value of scheme assets are as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Opening fair value of scheme assets	539	478
Expected return on assets	39	36
Contribution by members	9	9
Contributions by the employer	29	25
Contributions in respect of unfunded benefits	-	-
Actuarial gains/(losses)	77	(9)
Assets distributed on settlements	-	-
Exchange differences	-	-
Unfunded benefits paid	-	-
Benefits paid	(1)	-
	<u> </u>	<u> </u>
Closing fair value of scheme assets	692	539
	<u> </u>	<u> </u>

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

23. Pension scheme (continued)

Changes in the present value of the defined benefit obligation are as follows:

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Opening Defined Benefit Obligation	519	585
Current service cost	23	26
Interest cost	29	31
Contributions by members	9	9
Actuarial losses / (gains)	115	(58)
Past service costs / (gains)	-	(74)
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1)	-
	<u>694</u>	<u>519</u>
Closing Defined Benefit Obligation	<u>694</u>	<u>519</u>

Analysis of amounts recognised in the Statement of Total Recognised gains & losses (STRGL):

	31 March 2012 £'000	31 March 2011 £'000
Actual return less expected return on pension scheme assets	77	(9)
Changes in financial assumptions underlying the present value of the scheme liabilities	(92)	58
Changes in non-financial assumptions underlying the present value of the scheme liabilities	(23)	-
	<u>(38)</u>	<u>49</u>
Actuarial (losses)/gains in pension plan	-	(20)
Pension scheme asset not recognised	20	-
Recognition of previous year asset	<u>(18)</u>	<u>29</u>
Actuarial (losses)/gains recognised in STRGL	<u>(18)</u>	<u>29</u>
Cumulative actuarial gains and losses	<u>(113)</u>	<u>(75)</u>

Amounts for the current and four previous periods:

	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Fair value of employer's assets	692	539	478	327	367
Present value of defined benefit obligation	(694)	(519)	(585)	(292)	(291)
Surplus/(deficit)	(2)	20	(107)	35	76
Experience gains/(losses) on assets	77	(9)	94	(96)	(36)
Experience gains/(losses) on liabilities	(92)	-	-	(1)	1

The estimated employer's contribution for the year to 31 March 2013 to its defined benefit pension plan is £30,000.

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

24. Accommodation in management

	At 31 March 2012 £	At 31 March 2011 £
Housing property held for letting:		
- General needs housing (individual tenancies)	299	299
- Supported housing (shared occupancies)	10	9
- Other (respite unit)	1	1
	<u>310</u>	<u>309</u>
Housing held for shared equity	-	-
Commercial property held for letting	1	1
	<u>311</u>	<u>310</u>
Total	<u><u>311</u></u>	<u><u>310</u></u>

Included in the above are the following number of units managed by other organisations:

	At 31 March 2012 £	At 31 March 2011 £
General needs housing:		
- East Lothian Council	33	33
	<u>33</u>	<u>33</u>

25. Reconciliation of surplus for the year to net cash flow from operating activities

	2012 £	<u>As restated</u> 2011 £
Operating surplus	337,383	372,010
Depreciation	252,338	245,047
FRS17 adjustment to pension costs	(6,000)	(73,000)
Movement in debtors	794	(3,407)
Movement in creditors	57,958	(3,174)
	<u>642,473</u>	<u>537,476</u>
Net cash inflow from operating activities	<u><u>642,473</u></u>	<u><u>537,476</u></u>

26. Reconciliation of net cash flow to movement in net debt

	2012 £	2011 £
Increase/(decrease) in cash in the year	191,559	(354,588)
Housing and non-housing loans repaid	212,231	201,158
Management of liquid resources	39,258	110,849
	<u>443,048</u>	<u>(42,581)</u>
Change in net debt	443,048	(42,581)
Net debt at 31 March 2011	(2,501,318)	(2,458,737)
Net debt at 31 March 2012	<u><u>(2,058,270)</u></u>	<u><u>(2,501,318)</u></u>

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

27. Analysis of changes in net debt

	2011 £	Cashflows £	Non- Cashflows £	2012 £
Cash at bank and in hand	451,249	191,559	-	642,808
Liquid resources	510,849	39,258	-	550,107
	<u>962,098</u>	<u>230,817</u>	<u>-</u>	<u>1,192,915</u>
Debt due within one year	(401,053)	212,231	(212,231)	(401,053)
Debt due after one year	(3,062,363)	-	212,231	(2,850,132)
	<u>(2,501,318)</u>	<u>443,048</u>	<u>-</u>	<u>(2,058,270)</u>

28. Establishment of Company

The company is established under the Companies Act as a charitable company, limited by guarantee. In the event of a winding up each of the members (currently 152) undertake to contribute an amount not exceeding £1.

