

HOMES FOR LIFE HOUSING PARTNERSHIP

(A Charitable Company Limited by Guarantee)

Registered number SC188299

Registered Charity number SC028542

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2014

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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MEMBERS, EXECUTIVE AND ADVISERS**Directors**

Kevin Blackie
Alan Brown
Iain Finlayson
Roberta Gordon (appointed 11 September 2013)
Jamila Greig (Chair)
Gordon Leitch
D Graeme MacGregor
James McLeish (Vice Chair)
Iris McMillan
Thomas Mitchell
Tania Orde (appointed 11 September 2013)
David Rose
Brenda Tonner
Sheila Williamson (appointed 11 September 2013)

Executive Officer

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 2014**

The Directors present their report, including the Strategic Report, and the audited financial statements for the year ended 31 March 2014.

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 Scottish Housing Regulator's Determination of Accounting Requirements (April 2012): Regulatory Guidance and the Companies Act 2006.

The Board of Directors and Executive Officer

The Board of Directors and the Executive Officer are listed on page 1. The following Director served during the year but is not serving at the date of this report:

- Anthony James resigned on 21 May 2013, having served since 26 April 2006.

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.

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.

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2014 (CONTINUED)****Statement on internal financial control (continued)**

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 corporate governance; treasury management; staffing roles and responsibilities, 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.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of the information.

Auditor

The auditor, Chiene + Tait, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board

Secretary: 
George Russell

Date: 

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2014**

The Directors present their strategic report for the year ended 31 March 2014.

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 Board review performance quarterly against Key Performance Indicators, and benchmark annual outturn performance against other rural, local, and smaller Registered Social Landlords. Loan covenant compliance is also monitored quarterly. The Key Risk Register is regularly reviewed by the Audit & Risk Committee.

During the year, Life-cycle costings were updated by consultants Summers Inman, 30-year financial projections were comprehensively reviewed by Scott-Moncrieff, and the Board reassessed and confirmed the Company's viability as a small independent Registered Social Landlord. A full Tenant Satisfaction Survey was completed, based on new regulatory guidance, and will now be carried out on an annual basis. This most recent survey secured a 49.8% response rate, with 94.1% of respondents expressing satisfaction. Both are the Company's best results to date. The Company continued to develop arrangements to mitigate the impact of Welfare Reform and for compliance with the Social Housing Charter and other new regulatory requirements.

Internal Audit for this year focused on Corporate Governance, Treasury Management and Staffing Roles & Responsibilities as well as follow-up from the previous audit. Following consultation with tenants, the Company sought competitive tenders for Landscape Maintenance Services for the service from April 2015, and deferred re-procurement of Gas Servicing & Maintenance to the next financial year.

Employees

The Company has six employees, excluding directors, two of whom are job-sharing.

Fixed assets

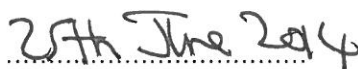
In accordance with the Statement of Recommended Practice (SORP) – Accounting by registered social housing providers, 2010, the Company utilises component accounting in dealing with its housing assets. Component accounting ensures that the major components of the Company's housing stock are identified and depreciated over their estimated economic lives. 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 10.

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

By order of the board

Secretary: 
George Russell

Date: 



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

We have audited the financial statements of Homes for Life Housing Partnership for the year ended 31 March 2014 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. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the 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. 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 and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company's affairs as at 31 March 2014 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 Housing (Scotland) Act 2010, and the Determination of Accounting Requirements - April 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

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

30 July 2014

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	31 March 2014 £	31 March 2013 £
Turnover	2	1,232,673	1,185,857
Less: Operating costs	2	(886,858)	(847,168)
Operating surplus	2	345,815	338,689
Interest receivable and other income		14,001	22,075
Interest payable and similar charges	7	(164,740)	(174,375)
Surplus on ordinary activities before tax	8	195,076	186,389
Tax on surplus on ordinary activities	9	-	-
Retained surplus for the year	17	195,076	186,389

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 cost equivalents.

The results for the year relate wholly to continuing activities.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	31 March 2014	31 March 2013
		£	£
Net surplus for the year		195,076	186,389
Actuarial loss recognised in the defined benefit pension scheme	23	(43,000)	(52,000)
Total recognised gains and losses for the year		<u>152,076</u>	<u>134,389</u>

The notes on pages 11 to 23 form part of these financial statements

**BALANCE SHEET
AS AT 31 MARCH 2014**

	Notes	31 March 2014 £	31 March 2013 £
Tangible fixed assets			
Housing properties – cost less depreciation	10	15,592,692	15,794,754
Less HAG and other grants	11	(12,522,656)	(12,513,580)
		3,070,036	3,281,174
Other fixed assets	12	65,296	70,924
Investments	13	2	2
		3,135,334	3,352,100
Current assets			
Debtors	14	63,693	62,165
Cash at bank and in hand		1,503,814	1,315,712
		1,567,507	1,377,877
Creditors: amounts falling due within one year	15	(402,752)	(380,121)
Net current assets		1,164,755	997,756
Total assets less current liabilities		4,300,089	4,349,856
Creditors: amounts falling due after more than one year	16	(2,505,925)	(2,754,768)
Pension liability	23	(92,000)	(45,000)
Net assets		1,702,164	1,550,088
Capital and reserves			
Designated reserves	17	596,314	551,698
General reserves:			
- General reserve	17	1,197,850	1,043,390
- Pension reserve	17	(92,000)	(45,000)
		1,702,164	1,550,088

The financial statements on pages 7 to 23 were approved by the Board of Directors on 25 June 2014 and were signed on its behalf by:

Jamila Greig

Chair (Jamila Greig)

James McLeish

Vice Chair (James McLeish)

George Russell

Secretary (George Russell)

Company Registration No: SC188299

The notes on pages 11 to 23 form part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	Notes	31 March 2014 £	31 March 2013 £
Net cash inflow from operating activities	25	600,551	571,883
Returns on investments and servicing of finance			
Interest received		11,387	20,143
Interest paid		(164,735)	(174,375)
		<u>(153,348)</u>	<u>(154,232)</u>
Capital expenditure and financial investment			
Payments to acquire, develop and improve housing property		(28,523)	(34,755)
		<u>(28,523)</u>	<u>(34,755)</u>
Cash inflow before use of liquid resources and financing		418,680	382,896
Management of liquid resources			
Outflows to fixed term deposits		-	(150,000)
Inflows from fixed term deposits		150,000	550,107
		<u>150,000</u>	<u>400,107</u>
Financing			
Capital grants received		5,740	-
Housing loans repaid		(236,318)	(260,099)
		<u>(230,578)</u>	<u>(260,099)</u>
Increase in cash	26	<u>338,102</u>	<u>522,904</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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 Scottish Housing Regulator's Determination of Accounting Requirements (April 2012): Regulatory Guidance.

The company has: a healthy bank balance, budgeted to make a surplus for the year ended 31 March 2015, 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.

(b) Tangible fixed assets – housing properties (note 10)

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

(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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014****1. Accounting policies (continued)**

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.

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

Revenue grants are credited to income in the appropriate period to match related expenditure.

(e) Designated reserves – planned maintenance reserves (note 17)

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 and changes in the actuarial assumptions are recognised in the statement of total recognised gains and losses.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

1. Accounting policies (continued)

(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 inclusive of VAT.

(i) Apportionment of management expenses

Management and administration expenses are apportioned between housing and commercial activities based on the income generated by 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 (see note 13).

(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.

2. Particulars of turnover, operating costs and operating surplus

	Turnover £	2014 Operating Costs £	Operating Surplus £	2013 Operating Surplus £
Social lettings (note 3)	1,217,179	877,696	339,483	332,948
Other activities (note 4)	15,494	9,162	6,332	5,741
Total	<u>1,232,673</u>	<u>886,858</u>	<u>345,815</u>	<u>338,689</u>
Total for the year ended 31 March 2013	<u>1,185,857</u>	<u>847,168</u>	<u>338,689</u>	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

3. Particulars of turnover, operating costs and operating surplus from social letting activities	General Needs Housing £	Supported Housing £	Other (Respite Unit) £	2014 Total £	2013 Total £
Gross income	1,174,727	26,099	18,046	1,218,872	1,179,531
Less voids	(3,098)	(39)	-	(3,137)	(4,456)
Net income from rents	1,171,629	26,060	18,046	1,215,735	1,175,075
Grants from the Scottish Ministers	1,444	-	-	1,444	1,031
Total turnover from social letting activities	1,173,073	26,060	18,046	1,217,179	1,176,106
Management and maintenance administration costs	388,887	5,182	1,295	395,364	360,792
Planned and cyclical maintenance including major repairs	131,487	1,668	409	133,564	165,993
Reactive maintenance costs	100,285	2,681	173	103,139	69,396
Bad debts – rents	(1,106)	(58)	-	(1,164)	1,449
Depreciation of social housing	239,587	4,859	2,347	246,793	245,528
Operating costs for social letting activities	859,140	14,332	4,224	877,696	843,158
Operating surplus for social lettings	313,933	11,728	13,822	339,483	332,948
Operating surplus for social lettings for year ended 31 March 2013	308,310	11,485	13,153	332,948	

The company has no shared ownership housing.

4. Particulars of turnover, operating costs and operating surplus from other activities	Other income £	Other operating costs £	Operating Surplus 2014 £	Operating Surplus 2013 £
Commercial rents	8,544	2,510	6,034	5,430
Low cost housing	839	630	209	106
Factoring activity	6,111	6,022	89	205
Total from other activities	15,494	9,162	6,332	5,741
Total from other activities for the year ended 31 March 2013	9,751	4,010	5,741	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
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 £1,285 (2013: £1,319) 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.

	2014 £	2013 £
The remuneration of the business manager (and company secretary) was:		
Total emoluments (excluding pension contributions)	58,922	57,645
Pension contributions	9,865	9,578
	<u>68,787</u>	<u>67,223</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

The number of full time equivalents employed during the year was:

	2014	2013
Office staff	<u>5</u>	<u>5</u>
	£	£
Staff costs:		
Wages and salaries	188,056	181,827
Social security costs	15,559	15,873
Pension costs – contributions rate 17.1% (2013: 17.1%)	29,415	23,065
Pension costs – past service adjustment	7,103	7,100
	<u>240,133</u>	<u>227,865</u>
FRS 17 pension adjustment	9,000	(2,000)
	<u>249,133</u>	<u>225,865</u>
Temporary staff costs	<u>205</u>	<u>-</u>

7. Interest payable and similar charges

	2014 £	2013 £
Loan interest payable	164,735	174,375
Interest on factoring deposits	5	-
	<u>164,740</u>	<u>174,375</u>

8. Surplus on ordinary activities before taxation

	2014 £	2013 £
Surplus on ordinary activities before taxation is stated after charging:		
Depreciation – housing	246,793	245,528
Depreciation – other assets	5,628	5,628
Auditor's remuneration		
- in their capacity as auditor	4,048	3,960
- other fees paid to auditor	-	-
	<u>256,469</u>	<u>255,116</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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. Tangible fixed assets - housing properties gross cost less depreciation

	Housing properties held for letting £
Cost	
At 1 April 2013	17,890,950
Additions during year - replacement components	44,731
Disposals during the year - replaced components	(31,961)
	<u>17,903,720</u>
At 31 March 2014	<u>17,903,720</u>
Depreciation	
At 1 April 2013	2,096,196
Charge for year	234,478
Released on disposals during the year - replaced components	(19,646)
	<u>2,311,028</u>
At 31 March 2014	<u>2,311,028</u>
Depreciated gross costs	
At 31 March 2014	<u>15,592,692</u>
	<u>15,794,754</u>
At 1 April 2013	<u>15,794,754</u>

None of these properties are held under lease.

The net book value of components which have been replaced in the year of £12,315 (2013: £11,309) is included in the depreciation charge of £246,793 (2013: £245,528) in notes 3 and 8.

11. Tangible fixed assets – grants

	Housing properties held for letting £
Cost	
At 1 April 2013	12,513,580
Received in year	9,076
	<u>12,522,656</u>
At 31 March 2014	<u>12,522,656</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

12. Tangible fixed assets – other fixed assets

	Heritable office premises £	Office furniture and equipment £	Total £
Cost			
At 1 April 2013 and 31 March 2014	168,999	44,790	213,789
Depreciation			
At 1 April 2013	68,075	44,790	112,865
Charge for the year	5,628	-	5,628
At 31 March 2014	73,703	44,790	118,493
Gross cost less depreciation			
At 31 March 2014	95,296	-	95,296
At 1 April 2013	100,924	-	100,924
Less grants			
At 1 April 2013 and 31 March 2014	(30,000)	-	(30,000)
Net book value			
At 31 March 2014	65,296	-	65,296
At 1 April 2013	70,924	-	70,924

13. Investments

	Unlisted Investments £
Cost	
At 31 March 2013 and 31 March 2014	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 2014 for Homes for Life Developments Limited was as follows:

	2014 £	2013 £
Aggregate capital and reserves	2	2
14. Debtors	2014 £	2013 £
Amounts falling due within one year:		
Rental debtors	11,906	15,346
Less provision for bad and doubtful debts	-	(1,931)
Other debtors	11,906	13,415
Prepayments and accrued income	18,520	11,340
	33,267	37,410
	63,693	62,165

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

15. Creditors – Amounts falling due within one year	2014	2013
	£	£
Rent in advance	46,193	54,025
Other creditors	1,802	1,802
Other taxes and social security	4,702	4,694
Accruals	101,213	83,282
Loans: Housing	248,842	236,318
	<u>402,752</u>	<u>380,121</u>

Details of security in respect of loans are included in note 16.

16. Creditors – Amounts falling due after more than one year	2014	2013
	£	£
Loans: Housing	<u>2,505,925</u>	<u>2,754,768</u>

The loan is repayable in equal monthly 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	261,109	248,842
Between two and five years	874,072	827,864
In five years or more	1,370,744	1,678,062
	<u>2,505,925</u>	<u>2,754,768</u>

17. 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</u>	<u>Grand Total</u>
	<u>General Reserve</u>	<u>Pension Reserve</u>	<u>Total</u>	<u>Planned Maintenance</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 31 March 2013	1,043,390	(45,000)	998,390	551,698	1,550,088
Surplus for year	195,076	-	195,076	-	195,076
Other recognised gains and losses (note 22)	-	(43,000)	(43,000)	-	(43,000)
Net transfers during the year	(40,616)	(4,000)	(44,616)	44,616	-
At 31 March 2014	<u>1,197,850</u>	<u>(92,000)</u>	<u>1,105,850</u>	<u>596,314</u>	<u>1,702,164</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
18. Controlling party

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

19. 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 Boards of East Lothian Housing Association Limited (ELHA) and Employers In Voluntary Housing Limited (EVH). Another director is also on the Board of Scottish Housing Associations Resources for Education (SHARE).

During the year, the Company recharged costs to ELHA, incurred at a shared scheme, of £700 (2013: £3,621). Included within other debtors at 31 March 2014 is £700 (2013: £3,429) due from ELHA. The Company also incurred costs recharged from ELHA totalling £3,428 (2013: £3,245) in respect of Homehunt services and costs related to a shared scheme. At 31 March 2014, the company owed ELHA £1,554 (2013: £336).

ELHA has a trading subsidiary, R3 Limited. From 1 April 2012, R3 Limited has been providing the Company's reactive maintenance service. Costs for the year were £99,102 (2013: £80,920). Included within creditors due within one year at 31 March 2014 is £50,041 (2013: £29,263) due to R3 Limited.

As a member of EVH, the Company sets its employee terms and conditions based on their guidance. The membership fee for the year ended 31 March 2014 was £1,531 (2013: £1,431) and the Company has received other services from EVH during the year costing £755 (2013: £1,340).

As a member of SHARE, the Company's membership for the year ended 31 March 2014 was £1,100 (2013: £1,200) and the Company received other services during the year costing £990 (2013: £150). Included within creditors due within one year at 31 March 2014 is £nil (2013: £150) due to SHARE.

20. Capital commitments

There were no capital commitments at 31 March 2014 (2013: £nil).

21. Planned maintenance commitments

	2014 £	2013 £
Expenditure that has been contracted for but has not been provided for in the financial statements	4,034	14,626

Contracted expenditure will be financed from existing funds.

22. Leasing commitments
Operating leases

The company's annual commitments for rental payments under non-cancellable operating leases at 31 March 2014 were as set out below:

	2014 £ Other leases	2013 £ Other Leases
Operating leases which expire:		
Within one year	2,299	-
Within two to five years	-	2,299
	<u>2,299</u>	<u>2,299</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
23. Pension scheme
Defined benefit scheme – Lothian Pension Fund

The company participates in 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 assesses 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 2014	31 March 2013
	% pa	% pa
Pension Increase Rate	2.8%	2.8%
Salary Increase Rate	5.1%	5.1%
Expected Return on Assets	6.1%	5.3%
Discount Rate	4.3%	4.5%
Inflation Assumption	2.8%	2.8%

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 these 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 2014	31 March 2013
Equities	77%	79%
Bonds	9%	8%
Property	8%	9%
Cash	6%	4%

The amounts recognised in the balance sheet are as follows:

	31 March 2014	31 March 2013
	£'000	£'000
Fair value of employer assets	940	841
Present value of funded liabilities	(1,032)	(886)
Net underfunding in funded plans	(92)	(45)
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
Net Liabilities	(92)	(45)
Amount in the Balance Sheet		
Liabilities	(92)	(45)
Assets	-	-
Net Liabilities	(92)	(45)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
23. Pension scheme (continued)

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Current service cost	45	28
Interest on obligation	41	34
Expected return on employer assets	(46)	(41)
Past service cost/(gain)	-	-
Losses/(gains) on curtailments and settlements	-	-
	<u>40</u>	<u>21</u>
Total	<u>40</u>	<u>21</u>
Actual Return on Scheme Assets	<u>52</u>	<u>111</u>

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening fair value of scheme assets	841	692
Expected return on assets	46	41
Contribution by members	12	10
Contributions by the employer	36	30
Contributions in respect of unfunded benefits	-	-
Actuarial gains	6	69
Assets distributed on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1)	(1)
	<u>940</u>	<u>841</u>
Closing fair value of scheme assets	<u>940</u>	<u>841</u>

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

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Opening Defined Benefit Obligation	886	694
Current service cost	45	28
Interest cost	41	34
Contributions by members	12	10
Actuarial losses	49	121
Past service costs / (gains)	-	-
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1)	(1)
	<u>1,032</u>	<u>886</u>
Closing Defined Benefit Obligation	<u>1,032</u>	<u>886</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
23. Pension scheme (continued)

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

	31 March 2014 £'000	31 March 2013 £'000
Actual return less expected return on pension scheme assets	6	69
Changes in financial assumptions underlying the present value of the scheme liabilities	-	1
Changes in non-financial assumptions underlying the present value of the scheme liabilities	(49)	(122)
	<u>(43)</u>	<u>(52)</u>
Actuarial losses recognised in STRGL	(43)	(52)
	<u>(208)</u>	<u>(165)</u>
Cumulative actuarial gains and losses	(208)	(165)

Amounts for the current and four previous periods:

	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000
Fair value of employer's assets	940	841	692	539	478
Present value of defined benefit obligation	(1,032)	(886)	(694)	(519)	(585)
Surplus/(deficit)	(92)	(45)	(2)	20	(107)
Experience gains/(losses) on assets	6	69	77	(9)	94
Experience gains/(losses) on liabilities	-	1	(92)	-	-

The estimated employer's contribution for the year to 31 March 2015 to its defined benefit pension plan is £36,000.

24. Accommodation in management

	At 31 March 2014 £	At 31 March 2013 £
Housing property held for letting:		
- General needs housing (individual tenancies)	299	299
- Supported housing (shared occupancies)	10	10
- Other (respite unit)	1	1
	<u>310</u>	<u>310</u>
Housing held for shared equity	-	-
Commercial property held for letting	1	1
	<u>311</u>	<u>311</u>
Total	311	311

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

	At 31 March 2014 £	At 31 March 2013 £
General needs housing:		
- East Lothian Council	33	33
	<u>33</u>	<u>33</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**
25. Reconciliation of surplus for the year to net cash flow from operating activities

	2014	2013
	£	£
Operating surplus	345,815	338,689
Depreciation	252,421	251,156
FRS17 adjustment to pension costs	9,000	(2,000)
Movement in debtors	(583)	(3,703)
Movement in creditors	(6,102)	(12,259)
	<u>600,551</u>	<u>571,883</u>
Net cash inflow from operating activities	<u>600,551</u>	<u>571,883</u>

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

	2014	2013
	£	£
Increase in cash in the year	338,102	522,904
Housing and non-housing loans repaid	236,318	260,099
Management of liquid resources	(150,000)	(400,107)
	<u>424,420</u>	<u>382,896</u>
Change in net debt	424,420	382,896
Net debt at 31 March 2013	(1,675,374)	(2,058,270)
Net debt at 31 March 2014	<u>(1,250,954)</u>	<u>(1,675,374)</u>

27. Analysis of changes in net debt

	2013	Cash flows	Non- Cash	2014
	£	£	flows	£
			£	
Cash at bank and in hand	1,165,712	338,102	-	1,503,814
Liquid resources	150,000	(150,000)	-	-
	<u>1,315,712</u>	<u>188,102</u>	<u>-</u>	<u>1,503,814</u>
Debt due within one year	(401,053)	236,318	(236,318)	(401,053)
Debt due after one year	(2,590,033)	-	236,318	(2,353,715)
	<u>(1,675,374)</u>	<u>424,420</u>	<u>-</u>	<u>(1,250,954)</u>
Total	<u>(1,675,374)</u>	<u>424,420</u>	<u>-</u>	<u>(1,250,954)</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 (at 31 March 2014: 175) undertake to contribute an amount not exceeding £1.

