

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 2015

HOMES FOR LIFE HOUSING PARTNERSHIP

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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MEMBERS, EXECUTIVE AND ADVISERS**Directors**

Kevin Blackie (resigned 4 May 2015)
Gregor Booth (appointed 25 February 2015)
Alan Brown
Iain Finlayson (resigned 28 August 2014)
Roberta Gordon (resigned 11 March 2015)
Jamila Greig (Chair)
Gordon Leitch (Vice Chair)
D Graeme MacGregor
James McLeish (resigned 4 December 2014)
Iris McMillan (resigned 10 September 2014)
Thomas Mitchell
Tania Orde
David Rose
Brenda Tonner
Maureen Watt (appointed 4 February 2015)
Sheila Williamson

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 LLP
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 2015**

The Directors present their report, including the Strategic Report, and the audited financial statements for the year ended 31 March 2015.

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.

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 2015 (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.
 - (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

Our auditor, Chiene + Tait, advised us that as of 1 October 2014 they transferred their entire business to Chiene + Tait LLP. The Board therefore appointed Chiene + Tait LLP as auditor with effect from 1 October 2014 and that appointment will fall to be confirmed at the Annual General Meeting.

By order of the board

Secretary: 
George Russell

Date: 

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2015**

The Directors present their strategic report for the year ended 31 March 2015.

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. The Company continued to develop arrangements to mitigate the impact of Welfare Reform and for compliance with the Social Housing Charter and other regulatory requirements. Internal Audit for this year focused on Arrears Management, Welfare Reform, and renewal of IT, as well as follow-up from the previous audit. Both of the former were assessed as Strong Assurance, whilst IT was assessed as Substantial Assurance, with no high priority recommendations.

Planned maintenance completed during the year included painter work and electrical testing/servicing for 111 homes. Over the next year we will commence our first programme of kitchen unit replacements and shower installations for our older new build homes. Specialist consultancy support was used to review our service requirements and seek competitive tenders for Gas Servicing & Maintenance. Ultimately, existing contractor Kingdom Gas were reappointed for a further 3-5 year term from June 2015. Reactive Repairs contractor R3 were also re-appointed, following review, for an additional year from April 2015, as were Internal Auditors, Wylie & Bisset.

The Company completed another comprehensive Tenant Satisfaction Survey in October 2014 - it's second annual survey under new regulatory guidance for these. This secured an encouraging 44% response rate, with 93% of respondents expressing satisfaction with overall service. The Tenant Panel continued to provide crucial scrutiny and feedback - particularly for service reviews, consideration of annual rent increases and in developing the format and content of the Company's first Annual Charter Customer Report.

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 2015 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 2015 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 LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

30 / 6 / 2015

**REPORT BY THE AUDITOR TO THE MEMBERS OF HOMES FOR LIFE HOUSING PARTNERSHIP
ON CORPORATE GOVERNANCE MATTERS**

In addition to our audit of the financial statements, we have reviewed your statement on pages 2 and 3 concerning the company's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the company's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 2 and 3 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Through enquiry of certain members of the Board of Directors and Officers of the company and examination of relevant documents, we have satisfied ourselves that the Board's Statement on Internal Financial Control appropriately reflects the company's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.



CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

30/6/2015

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	31 March 2015 £	31 March 2014 £
Turnover	2	1,259,231	1,232,673
Less: Operating costs	2	(896,886)	(886,858)
Operating surplus	2	362,345	345,815
Interest receivable and other income		20,439	14,001
Interest payable and similar charges	7	(151,731)	(164,740)
Surplus on ordinary activities before tax	8	231,053	195,076
Tax on surplus on ordinary activities	9	-	-
Retained surplus for the year	17	<u>231,053</u>	<u>195,076</u>

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 2015**

	Notes	31 March 2015	31 March 2014
		£	£
Net surplus for the year		231,053	195,076
Actuarial loss recognised in the defined benefit pension scheme	23	(129,000)	(43,000)
Total recognised gains and losses for the year		<u>102,053</u>	<u>152,076</u>

The notes on pages 12 to 24 form part of these financial statements

**BALANCE SHEET
AS AT 31 MARCH 2015**

	Notes	31 March 2015 £	31 March 2014 £
Tangible fixed assets			
Housing properties – cost less depreciation	10	15,362,243	15,592,692
Less HAG and other grants	11	(12,522,656)	(12,522,656)
		<u>2,839,587</u>	<u>3,070,036</u>
Other fixed assets	12	76,033	65,296
Investments	13	2	2
		<u>2,915,622</u>	<u>3,135,334</u>
Current assets			
Debtors	14	53,626	63,693
Cash at bank and in hand		1,691,943	1,503,814
		<u>1,745,569</u>	<u>1,567,507</u>
Creditors: amounts falling due within one year	15	(390,149)	(402,752)
Net current assets		<u>1,355,420</u>	<u>1,164,755</u>
Total assets less current liabilities		4,271,042	4,300,089
Creditors: amounts falling due after more than one year	16	(2,242,825)	(2,505,925)
Pension liability	23	(224,000)	(92,000)
Net assets		<u><u>1,804,217</u></u>	<u><u>1,702,164</u></u>
Capital and reserves			
Designated reserves	17	425,000	596,314
General reserves:			
- General reserve	17	1,603,217	1,197,850
- Pension reserve	17	(224,000)	(92,000)
		<u>1,804,217</u>	<u>1,702,164</u>

The financial statements on pages 8 to 24 were approved by the Board of Directors on 21 JUNE 2015 and were signed on its behalf by:

Jamila Greig
G. Leitch
George Russell

Chair (Jamila Greig)

Vice Chair (Gordon Leitch)

Secretary (George Russell)

Company Registration No: SC188299

The notes on pages 12 to 24 form part of these financial statements.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	31 March 2015 £	31 March 2014 £
Net cash inflow from operating activities	25	590,850	600,551
Returns on investments and servicing of finance			
Interest received		7,409	11,387
Interest paid		(151,731)	(164,735)
		<u>(144,322)</u>	<u>(153,348)</u>
Capital expenditure and financial investment			
Payments to acquire, develop and improve housing property		2,199	(28,523)
Purchase of tangible assets		(20,270)	-
		<u>(18,071)</u>	<u>(28,523)</u>
Cash inflow before use of liquid resources and financing		428,457	418,680
Management of liquid resources			
Outflows to fixed term deposits		(250,000)	-
Inflows from fixed term deposits		-	150,000
		<u>(250,000)</u>	<u>150,000</u>
Financing			
Capital grants received		9,000	5,740
Housing loans repaid		(249,328)	(236,318)
		<u>(240,328)</u>	<u>(230,578)</u>
(Decrease)/increase in cash	26	<u>(61,871)</u>	<u>338,102</u>

The notes on pages 12 to 24 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

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 2016, 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 2015****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 repairs based on planned maintenance programme requirements for the next three years'.

(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 2015**
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 £	Operating Costs £	2015 Operating Surplus £	2014 Operating Surplus £
Social lettings (note 3)	1,245,970	890,586	355,384	339,483
Other activities (note 4)	13,261	6,300	6,961	6,332
Total	<u>1,259,231</u>	<u>896,886</u>	<u>362,345</u>	<u>345,815</u>
Total for the year ended 31 March 2014	<u>1,232,673</u>	<u>886,858</u>	<u>345,815</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

3. Particulars of turnover, operating costs and operating surplus from social letting activities	General Needs Housing £	Supported Housing £	Other (Respite Unit) £	2015 Total £	2014 Total £
Gross income	1,204,886	26,751	19,249	1,250,886	1,218,872
Less voids	(4,916)	-	-	(4,916)	(3,137)
Net income from rents	1,199,970	26,751	19,249	1,245,970	1,215,735
Grants from the Scottish Ministers	-	-	-	-	1,444
Total turnover from social letting activities	1,199,970	26,751	19,249	1,245,970	1,217,179
Management and maintenance administration costs	410,120	5,207	1,302	416,629	395,364
Planned and cyclical maintenance including major repairs	149,841	1,936	478	152,255	133,564
Reactive maintenance costs	87,735	1,596	355	89,686	103,139
Bad debts – rents	786	-	-	786	(1,164)
Depreciation of social housing	224,027	4,859	2,344	231,230	246,793
Operating costs for social letting activities	872,509	13,598	4,479	890,586	877,696
Operating surplus for social lettings	327,461	13,153	14,770	355,384	339,483
Operating surplus for social lettings for year ended 31 March 2014	313,933	11,728	13,822	339,483	

The company has no shared ownership housing.

4. Particulars of turnover, operating costs and operating surplus from other activities	Other income £	Other operating costs £	2015 Operating Surplus £	2014 Operating Surplus £
Commercial rents	9,006	2,284	6,722	6,034
Low cost housing	-	-	-	209
Factoring activity	4,255	4,016	239	89
Total from other activities	13,261	6,300	6,961	6,332
Total from other activities for the year ended 31 March 2014	15,494	9,162	6,332	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

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 £1,475 (2014: £1,285) 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.

	2015 £	2014 £
The remuneration of the business manager (and company secretary) was:		
Total emoluments (excluding pension contributions)	60,407	58,922
Pension contributions	10,092	9,865
	<u>70,499</u>	<u>68,787</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:
Office staff

	2015	2014
Office staff	<u>5</u>	<u>5</u>
	£	£
Staff costs:		
Wages and salaries	213,048	188,056
Social security costs	15,791	15,559
Pension costs – contributions rate 17.1% (2014: 17.1%)	30,092	29,415
Pension costs – past service adjustment	7,103	7,103
	<u>266,034</u>	<u>240,133</u>
FRS 17 pension adjustment	16,000	9,000
	<u>282,034</u>	<u>249,133</u>
Temporary staff costs	<u>484</u>	<u>205</u>

7. Interest payable and similar charges

Loan interest payable
Interest on factoring deposits

	2015 £	2014 £
Loan interest payable	151,725	164,735
Interest on factoring deposits	6	5
	<u>151,731</u>	<u>164,740</u>

8. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging:

	2015 £	2014 £
Depreciation – housing	231,230	246,793
Depreciation – other assets	9,533	5,628
Auditor's remuneration		
- in their capacity as auditor	4,003	4,048
- other fees paid to auditor	-	-
	<u>244,766</u>	<u>260,469</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
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 2014	17,903,720
Additions during year - replacement components	781
Disposals during the year - replaced components	(13,223)
	<u>17,891,278</u>
At 31 March 2015	<u>17,891,278</u>
Depreciation	
At 1 April 2014	2,311,028
Charge for year	226,747
Released on disposals during the year - replaced components	(8,740)
	<u>2,529,035</u>
At 31 March 2015	<u>2,529,035</u>
Depreciated gross costs	
At 31 March 2015	<u>15,362,243</u>
At 1 April 2014	<u>15,592,692</u>

None of these properties are held under lease.

The net book value of components which have been replaced in the year of £4,483 (2014: £12,315) is included in the depreciation charge of £231,230 (2014: £246,793) in notes 3 and 8.

The cost of replacement components, noted above, are net of the release of a provision for costs which were subsequently deemed to be subject to a lower rate of VAT.

11. Tangible fixed assets – grants

	Housing properties held for letting £
Cost	
At 1 April 2014	12,522,656
Received in year	-
	<u>12,522,656</u>
At 31 March 2015	<u>12,522,656</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
12. Tangible fixed assets – other fixed assets

	Heritable office premises £	Office furniture & equipment £	Total £
Cost			
At 1 April 2014	168,999	44,790	213,789
Additions during year	-	20,270	20,270
Disposals during year	-	(26,304)	(26,304)
	<u>168,999</u>	<u>38,756</u>	<u>207,755</u>
Depreciation			
At 1 April 2014	73,703	44,790	118,493
Charge for the year	5,628	3,905	9,533
Released on disposals in year	-	(26,304)	(26,304)
	<u>79,331</u>	<u>22,391</u>	<u>101,722</u>
Gross cost less depreciation			
At 31 March 2015	<u>89,668</u>	<u>16,365</u>	<u>106,033</u>
At 1 April 2014	<u>95,296</u>	<u>-</u>	<u>95,296</u>
Less grants			
At 1 April 2014 and 31 March 2015	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Net book value			
At 31 March 2015	<u>59,668</u>	<u>16,365</u>	<u>76,033</u>
At 1 April 2014	<u>65,296</u>	<u>-</u>	<u>65,296</u>

13. Investments

	Unlisted Investments £
Cost	
At 31 March 2014 and 31 March 2015	<u>2</u>

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 2015 for Homes for Life Developments Limited was as follows:

	2015 £	2014 £
Aggregate capital and reserves	<u>2</u>	<u>2</u>

14. Debtors

	2015 £	2014 £
Amounts falling due within one year:		
Rental debtors	22,620	11,906
Less provision for bad and doubtful debts	(599)	-
	<u>22,021</u>	<u>11,906</u>
Other debtors	1,001	18,520
Prepayments and accrued income	30,604	33,267
	<u>53,626</u>	<u>63,693</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

15. Creditors – Amounts falling due within one year	2015	2014
	£	£
Rent in advance	47,474	46,193
Other creditors	1,802	1,802
Other taxes and social security	5,170	4,702
Accruals	73,088	101,212
Loans: Housing	262,615	248,843
	<u>390,149</u>	<u>402,752</u>

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

16. Creditors – Amounts falling due after more than one year	2015	2014
	£	£
Loans:		
Housing	<u>2,242,825</u>	<u>2,505,925</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	275,794	261,109
Between two and five years	923,223	874,072
In five years or more	1,043,808	1,370,744
	<u>2,242,825</u>	<u>2,505,925</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.

	General reserves			Designated Reserve	Grand Total
	General Reserve	Pension Reserve	Total	Planned Maintenance	Grand Total
	£	£	£	£	£
At 31 March 2014	1,197,850	(92,000)	1,105,850	596,314	1,702,164
Surplus for year	231,053	-	231,053	-	231,053
Other recognised gains and losses (note 23)	-	(129,000)	(129,000)	-	(129,000)
Net transfers during the year	174,314	(3,000)	171,314	(171,314)	-
At 31 March 2015	<u>1,603,217</u>	<u>(224,000)</u>	<u>1,379,217</u>	<u>425,000</u>	<u>1,804,217</u>

18. Controlling party

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
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 £543 (2014: £700). Included within other debtors at 31 March 2015 is £543 (2014: £700) due from ELHA. The Company also incurred costs recharged from ELHA totalling £1,780 (2014: £3,428) in respect of Homehunt services and costs related to a shared scheme. At 31 March 2015, the company owed ELHA £nil (2014: £1,554).

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 £70,353 (2014: £99,102). Included within creditors due within one year at 31 March 2015 is £51,877 (2014: £50,041) 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 2015 was £1,618 (2014: £1,531) and the Company has received other services from EVH during the year costing £1,375 (2014: £755).

As a member of SHARE, the Company's membership for the year ended 31 March 2015 was £1,100 (2014: £1,100) and the Company received other services during the year costing £nil (2014: £990). Included within creditors due within one year at 31 March 2015 is £nil (2014: £nil) due to SHARE.

20. Capital commitments

There were no capital commitments at 31 March 2015 (2014: £nil).

21. Planned maintenance commitments	2015	2014
	£	£
Expenditure that has been contracted for but has not been provided for in the financial statements	-	4,034
	<u> </u>	<u> </u>

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 2015 and entered into since the year end were as set out below:

	2015	2014
	£	£
	Other leases	Other leases
Operating leases which expire:		
Within one year	-	2,299
Within two to five years	1,647	-
	<u> </u>	<u> </u>
	<u>1,647</u>	<u>2,299</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
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 2014, with the next formal valuation due as at 31 March 2017.

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 2015	31 March 2014
	% pa	% pa
Pension Increase Rate	2.4%	2.8%
Salary Increase Rate	4.3%	5.1%
Expected Return on Assets	3.2%	6.1%
Discount Rate	3.2%	4.3%
Inflation Assumption	2.4%	2.8%

Life expectancy is based on the Funds Vita Curves with improvements in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.1 years	23.7 years
Future Pensioners	24.2 years	26.3 years

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

	31 March 2015	31 March 2014
Equities	69%	77%
Bonds	17%	9%
Property	8%	8%
Cash	6%	6%

The amounts recognised in the balance sheet are as follows:

	31 March 2015	31 March 2014
	£'000	£'000
Fair value of employer assets	1,165	940
Present value of funded liabilities	(1,389)	(1,032)
Net underfunding in funded plans	(224)	(92)
Present value of unfunded liabilities	-	-
Unrecognised past service cost	-	-
Net Liabilities	(224)	(92)
Amount in the Balance Sheet		
Liabilities	(224)	(92)
Assets	-	-
Net Liabilities	(224)	(92)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
23. Pension scheme (continued)

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

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Current service cost	53	45
Interest on obligation	46	41
Expected return on employer assets	(59)	(46)
Past service cost/(gain)	-	-
Losses/(gains) on curtailments and settlements	-	-
	<u>40</u>	<u>40</u>
Total	<u>40</u>	<u>40</u>
Actual Return on Scheme Assets	<u>166</u>	<u>52</u>

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

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Opening fair value of scheme assets	940	841
Expected return on assets	59	46
Contribution by members	13	12
Contributions by the employer	37	36
Contributions in respect of unfunded benefits	-	-
Actuarial gains	117	6
Assets distributed on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1)	(1)
	<u>1,165</u>	<u>940</u>
Closing fair value of scheme assets	<u>1,165</u>	<u>940</u>

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

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000
Opening Defined Benefit Obligation	1,032	886
Current service cost	53	45
Interest cost	46	41
Contributions by members	13	12
Actuarial losses	246	49
Past service costs / (gains)	-	-
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Exchange differences	-	-
Estimated unfunded benefits paid	-	-
Estimated benefits paid	(1)	(1)
	<u>1,389</u>	<u>1,032</u>
Closing Defined Benefit Obligation	<u>1,389</u>	<u>1,032</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
23. Pension scheme (continued)

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

	31 March 2015 £'000	31 March 2014 £'000
Actual return less expected return on pension scheme assets	117	6
Changes in financial assumptions underlying the present value of the scheme liabilities	-	-
Changes in non-financial assumptions underlying the present value of the scheme liabilities	(246)	(49)
	<u>(129)</u>	<u>(43)</u>
Actuarial losses recognised in STRGL	(129)	(43)
	<u>(337)</u>	<u>(208)</u>
Cumulative actuarial gains and losses	(337)	(208)

Amounts for the current and four previous periods:

	31 March 2015 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000
Fair value of employer's assets	1,165	940	841	692	539
Present value of defined benefit obligation	(1,389)	(1,032)	(886)	(694)	(519)
Surplus/(deficit)	(224)	(92)	(45)	(2)	20
Experience gains/(losses) on assets	117	6	69	77	(9)
Experience gains/(losses) on liabilities	(32)	-	1	(92)	-

The estimated employer's contribution for the year to 31 March 2016 to its defined benefit pension plan is £34,000.

24. Accommodation in management

	At 31 March 2015 £	At 31 March 2014 £
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 2015 £	At 31 March 2014 £
General needs housing:		
- East Lothian Council	24	33
	<u>24</u>	<u>33</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**
25. Reconciliation of surplus for the year to net cash flow from operating activities

	2015	2014
	£	£
Operating surplus	362,345	345,815
Depreciation	240,763	252,421
FRS17 adjustment to pension costs	16,000	9,000
Movement in debtors	1,097	(583)
Movement in creditors	(29,355)	(6,102)
	<u>590,850</u>	<u>600,551</u>

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

	2015	2014
	£	£
(Decrease)/increase in cash in the year	(61,871)	338,102
Housing and non-housing loans repaid	249,328	236,318
Management of liquid resources	250,000	(150,000)
	<u>437,457</u>	<u>424,420</u>
Change in net debt		
Net debt at 31 March 2014	(1,250,954)	(1,675,374)
Net debt at 31 March 2015	<u>(813,497)</u>	<u>(1,250,954)</u>

27. Analysis of changes in net debt

	2014	Cash flows	Non- Cash	2015
	£	£	flows	£
			£	
Cash at bank and in hand	1,503,814	(61,871)	-	1,441,943
Liquid resources	-	250,000	-	250,000
	<u>1,503,814</u>	<u>188,129</u>	<u>-</u>	<u>1,691,943</u>
Debt due within one year	(248,843)	249,328	(263,100)	(262,615)
Debt due after one year	(2,505,925)	-	263,100	(2,242,825)
	<u>(1,250,954)</u>	<u>437,457</u>	<u>-</u>	<u>(813,497)</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 2015: 162) undertake to contribute an amount not exceeding £1.