

Loretto Housing Association
Consolidated Report and Financial Statements
For the year ended 31st March 2012

Registered Housing Association No.L2620

FSA Reference No. 1920R(S)

Scottish Charity No. SC07241

LORETTO HOUSING ASSOCIATION

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LORETTO HOUSING ASSOCIATION

**MANAGEMENT COMMITTEE , EXECUTIVES AND ADVISERS
YEAR ENDED 31st MARCH 2012**

MANAGEMENT COMMITTEE

Euan Ramsay	Chair
Bill O'Neil	Secretary
Janis McDonald	(Resigned October 2011)
Michael Burns	
Maureen Dowden	
Laura Edwards	
Hugh Rooney	
Lindsay Forrest	
David Comley	
Paul Whiteley	(Resigned February 2012)
Moirra Smith	
Thomas Connelly	
Margo McCann	
Laura Forbes	
Louise Burke	

EXECUTIVE OFFICERS

Simon Carr	Chief Executive
Cathy Fallon	Depute Chief Executive

REGISTERED OFFICE

Lipton House
170 Crown Street
Glasgow
G5 9XD

AUDITORS

Alexander Sloan
Chartered Accountants
38 Cadogan Street
Glasgow
G2 7HF

BANKERS

Royal Bank of Scotland
292 Argyle Street
Glasgow
G2 8DD

SOLICITORS

T.C. Young
7 West George Street
Glasgow
G2 1BA

LORETTO HOUSING ASSOCIATION

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

The Management Committee presents its report and the Financial Statements for the year ended 31st March 2012.

Legal Status

The Association is a registered non-profit making organisation under the Industrial and Provident Societies Act 1965 No.1920R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC07241.

Principal Activities

The principal activities of the Group are the provision and management of affordable rented accommodation and the provision of care and support services.

Review of Business and Future Developments

From 2008 to 2011 the Association and its subsidiary had to manage deep reductions in the value of its care and support contracts, there was a consequent reduction in management fees to cover head office costs, massive increase in pension costs as well as decreases in capital subsidy for new housing. This led to a review of terms and conditions for staff as well as a restructuring of Care management which led to the loss of almost 50 posts.

Nor have staff received a consolidated pay award for the last 3-4 years, we know this has been difficult for staff and we also know from the annual Employee Satisfaction Surveys that staff have become increasingly unhappy about this. We will do what we can in the coming years to rectify this for staff.

We were pleased that there were no further announcements of significant funding reductions in 2012-13; this has allowed us to concentrate on bedding down the changes outlined above. Fortunately we do not have to report significant changes to staffing or operations in this year's report.

Turnover in the group fell by 8.0 % in Loretto Care turnover fell by 9.3 % and in Loretto Housing there was a slight decrease in turnover of 5.3%.

Significant emphasis was placed during the year on financial matters particularly how we appraise new property developments, a revised appraisal system was introduced in May 2012. It was agreed by committee that investment in new schemes via land acquisition would be dependant on how much debt we had paid off in any one year.

Committee also considered reports showing how the Association compared to other RSL's in terms of key financial indicators in particular average levels of debt and rent levels. In terms of both of these indicators the Association compared favourably.

During the year committee confirmed their intention that we would leave the Defined Benefit pension scheme at the earliest opportunity, without crystallising any overhanging pension debt liability, and enroll staff into Defined Contribution scheme. It was hoped this would take place no later than 1 April 2014 by which time we would have to start an auto enrolment scheme for all staff. In the meantime the Pensions Trust decided that pension members of Loretto Care would have to move to the CARE 1/120ths scheme from 1 April 2012.

The Association will conclude the final element of the restructuring when the administration and HR teams are amalgamated; this process has started and will conclude early in the 2012.

LORETTO HOUSING ASSOCIATION

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

Review of Business and Future Developments (Contd.)

We are delighted to have completed 2 schemes during the year a new build housing development in Dumbarton which will house over 20 older couples and single people in their own home just next to the Firth of Clyde. We also completed a refurbishment scheme in Wallace of Campsie House which will now be used to re-house men and women who are leaving the Hope House hostel in Glasgow which will close in the next year or so We were delighted to start on site our Tollcross scheme for adults with alcohol related brain damage, we had hoped to start a new build scheme in Paisley in the last year but this has now been delayed until the current year. This scheme will house 45 families as well as 10 young people leaving care.

We will also commence building works to a new build scheme in the north of Glasgow at Balmore Rd which will house 14 families from our waiting list as well as 8 adults with a learning disability.

During the coming year we will take on the management of a sheltered housing from a community based housing association, this service also includes an extra sheltered element. We now manage 8 sheltered housing schemes in Glasgow.

During the coming year we will pilot a number of outreach schemes for older persons who we will encourage to use our existing common facilities and join in activities there, we have been supported in this with a small grant from the Scottish Government.

Committee was presented with the annual budget and 5 year financial forecast before the end of last financial year, these were approved and it was noted that the Association remained in surplus for most of the period and our cash balances will remain at a satisfactory level.

Committee reluctantly agreed, however, to a 6% rent increase for all of its tenants, this was to cover increased borrowing costs incurred on carrying out the new build housing developments. Committee will do their utmost to minimize increases in the future.

There has been increasing concern throughout the year at the affect of the welfare reforms the government is introducing; these will affect approximately 75 % of tenants who are of working age. We fear these reforms will undo the advances that have been made in reducing poverty in recent decades. We will employ a dedicated staff member to advise tenants to help them avoid getting into financial difficulty.

Composition of the management committee didn't change during the year, committee attendance remained the same as previous years at around 65%.

LORETTO HOUSING ASSOCIATION

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Management Committee.

The members of the Management Committee are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

The Management Committee must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Management Committee are aware:

- There is no relevant audit information (information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

LORETTO HOUSING ASSOCIATION

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31ST MARCH 2012

Statement on Internal Financial Control

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

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

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement of Loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- regular financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

Auditors

A resolution to re-appoint the Auditors, Alexander Sloan, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the Management Committee



Secretary
29 August 2012

LORETTO HOUSING ASSOCIATION

REPORT BY THE AUDITORS TO THE MANAGEMENT COMMITTEE OF
LORETTO HOUSING ASSOCIATION
ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 5 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 5 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the section on Internal Financial Control within SFHA's "Raising Standards in Housing".



ALEXANDER SLOAN
Chartered Accountants

GLASGOW
29 August 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LORETTO HOUSING ASSOCIATION

We have audited the financial statements of Loretto Housing Association Limited for the year ended 31st March 2011 which comprise the Group and Parent income and expenditure account, the Group and Parent balance sheet, and group and parent cash flow statement and 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 Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee are responsible for the preparation of the Financial Statements that 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 (APB's) Ethical Standards for Auditors.

Scope of the audit on 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 Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Management Committee's 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 of our report.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31st March 2011 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 properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We are required to report to you under the Industrial and Provident Societies Acts 1965 to 2002 if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation.
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
LORETTO HOUSING ASSOCIATION**

Matters on which we are required to report by exception (contd.)

- the Income and Expenditure Account to which our report relates, and the Balance Sheet are not in agreement with the books of the Association or Group.
- we have not received all the information and explanations necessary for the purposes of our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants
Statutory Auditors
GLASGOW
31 August 2011

LORETTO HOUSING ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT - CONSOLIDATED FOR THE YEAR ENDED 31 MARCH 2012

	Notes	£	2012 £	£	Restated 2011 £
TURNOVER	2.		14,682,437		15,881,226
Operating Costs	2.		<u>(13,926,337)</u>		<u>(15,222,956)</u>
OPERATING SURPLUS	9.		756,100		658,270
Exceptional Items	23.	96,863		1,127,726	
Interest Receivable and Other Income		14,939		9,630	
Interest Payable and Similar Charges	7	<u>(169,242)</u>		<u>(123,808)</u>	
			<u>(57,440)</u>		<u>1,013,548</u>
SURPLUS FOR YEAR			<u>698,660</u>		<u>1,671,818</u>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	2012 £	2011 £
Surplus for the Financial Year	<u>698,660</u>	<u>1,671,818</u>
Total Gains recognised since last annual report	698,660	1,671,818
Prior Period Adjustment (as explained in note 24)	<u>892,387</u>	-
Total Recognised Gains	<u>1,591,047</u>	<u>1,671,818</u>

LORETTO HOUSING ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT - PARENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	Restated
		£	2011
		£	£
TURNOVER	2.	5,432,772	5,737,368
Operating Costs	2.	<u>(4,965,378)</u>	<u>(5,045,240)</u>
OPERATING SURPLUS	9.	467,394	692,128
Exceptional Item	23.	350,512	879,671
Interest Receivable and Other Income		14,939	9,630
Interest Payable and Similar Charges	7	<u>(169,242)</u>	<u>(123,808)</u>
		196,209	765,493
SURPLUS FOR YEAR		<u>663,603</u>	<u>1,457,621</u>

All amounts relate to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

	0	2011
	£	£
Surplus for the Financial Year	<u>663,603</u>	<u>1,457,621</u>
Total Gains recognised since last annual report	663,603	1,457,621
Prior Period Adjustment (as explained in note 24)	892,387	-
Total Recognised Gains	<u>1,555,990</u>	<u>1,457,621</u>

LORETTO HOUSING ASSOCIATION

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2012

	Notes	2012	As Restated
		£	2011
		£	£
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	63,424,356	61,314,862
Less: Social Housing Grant	11.(a)	(48,153,293)	(46,837,843)
: Other Public Grants	11.(a)	(2,647,759)	(2,193,908)
		<u>12,623,304</u>	<u>12,283,111</u>
Other fixed assets	11.(b)	1,931,023	2,038,470
		<u>14,554,327</u>	<u>14,321,581</u>
CURRENT ASSETS			
Debtors	13.	1,457,987	1,841,996
Cash at bank and in hand		2,633,244	1,672,039
		<u>4,091,231</u>	<u>3,514,035</u>
CREDITORS: Amounts falling due within one year	15.	<u>(1,742,039)</u>	<u>(2,615,903)</u>
NET CURRENT ASSETS		<u>2,349,192</u>	<u>898,132</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,903,519</u>	<u>15,219,713</u>
CREDITORS: Amounts falling due after more than one year	14	(7,139,071)	(6,388,313)
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for Future Project Expenditure	22.	<u>(1,353,520)</u>	<u>(1,119,141)</u>
		<u>(1,353,520)</u>	<u>(1,119,141)</u>
NET ASSETS		<u>8,410,928</u>	<u>7,712,259</u>
CAPITAL AND RESERVES			
Share Capital	16.	292	283
Designated Reserves	17.(a)	2,875,704	3,085,252
Revenue Reserves	17.(b)	5,534,932	4,626,724
		<u>8,410,928</u>	<u>7,712,259</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 29 August 2012.


Chairperson


Vice-Chairperson


Secretary

LORETTO HOUSING ASSOCIATION

BALANCE SHEET - PARENT AS AT 31 MARCH 2012

	Notes	2012 £	As Restated 2011 £
TANGIBLE FIXED ASSETS			
Housing Properties - Depreciated Cost	11.(a)	63,424,356	61,314,862
Less: Social Housing Grant	11.(a)	(48,153,293)	(46,837,843)
: Other Public Grants	11.(a)	(2,647,759)	(2,193,908)
		<u>12,623,304</u>	<u>12,283,111</u>
Other fixed assets	11.(b)	1,931,023	2,038,470
		<u>14,554,327</u>	<u>14,321,581</u>
CURRENT ASSETS			
Debtors	13.	780,606	1,155,797
Cash at bank and in hand		1,336,852	498,633
		<u>2,117,458</u>	<u>1,654,430</u>
CREDITORS: Amounts falling due within one year	15.	(1,540,055)	(2,126,267)
NET CURRENT ASSETS / (LIABILITIES)		<u>577,403</u>	<u>(471,837)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>15,131,730</u>	<u>13,849,744</u>
CREDITORS: Amounts falling due after more than one year	14	(6,909,784)	(6,226,567)
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for Future Project Charges	22.	(471,071)	(535,914)
		<u>(471,071)</u>	<u>(535,914)</u>
NET ASSETS		<u>7,750,875</u>	<u>7,087,263</u>
CAPITAL AND RESERVES			
Share Capital	16.	292	283
Designated Reserves	17.(a)	2,875,704	3,085,252
Revenue Reserves	17.(b)	4,874,879	4,001,728
		<u>7,750,875</u>	<u>7,087,263</u>

The Financial Statements were approved by the Management Committee and signed on their behalf on 29 August 2012.


Chairperson


Vice-Chairperson


Secretary

LORETTO HOUSING ASSOCIATION

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

	Notes	2012	Restated 2011
		£	£
Net Cash Inflow from Operating Activities	15	773,118	2,493,716
Returns on Investment and Servicing of Finance			
Interest Received		14,939	9,630
Interest Paid		(169,242)	(123,808)
Net Cash Inflow from Investment and Servicing of Finance		(154,303)	(114,178)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties		(2,476,889)	(3,351,486)
Purchase of Other Fixed Assets		(23,648)	(65,074)
Social Housing Grant Received		975,230	1,225,330
Other Grants Received		1,257,782	-
Net Cash Inflow from Capital Expenditure and Financial Investment		(267,525)	(2,191,230)
Net Cash Inflow before use of Liquid Resources and Financing		351,290	188,308
Financing			
Loan Principal Repayments		(219,639)	(273,797)
Share Capital Issued		19	18
Net Cash Inflow / (Outflow) from Financing		878,380	(273,779)
Increase / (decrease) in Cash	15	1,229,670	(85,471)

LORETTO HOUSING ASSOCIATION

CASH FLOW STATEMENT - PARENT AS AT 31st MARCH 2012

	Notes	2012 £	Restated 2011 £
Net Cash Inflow from Operating Activities	15	624,345	1,678,671
Returns on Investment and Servicing of Finance			
Interest Received	14,939	9,630	
Interest Paid	(158,233)	(123,808)	
Net Cash Inflow from Investment and Servicing of Finance		(143,294)	(114,178)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(2,476,889)	(3,351,486)	
Purchase of Other Fixed Assets	(23,648)	(65,074)	
Social Housing Grant Received	1,179,161	1,225,330	
Social Housing Grant Repaid	14,778	-	
Other Grants Received	1,053,851	-	
Net Cash Inflow from Capital Expenditure and Financial Investment		(252,747)	(2,191,230)
Net Cash Inflow / (Outflow) before use of Liquid Resources and Financing		228,304	(626,737)
Financing			
Loan Advances Received	1,098,000	-	
Loan Principal Repayments	(219,639)	(273,797)	
Share Capital Issued	19	18	
Net Cash Inflow / (Outflow) from Financing		878,380	(273,779)
Increase / (decrease) in Cash	15	<u>1,106,684</u>	<u>(900,516)</u>

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Accounting

The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008, and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. A summary of the more important accounting policies is set out below.

Basis Of Consolidation

The Group Financial Statements incorporate the financial statements of the Group's parent, Loretto Housing Association and its subsidiary, Loretto Care.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable.

Retirement Benefits

The Association participates in the Scottish Housing Associations' Defined Benefits Pension Scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the Scheme. Payments are made in accordance with periodic calculations by consulting Actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

Valuation Of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 10. Impairment reviews are carried out if events or circumstances

<i>Component</i>	<i>Useful Economic Life</i>
Central Heating	30 years
Boilers	15 years
Windows	40 years
Kitchens	15 years
Bathrooms	20 years
Internal Doors	40 years
Rewiring	30 years

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Depreciation And Impairment Of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Computer Equipment	- 25% Straight Line
Office Equipment	- 10% Reducing Balance

Office Premises are stated at cost, less social housing and other public grants and less accumulated depreciation. Land is not depreciated. The Association depreciates Office Premises by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Office Premises within note Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant And Other Grants In Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

Sales Of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the Income and Expenditure Account.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Disposals under shared equity schemes are accounted for in the Income and Expenditure Account. The remaining equity in the property is treated as a fixed asset investment, which is matched with the grant received.

Provisions for Future Project Costs

In accordance with Financial Reporting Standard 12 provision is made for:

a) Mainstream - Surpluses and deficits arising from the provision of services to the Association's tenants are carried forward and adjusted in the charges levied or service provided in future years. The calculation of the surplus or deficit arising each year is made separately for each project. Both debit and credit balances on this account are included in this provision.

b) Supported Accommodation - Surpluses and deficits arising from the provision of services at Supported Accommodation projects are carried forward to future years and included in this provision. The calculation of surplus or deficit arising each year is made separately for each project.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 PRINCIPAL ACCOUNTING POLICIES (Continued.)

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which at least maintains their residual values in prices prevailing at the time of acquisition and construction.

Property Development Cost

of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

Property developments that are intended for resale are included in current assets until disposal.

Deferred Income

Grant income received specifically for the provision of furniture at projects which is unspent at the year-end is deferred and is classed as a long-term liability.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS - GROUP

Notes	2012			2011 (As Restated)		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
3.	3,870,638	3,099,731	770,907	3,616,785	2,700,943	915,842
4.	10,811,799	10,826,606	(14,807)	12,264,441	12,522,013	(257,572)
Total	14,682,437	13,926,337	756,100	15,881,226	15,222,956	658,270

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS - PARENT

Notes	2012			2011 (As Restated)		
	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £	Turnover £	Operating Costs £	Operating Surplus / (Deficit) £
3.	3,870,638	3,099,731	770,907	3,616,785	2,700,943	915,842
4.	1,562,134	1,865,647	(303,513)	2,120,583	2,344,297	(223,714)
Total	5,432,772	4,965,378	467,394	5,737,368	5,045,240	692,128

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012
NOTES TO THE FINANCIAL STATEMENTS (Continued)
3. PARTICULARS OF INCOME & EXPENDITURE FROM SOCIAL LETTINGS - GROUP & PARENT

	General Needs Housing £	Supported Housing £	Shared ownership £	2012 Total £	Restated 2011 Total £
Income from Lettings					
Rent Receivable Net of Identifiable Service Charges	2,059,559	1,444,961	6,131	3,510,651	3,172,273
Service Charges Receivable	280,193	196,580	5,009	481,782	539,238
Gross Rents Receivable	2,339,752	1,641,541	11,140	3,992,433	3,711,511
Less: Rent losses from voids	71,577	50,218	-	121,795	94,726
Net Rents Receivable	2,268,175	1,591,323	11,140	3,870,638	3,616,785
Revenue Grants from Scottish Ministers	-	-	-	-	-
Revenue Grants From Local Authorities and Other Agencies	-	-	-	-	-
Total Income From Social Letting	2,268,175	1,591,323	11,140	3,870,638	3,616,785
Expenditure on Social Letting Activities					
Service Costs	307,667	215,856	5,009	528,532	474,077
Management and maintenance administration costs	728,470	511,086	3,565	1,243,121	1,209,599
Reactive Maintenance	290,201	203,602	-	493,803	522,411
Bad Debts - Rents and Service Charges	76,751	53,848	-	130,599	(14,496)
Planned and Cyclical Maintenance, including Major Repairs	211,534	148,410	-	359,944	210,060
Depreciation of Social Housing	200,386	141,725	1,621	343,732	299,292
Operating Costs of Social Letting	1,815,009	1,274,527	10,195	3,099,731	2,700,943
Operating Surplus on Social Letting Activities	453,166	316,796	945	770,907	915,842
2011 (As Restated)	552,891	362,006	945		

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES - GROUP

	Grants From Scottish Ministers	Other Revenue Grants	Supporting People Income	Other Income	Total Turnover	Operating Costs Bad Debts	Operating Costs Other	Operating Surplus /(Deficit) 2012	Operating Surplus /(Deficit) 2011
	£	£	£	£	£	£	£	£	£
Support Activities	-	-	284,598	288,167	572,765	-	565,740	7,025	-
Care Activities	-	1,350	9,235,737	793,474	10,030,561	-	9,852,812	177,749	(110,275)
Training	-	-	-	149,338	149,338	-	159,006	(9,668)	(52,626)
Other Activities	-	-	-	59,135	59,135	-	249,048	(189,913)	(94,671)
Total From Other Activities	-	1,350	9,520,335	1,290,114	10,811,799	-	10,826,606	(14,807)	(257,572)
2011	-	4,339	10,493,471	1,766,631	12,264,441	-	12,522,013	(257,572)	

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM OTHER ACTIVITIES - PARENT

	Grants From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Operating Surplus /(Deficit) 2012 £	Operating Surplus /(Deficit) 2011 £
Support Activities	-	-	284,598	288,167	572,765	-	565,740	7,025	-
Care Activities	-	-	-	780,896	780,896	-	891,853	(110,957)	(76,417)
Training	-	-	-	149,338	149,338	-	159,006	(9,668)	(52,626)
Other Activities	-	-	-	59,135	59,135	-	249,048	(189,913)	(94,671)
Total From Other Activities	-	-	284,598	1,277,536	1,562,134	-	1,865,647	(303,513)	(223,714)
2011	-	-	370,283	1,750,300	2,120,583	-	2,344,297	(223,714)	

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OFFICERS' EMOLUMENTS - GROUP

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012	2011
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>76,352</u>	<u>135,798</u>

Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,393</u>	<u>16,648</u>
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Emoluments payable to Chief Executive (excluding pension contributions)	<u>76,352</u>	<u>75,341</u>
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges: -

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	1

5. OFFICERS' EMOLUMENTS - PARENT

The Officers are defined in s74 of the Industrial and Provident Societies Act 1965 as the members of the Management Committee, managers or servants of the Association.

	2012	2011
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding Pension Contributions)	<u>76,352</u>	<u>135,798</u>

Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>6,393</u>	<u>16,648</u>
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Emoluments payable to Chief Executive (excluding pension contributions)	<u>76,352</u>	<u>75,341</u>
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The number of Officers, including the highest paid Officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges: -

	Number	Number
£60,001 to £70,000	-	1
£70,001 to £80,000	1	1

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. EMPLOYEE INFORMATION - GROUP

	2012	2011
The average monthly number of full time equivalent persons employed during the year was	No. 422	No. 469
The average total number of Employees employed during the year was	488	542
Staff Costs were:	£	£
Wages and Salaries	9,038,234	10,181,176
Social Security Costs	747,883	816,785
Other Pension Costs	677,285	348,223
Temporary, Agency and Seconded Staff	373,326	198,897
	<u>10,836,728</u>	<u>11,545,081</u>

6. EMPLOYEE INFORMATION - PARENT

	2012	2011
The average monthly number of full time equivalent persons employed during the year was	No. 57	No. 66
The average total number of Employees employed during the year was	66	77
Staff Costs were:	£	£
Wages and Salaries	1,791,960	1,882,856
Social Security Costs	149,228	152,195
Other Pension Costs	250,078	160,826
Temporary, Agency and Seconded Staff	109,052	72,633
	<u>2,300,318</u>	<u>2,268,510</u>

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 INTEREST PAYABLE

	GROUP		PARENT	
	2012	2011	2012	2011
	£	£	£	£
On Bank Loans & Overdrafts	152,579	105,855	152,579	105,855
On Other Loans	16,663	17,953	16,663	17,953
	<u>169,242</u>	<u>123,808</u>	<u>169,242</u>	<u>123,808</u>

Interest incurred by the Parent and its Subsidiary in the development period of housing properties which has been written off to the income and expenditure account amounted to £Nil (2011 £nil).

8. SURPLUS FOR YEAR - GROUP

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	474,827	500,113
Auditors' Remuneration - Audit Services	20,880	16,800
Operating Lease Rentals - Land & Buildings	22,862	5,850
Operating Lease Rentals - Other	<u>1,648</u>	<u>1,648</u>

9. SURPLUS FOR YEAR - PARENT

	2012	2011
	£	£
Surplus on Ordinary Activities before Taxation is stated after charging:-		
Depreciation - Tangible Owned Fixed Assets	474,827	500,113
Auditors' Remuneration - Audit Services	11,280	8,752
Operating Lease Rentals - Other	<u>2,203</u>	<u>1,648</u>

10. TAX ON SURPLUS ON ORDINARY ACTIVITIES - GROUP & PARENT

The Association and all its subsidiaries are Registered Scottish Charities and are not liable to United Kingdom Corporation Tax on their charitable activities.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS - GROUP & PARENT

a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Completed Shared Ownership Properties £	Total £
COST				
As at 1st April 2011 (as restated)	60,091,130	3,573,764	425,033	64,089,927
Additions	27,595	2,449,294	-	2,476,889
Schemes Completed	2,579,667	(2,579,667)	-	-
As at 31st March 2012	62,668,247	3,443,391	425,033	66,536,671
DEPRECIATION				
As at 1st April 2011 (as restated)	2,753,102	-	21,963	2,775,065
Charge for Year	342,111	-	1,621	343,732
As at 31st March 2012	3,088,731	-	23,584	3,112,315
SOCIAL HOUSING GRANT				
As at 1st April 2011 (as restated)	45,064,278	1,495,251	278,314	46,837,843
Additions	-	1,339,113	-	1,339,113
Schemes Completed	1,489,071	(1,489,071)	-	-
As at 31st March 2012	46,529,686	1,345,293	278,314	48,153,293
OTHER CAPITAL GRANTS				
As at 1st April 2011 (as restated)	1,782,145	411,763	-	2,193,908
Additions	-	453,851	-	453,851
As at 31st March 2012	1,782,145	865,614	-	2,647,759
NET BOOK VALUE				
As at 31st March 2012	11,267,685	1,232,484	123,135	12,623,304
As at 31st March 2011 (as restated)	10,491,605	1,666,750	124,756	12,283,111

Additions to housing properties includes capitalised development administration costs of £170559 (2011 - £92451) and capitalised major repair costs to existing properties of £nil (2011 £nil)

All land and housing properties are freehold.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. TANGIBLE FIXED ASSETS - GROUP & PARENT

b) Other Tangible Assets	Computer Equipment £	Office Premises £	Furniture & Equipment £	Total £
COST				
As at 1st April 2011	734,440	2,319,549	78,322	3,132,311
Additions	12,351	-	11,297	23,648
As at 31st March 2012	<u>746,791</u>	<u>2,319,549</u>	<u>89,619</u>	<u>3,155,959</u>
AGGREGATE DEPRECIATION				
As at 1st April 2011	611,051	427,016	55,774	1,093,841
Charge for year	70,359	58,162	2,574	131,095
As at 31st March 2012	<u>681,410</u>	<u>485,178</u>	<u>58,348</u>	<u>1,224,936</u>
NET BOOK VALUE				
As at 31st March 2012	<u>65,381</u>	<u>1,834,371</u>	<u>31,271</u>	<u>1,931,023</u>
As at 31st March 2011	<u>123,389</u>	<u>1,892,533</u>	<u>22,548</u>	<u>2,038,470</u>

12. CAPITAL COMMITMENTS GROUP & PARENT

	2012 £	2011 £
Capital Expenditure that has been contracted for but has not been provided for in the Financial Statements	<u>3,526,506</u>	<u>-</u>

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

12 COMMITMENTS UNDER OPERATING LEASES

At the year end, the annual commitments under operating leases were as follows:-

	GROUP		PARENT	
	2012 £	2011 £	2012 £	2011 £
Land and Buildings				
Expiring between two and five years	22,862	5,271	-	-
Other				
Expiring between two and five years	<u>2,203</u>	<u>2,203</u>	<u>2,203</u>	<u>2,203</u>

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. DEBTORS

	GROUP		PARENT	
	2012	2011	2012	2011
	£	£	£	£
Arrears of Rent & Service Charges	375,521	249,023	375,521	249,023
Less: Provision for Doubtful Debts	(198,410)	(123,177)	(198,410)	(123,177)
	<u>177,111</u>	<u>125,846</u>	<u>177,111</u>	<u>125,846</u>
Social Housing Grant Receivable	180,763	238,527	180,763	238,527
Other Debtors	1,100,113	1,477,623	422,732	791,424
	<u>1,457,987</u>	<u>1,841,996</u>	<u>780,606</u>	<u>1,155,797</u>

14 CREDITORS: Amounts falling due within one year

	GROUP		PARENT	
	2011	2012	2011	2012
	£	£	£	£
Bank Overdrafts (secured)	-	268,465	-	268,465
Housing Loans	380,041	267,663	380,041	267,663
Trade Creditors	504,550	862,011	425,163	807,671
Rent in Advance	207,576	181,176	207,576	181,176
Social Housing Grant in Advance	-	217,716	-	217,716
Other Taxation and Social Security	190,556	228,790	39,401	40,179
Amounts Due to Group Companies	-	-	157,111	78,149
Other Creditors	150,765	126,085	105,671	92,266
Accruals and Deferred Income	308,551	463,997	225,092	172,982
	<u>1,742,039</u>	<u>2,615,903</u>	<u>1,540,055</u>	<u>2,126,267</u>

The bank overdraft is secured by specific charges on the Association's housing properties. At the balance sheet date there were pension contributions outstanding by the group of £nil (2011 £19647) and by the parent of £nil (2011 £ 19647)

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 CREDITORS: Amounts falling due after more than one year

	GROUP		PARENT	
	2012	2011	2012	2011
	£	£	£	£
Housing Loans	5,079,751	4,313,768	5,079,751	4,313,768
Future Project Income	2,059,320	2,074,545	1,830,033	1,912,799
	<u>7,139,071</u>	<u>6,388,313</u>	<u>6,909,784</u>	<u>6,226,567</u>
Housing Loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-				
Within one year	380,041	267,663	380,041	267,663
Between one and two years	384,676	271,391	384,676	271,391
Between two and five years	873,389	771,744	873,389	771,744
In five years or more	3,821,686	3,270,633	3,821,686	3,270,633
	<u>5,459,792</u>	<u>4,581,431</u>	<u>5,459,792</u>	<u>4,581,431</u>
Less: Amount shown in Current Liabilities	380,041	267,663	380,041	267,663
	<u>5,079,751</u>	<u>4,313,768</u>	<u>5,079,751</u>	<u>4,313,768</u>

Future Project Income has been deferred in accordance with the Statement of Recommended Practice. In the case of the contribution towards future alarm and furniture replacement within the relevant service charge, income is received in advance and is deferred until the goods/services have been provided.

Due to the nature of the future spend, the timing is unpredictable. In the absence of a reliable forecast, the full deferred amount has been included within long term liabilities without further maturity analysis which could, if estimated, be misleading.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 CASH FLOW STATEMENT - GROUP

<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>	2012 £	Restated 2011 £
Operating Surplus	756,100	658,270
Depreciation	474,827	500,113
Change in Provisions for liabilities and charges	331,242	116,428
Change in Deferred Income	(15,225)	243,151
Change in Debtors	(273,755)	401,541
Change in Creditors	(500,061)	574,221
Share Capital Written Off	(10)	(8)
Net Cash Inflow from Operating Activities	773,118	2,493,716

<i>Reconciliation of net cash flow to movement in net debt</i>	2012 £	2011 £	2011 £	2011 £
Increase / (decrease) in Cash	1,229,670	(85,471)		
Cash flow from change in debt	878,361	273,797		
Movement in net debt during year	2,108,031		188,326	
Net debt at 1st April 2011	(3,177,857)		(3,366,183)	
Net debt at 31st March 2012	(1,069,826)		(3,177,857)	

<i>Analysis of changes in net debt</i>	At 1.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	1,672,039	961,205		2,633,244
Bank Overdrafts	(268,465)	268,465		-
Liquid Resources	1,403,574	1,229,670		2,633,244
Debt: Due within one year	(267,663)	(878,361)	765,983	(380,041)
Due after more than one year	(4,313,768)	-	(765,983)	(5,079,751)
Net Debt	(3,177,857)	351,309	-	(2,826,548)

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 CASH FLOW STATEMENT - PARENT

	Restated	
	2012	2011
	£	£
<i>Reconciliation of operating surplus to net cash inflow from operating activities</i>		
Operating Surplus	467,394	692,128
Depreciation	474,827	500,113
Change in Provisions for liabilities and charges	285,669	(121,919)
Change in Long-term Liabilities	(82,766)	187,699
Change in Debtors	(282,573)	54,177
Change in Creditors	(144,783)	459,894
Change in amounts due to/from subsidiary	(93,413)	(93,413)
Share Capital Written Off	(10)	(8)
Net Cash Inflow from Operating Activities	<u>624,345</u>	<u>1,678,671</u>

	2012		2011	
	£	£	£	£
<i>Reconciliation of net cash flow to movement in net debt</i>				
Increase / (decrease) in Cash	1,106,684		(900,516)	
Cash flow from change in debt	<u>(878,361)</u>		<u>273,797</u>	
Movement in net debt during year		228,323		(626,719)
Net debt at 1st April 2011		<u>(4,351,263)</u>		<u>(3,724,544)</u>
Net debt at 31st March 2012		<u>(4,122,940)</u>		<u>(4,351,263)</u>

	At 1.04.11 £	Cash Flows £	Other Changes £	At 31.03.12 £
Cash at bank and in hand	498,633	838,219		1,336,852
Bank Overdrafts	<u>(268,465)</u>	<u>268,465</u>		<u>-</u>
	230,168	1,106,684		1,336,852
Liquid Resources	-	-		-
Debt: Due within one year	<u>(267,663)</u>	<u>(878,361)</u>	765,983	<u>(380,041)</u>
Due after more than one year	<u>(4,313,768)</u>	<u>-</u>	<u>(765,983)</u>	<u>(5,079,751)</u>
Net Debt	<u>(4,351,263)</u>	<u>228,323</u>	<u>-</u>	<u>(4,122,940)</u>

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. SHARE CAPITAL

Shares of £1 each Issued and Fully Paid	£
At 1st April 2011	283
Issued in year	19
Cancelled in year	(10)
	<hr/>
At 31st March 2012	292
	<hr/>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

17. RESERVES - GROUP

(a) Designated Reserves

	Major Repairs £	Total £
At 1st April 2011	3,085,252	3,085,252
Transfer to / (from) Revenue Reserves	(209,548)	(209,548)
	<hr/>	<hr/>
At 31st March 2012	2,875,704	2,875,704
	<hr/>	<hr/>

(b) Revenue Reserves

	Total £
At 1st April 2011 (as restated)	4,626,724
Surplus for the Year	698,660
Transfer (to) / from Designated Reserves	209,548
	<hr/>
At 31st March 2012	5,534,932
	<hr/>

17. RESERVES - PARENT

(a) Designated Reserves

	Major Repairs £	Total £
At 1st April 2011	3,085,252	3,085,252
Transfer to / (from) Revenue Reserves	(209,548)	(209,548)
	<hr/>	<hr/>
At 31st March 2012	2,875,704	2,875,704
	<hr/>	<hr/>

(b) Revenue Reserves

	Total £
At 1st April 2011 (as restated)	4,001,728
Surplus for the Year	663,603
Transfer (to) / from Designated Reserves	209,548
	<hr/>
At 31st March 2012	4,874,879
	<hr/>

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. HOUSING STOCK

	GROUP		PARENT	
	2012 No.	2011 No.	2012 No.	2011 No.
The number of units of accommodation in manage at the year end was:-				
General Needs - New Build	630	572	630	572
Shared Ownership	5	14	5	14
Supported Housing	411	434	411	434
	<u>1,046</u>	<u>1,020</u>	<u>1,046</u>	<u>1,020</u>

19. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8.

The related party relationships of the members of the Management Committee is summarised as follows:

4 members are tenants of the Association

1 member is employed by another RSL with whom the Association has contractual arrangements

1 member is an employee of a relevant local authority

Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage.

Governing Body Members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Governing Body Member has a connection with is made at arm's length and is under normal commercial terms.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. FIXED ASSET INVESTMENT - PARENT

	2012 £	2011 £
Investments in Subsidiaries		
As at 31 March 2012 & 31 March 2011	-	-

In the opinion of the Management Committee the aggregate value of the assets of the subsidiary is not less than the aggregate of the amounts at which those assets are stated in the Association's balance sheet.

The Association has a subsidiary Loretto Care which is controlled through provisions included within its Memorandum and Articles. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

The aggregate amount of capital and reserves and the results of Loretto Care for the year ended 31 March 2012 were as follows:

	Loretto Care	
	2012 £	2011 £
Capital & Reserves	660,053	624,996
Loss for the year	35,057	214,197

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP

	2012	Restated 2011
	£	£
Future Project Expenditure		
Balance as at 1 April 2011	1,119,141	2,130,439
Increase / (decrease) in Provision	234,379	(1,011,298)
Balance as at 31 March 2012	<u>1,353,520</u>	<u>1,119,141</u>

22. PROVISIONS FOR LIABILITIES AND CHARGES - PARENT

	2012	Restated 2011
	£	£
Future Project Expenditure		
Balance as at 1 April 2011	535,914	1,537,504
Decrease in Provision	(64,843)	(1,001,590)
Balance as at 31 March 2012	<u>471,071</u>	<u>535,914</u>

23. EXCEPTIONAL ITEM -GROUP

During the year, the Parent released £42,512 from its mainstream equalisation accounts and £308,000 from its Supported Furniture Equalisation Account. The release represents income received in prior years that was initially considered to be repayable to funders or had been deferred to match expenditure in the future. At 31 March 2012 the Management Committee believes that these sums are neither repayable to funders, nor will they be used for future furniture provision and as such they have been recognised as income in the year ending 31 March 2012.

During financial years 2010/11 and 2011/12, Loretto Care incurred redundancy costs as a result of a forced restructure of the organisation. Restructuring was essential as a result of reductions in levels of funding from local authorities. Due to the significance and nature of these costs they have been reported as an exceptional item (£253,649 - 2012 ; £222,780 - 2011).

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. PRIOR YEAR ADJUSTMENTS - GROUP & PARENT

During the year the Association changed two accounting policies in order to comply with the Statement of Recommended Practice (SORP): the introduction of component accounting and the treatment of negative goodwill arising from non-exchange transactions. The introduction of component accounting has meant that the Association housing units are depreciated by major component and expenditure on component replacement is now capitalised. The Association has also, in accordance with the SORP, written off negative goodwill arising in the past from non-exchange transactions.

As a result of the change in accounting policy, a prior year adjustment has been required under Financial Reporting Standard 3 - Reporting Financial Performance and Financial Reporting Standard 18 - Accounting Policies, as follows:

	£
(Decrease) in Net Book Value of Housing Properties	(448,445)
Write off of Negative Goodwill	1,477,027
(Decrease) in Net Book Value of Other Fixed Assets	(96,195)

The effect of adopting component accounting has been to decrease reserves as at 1 April 2010 by £(563,866) and the effect of writing off negative goodwill has been to increase reserves as at 1 April 2010 by £1,520,690

The figures in the 2011 Financial Statements have been adjusted as follows:

	Reported in 2011 Accounts £	Restated 2011 figures £
Housing Property	12,771,556	12,283,111
Office Premises	1,988,728	1,892,533
Negative Goodwill	1,477,027	-
Revenue Reserves	<u>3,109,341</u>	<u>2,524,701</u>
Release of Negative Goodwill	43,663	-
Housing Depreciation Charge	255,004	299,292
Other Depreciation Charge	46,391	58,162
Major Repairs Charge	<u>245,345</u>	<u>210,660</u>

The reported surplus for the parent in 2011 has been restated by £(64,437) and now stands at £1,457,621. The reported surplus for the group for 2011 has also been restated by £(64,437).

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. CONTINGENT LIABILITIES

On 1st April 2002 the Association acquired housing land and buildings from Salvation Army Housing Association Limited. Salvation Army Housing Association Limited partly financed the cost of the property through grants, as follows:

	£
Social Housing Grant	4,808,736
Glasgow Development Agency	199,438
Glasgow City Council	400,000

These grants may be repayable under certain circumstances, such as the disposal of the property to which they relate.

The Association also acquired housing land and buildings from St Johns Housing Association Limited on 1st April 2009. St Johns Housing Association Limited financed the cost of the property through grants, as follows:

	£
Social Housing Grant	125,543

These grants may be repayable under certain circumstances, such as the disposal of the property to which they relate.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

General

Loretto Housing Association and its subsidiary participates in the Scottish Housing Association Pension Scheme (the scheme).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

From 1 April 2010, Loretto Housing Association moved from the Final Salary option with a 1/60th accrual rate benefit structure to the Career Average Earnings scheme with a 1/60th accrual rate for both existing and new employees. Loretto commissioned consultancy advice on its pension arrangements during 2011/12. It is committed to offering reasonable pensions to its staff at an affordable cost to both itself as an employer and to its employees. Loretto Housing Association aims to reduce its on-going pension liabilities. To that end the Association intends to move to either a Career Average Earnings scheme with a 1/120th accrual rate for all staff or to a Defined Contribution scheme. The intention is to make that move by April 2013. The Association is conscious of new legal responsibilities falling on it from 2013 with regard to auto-enrolment and the potential for this to increase pension costs.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Loretto Housing Association and its subsidiary paid contributions at the rate of 10.4% on the past service deficit and a further 8.6% of pensionable salaries. Member contributions were 8.5%.

As at the balance sheet date there were 81 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £2096816. Loretto Housing Association and its subsidiary continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers as the scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The last formal valuation of the Scheme was performed as at 30th September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295m. The valuation revealed a shortfall of assets compared with the value of liabilities of £160m (equivalent to a past service funding level of 64.8%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30th September 2009 were as follows:

	% p.a.
- Investment return pre-retirement	7.4
- Investment return post-retirement - non pensioners	4.6
- Investment return post-retirement - pensioners	4.8
- Rate of Salary increases	4.5
- Rate of pension increases:	
pension accrued pre 6 April 2005 in excess of GMP	2.9
pension accrued from 6 April 2005	2.2
(for leavers before 1 October 1993 pension increases are 5.0%)	
- Rate of price inflation	3.0

The valuation was carried out using the SAPS (S1PA) All pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement for non-pensioners and pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	<i>Males</i>	<i>Females</i>
	<i>Assumed life expectancy in years at age 65</i>	<i>Assumed life expectancy in years at age 65</i>
Non-pensioners	18.1	20.6
Pensioners	18.1	20.6

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Valuation Results

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed as:

<i>Benefit Structure</i>	<i>Long-term joint contribution rate (% of pensionable)</i>
Final salary - 60ths	19.2
Career average 60ths	17.1
Career average 70ths	14.9
Career average 80ths	13.2
Career average 120ths	9.4

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £160m would be dealt with by the payment of additional contributions of 10.4% of pensionable salaries per annum with effect from 1st April 2011, increasing each 1 April in line with the rate of salary increases assumption.

As a result of Pension Scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The next full valuation of the scheme will take place at September 2012 and the results will be available in Summer / Autumn 2013. The latest report by the scheme actuary states that the Scheme's funding level as at September 2011 was estimated to be 62.2% which is a further deterioration compared with September 2010 last full valuation. SHAPS are currently consulting, via a questionnaire, on the future of the scheme.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan

Loretto Housing Association participates in the Pension Trust's Growth Plan (the Plan) and Ethical Fund. The Plan is funded and is not contracted out of the State Scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the financial position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investments credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by way of agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Loretto Housing Association paid contributions at a rate of nil% during the accounting period. Members pay contributions based on what they can afford. From 1st April 2013 the Association will make an annual contribution of £1,339 to cover the capital guarantee.

As at the Balance Sheet date there was 1 Active member of the Plan employed by Loretto Housing Association.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

LORETTO HOUSING ASSOCIATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Contd.)

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a past service funding level of 96%.

The Scheme Actuary has prepared a funding position update as at 30 September 2011. The market value of the Plan's assets at that date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

Since the contribution rates payable to the Plan have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2008.

Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% p.a.
Investment return pre retirement	7.6
Investment return post retirement - Active / Deferred	5.1
Investment return post retirement - Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. RETIREMENT BENEFIT OBLIGATIONS

Growth Plan (Continued)

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

as the valuation will not be finalised until later this year, this disclosure note must still refer to the could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.