

EAST LOTHIAN HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Registered Scottish Charity No. SC028900
FCA Registration No. 2266R(S)
Registered Housing Association No.103

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS

Management Committee at 31 March 2014

Robert McNeill	Chair
Joyce Bolan	Secretary
John Holcombe	Vice Chair
Alan Clydesdale	
Jim Curran	
Frank Colston	
Shirley Evans	
Peter Ewart	
Andrew Field	Resigned 23 September 2013
Alan Forsyth	Appointed 23 September 2013
Peter Hayman	
Caryn Innes	Appointed 23 September 2013
Brian Logan	
Jill Malcolmson	Appointed 23 September 2013
David Rose	
Ian Shearer	Resigned 23 September 2013
Fiona Sheldon	Resigned 23 September 2013

Executive Officer

Martin Pollhammer	Chief Executive
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Registered Office

18-20 Market Street
Haddington
East Lothian
EH41 3JL

Bankers

Bank of Scotland 44 Court Street Haddington EH41 3NP	Royal Bank of Scotland 32 Court Street Haddington EH41 3NP
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Auditors

Alexander Sloan
Chartered Accountants & Statutory Auditors
1 Atholl Place
Edinburgh
EH3 8HP

Solicitors

Anderson Strathern W.S. Solicitors 14 Court Street Haddington EH41 3JA	TC Young Solicitors 7 West George Street Glasgow E2 1BA
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EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2014

The Management Committee present their report and the audited financial statements for the year ended 31 March 2014.

Legal Status

The Association is registered as a non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. 2266R(S). The Association is constituted under its Rule Book. The Association is a registered Scottish Charity with the charity number SC028900.

Principal Activities

The principal activity of the Association is the provision of rented accommodation and associated services. The Association also administers the East Lothian Care & Repair service which offers advice for house maintenance to elderly or disabled house owners and private tenants. The administration costs of this service are met by grant income from East Lothian Council.

Review of Business

The Association's main activities over the year generated an operating surplus of £976,316 (2013: £898,698) and three properties were sold under the "Right to Buy" legislation. Following the deduction of finance costs, the Association's activities generated a surplus of £223,966 (2013: £4,149) for the year. A sum of £348,763 has been transferred from designated reserves to fund additional planned maintenance expenditure, resulting in the total accumulated surplus increasing by £572,729 to £4,029,899 (2013: £3,457,170).

During the year the Association spent £1,034,454 on the development of new properties and purchased one property under the Mortgage to Rent Scheme. There was a net decrease to the number of properties in management of two units.

The Association spent £2,476,583 (2013: £2,208,490) on the maintenance and improvement of its properties during the year. Of this expenditure £871,295 (2013: £632,205) was spent on the replacement of components and transferred to the Association's balance sheet.

The Association's wholly owned subsidiary, R3 Repairs Limited, continued to provide maintenance and repair services to the Association, other Housing Associations and other external customers.

The Management Committee was disappointed to terminate the "Home Safety" and "Garden Care" support projects (managed by the Care & Repair Service), during the year following the withdrawal of Change Fund support.

The Management Committee is satisfied with the Association's financial performance during the year and with the year-end position, it does however recognise the challenges ahead. These challenges include obtaining development funding in the current economic climate, ensuring our properties meet the Scottish Housing Quality Standard by 2015, accommodating increased contributions to the pension scheme and the impact of Welfare Reform on arrears and bad debt levels.

Changes in Fixed Assets

During the year the cost of the Association's housing properties has increased as detailed in Note 10.

The Management Committee and Executive Officers

The Management Committee and Executive Officers are listed on page 2.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2014

The Management Committee and Executive Officers

Each elected member of the Management Committee holds one fully paid share of £1 in the Association. The Chief Executive of the Association holds no interest in the Association's share capital and although not having the legal status of a Director acts as an Executive 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.

Donations

The Association made donations to other charitable organisations during the year of £1,000 (2013: £1,000).

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 require the Management Committee to prepare Financial Statements for each financial year which gives 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012. It is 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, and 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 principles and practice.

In so far as the Management Committee is aware:

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

Statement on Internal Financial Control

1. The Management Committee acknowledges its ultimate responsibility for ensuring that the Association 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:
 - 1.1 the reliability of financial information used within the Association, or for publication;
 - 1.2 the maintenance of proper accounting records;
 - 1.3 the safeguarding of assets against unauthorised use or disposition.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2014

Statement on Internal Financial Control

2. 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 misstatement or loss. Key elements of the Association's systems include ensuring that:
 - 2.1 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 Association's assets;
 - 2.2 experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
 - 2.3 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;
 - 2.4 forecasts and budgets are prepared which allow the Management Committee and Management Team 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;
 - 2.5 all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
 - 2.6 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;
 - 2.7 formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external reports.
3. The Association's internal audit service is provided by The Internal Audit Association, who have carried out a full risk assessment and are undertaking a rolling three year programme of tests, which has been approved by the Management Committee.
4. During the year ended 31 March 2014, working in conjunction with the Association's Finance and Audit Sub-Committee, The Internal Audit Association has reviewed the Association's systems of internal controls applicable to the following areas:
 - Allocations and Lettings
 - Gas Safety
 - Governance – Performance Monitoring Arrangements
 - Purchases and Payments

No weaknesses were found in the internal financial controls, which resulted in material losses, contingencies or uncertainties or which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

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

By order of the Management Committee



J Bolan, Secretary
14 August 2014

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2014

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31 March 2014 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein. 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 87 of the Co-operative and Community Benefit Societies Act 2014. 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 described 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 the financial statements in accordance with relevant legal and regulatory requirements 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 misstatements, 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 Association's affairs as at 31 March 2014 and of its results 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 Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.
- In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- The information given in the Management Committee's Report is inconsistent with the financial statements
- 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
- The Income and Expenditure Account to which our report relates and the Balance Sheet are not in agreement with the books of the Association
- 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
EDINBURGH

14 August 2014

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE MANAGEMENT COMMITTEE OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 MARCH 2014**

Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on Pages 4 and 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 pages 4 and 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

14 August 2014

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	2013 £
TURNOVER	2	5,597,145	5,375,086
Operating Costs	2	(4,620,829)	(4,476,388)
Operating Surplus		976,316	898,698
Gain on Disposal of Housing Stock	28	117,523	-
Interest Receivable		20,678	27,329
Interest Payable and Similar Charges	7	(890,551)	(921,878)
Surplus for the Year	8	<u>223,966</u>	<u>4,149</u>

All amounts relate wholly to continuing activities.

Historical cost surpluses and deficits are identical to those shown in the accounts.

The notes of pages 11 to 28 form part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS
AND LOSSES

	2014 £	2013 £
Surplus for the financial year	223,966	4,149
Total gains recognised since last annual report	<u>223,966</u>	<u>4,149</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED


BALANCE SHEET
AS AT 31 MARCH 2014

	Note	2014 £	2013 £
FIXED ASSETS			
Housing Properties - Cost less Depreciation	10	70,276,046	70,149,412
Less: Social Housing Grants	11	(46,246,273)	(46,302,427)
Other Grants	11	(581,145)	(581,625)
		<hr/>	<hr/>
Other Fixed Assets	12	23,448,628 1,184,857	23,265,360 1,250,091
		<hr/>	<hr/>
		<u>24,633,485</u>	<u>24,515,451</u>
FIXED ASSET INVESTMENT	13	<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	14	2,049,086	1,316,168
Cash at Bank and in Hand		929,495	1,534,344
		<hr/>	<hr/>
		2,978,581	2,850,512
CREDITORS - Amounts falling due within one year	15	<u>(1,925,930)</u>	<u>(1,652,035)</u>
NET CURRENT ASSETS		<hr/>	<hr/>
		1,052,651	1,198,477
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		25,686,137	25,713,929
CREDITORS - Amounts falling due after more than one year	16	<u>(19,588,455)</u>	<u>(19,840,212)</u>
NET ASSETS		<u>6,097,682</u>	<u>5,873,717</u>
CAPITAL AND RESERVES			
Called up Share Capital	17	134	135
Designated Reserves	18	2,067,649	2,416,412
Accumulated Surplus	19	4,029,899	3,457,170
		<hr/>	<hr/>
		<u>6,097,682</u>	<u>5,873,717</u>

The Financial Statements on pages 8 to 28 were approved by the Management Committee on 14 August 2014 and signed on its behalf by:-



R McNeill
Chairman



J Holcombe
Vice Chairman



J Bolan
Secretary

The notes on pages 11 to 28 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 £	2013 £
Net Cash Inflow from Operating Activities	22	1,496,282	1,684,847
Returns on Investments and Servicing of Finance			
Interest Received	20,709	27,460	
Interest Paid	(891,231)	(947,701)	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(870,522)	(920,241)
Capital Expenditure and Financial Investment			
Acquisition and Construction of Properties	(1,187,926)	(1,063,095)	
Purchase of Other Fixed Assets	(43,682)	(94,944)	
Social Housing Grant Received	53,283	221,284	
Proceeds on Disposal of Properties	165,720	-	
Net Cash Outflow from Capital Expenditure		(1,012,605)	(936,755)
Net Cash Outflow before use of Liquid Resources and Financing		(386,845)	(172,149)
Financing			
Loan Advances Received		250,000	200,000
Loan Principal Repayments		(468,006)	(481,613)
Share Capital Issued		2	5
Decrease in Cash	23	(604,849)	(453,757)

The notes on pages 11 to 28 form part of these financial statements.

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

1. PRINCIPAL ACCOUNTING POLICIES

Introduction and Accounting Basis

These financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2010 and on the historical cost basis. They also comply with the Determination of Accounting Requirements 2012. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Ministers and the Local Authority.

Retirement Benefits

The Association participates in the Scottish Housing Associations' 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 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 indicate that the carrying value of the components listed below is higher than the recoverable amount.

<i>Component</i>	<i>Useful Economic Life</i>
Core	50 years
Kitchens	15 years
Bathrooms	30 years
Heating	20 years
Windows	30 years

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:-

Office Premises	4%
Alterations to Office Premises	33.33%
Computer Equipment	10%-25%
Office Equipment Fixtures & Fittings	15%-20%
Vans, Tools & Plant	20%-50%

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

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

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.

Disposals of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account 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.

Any gain or loss on the disposal of a component is incorporated into the depreciation charge for the year.

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.

Capitalisation of Major Repairs Expenditure

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

Administration costs which are directly attributable 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.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 meets the requirements of the Scottish Housing Quality Standard.

The Service Equipment Replacement reserve has been designed to meet future costs of replacing service equipment.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed 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.

Housing Property Managed by Agents

Where a third party manages the Association's housing property the accounting treatment reflects the substance of the transactions. The property is only excluded if the rights and obligations associated with the scheme have been transferred to the third party.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

2. PARTICULARS OF TURNOVER, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT

	Note	2014		2013	
		Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings	3	5,161,645	(4,225,519)	4,954,321	(4,068,047)
Other Activities	4	435,500	(395,310)	420,765	(408,341)
TOTAL		<u>5,597,145</u>	<u>(4,620,829)</u>	<u>5,375,086</u>	<u>(4,476,388)</u>
					<u>Operating Surplus £</u>
					886,274
					12,424
					<u>898,698</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2014 Total £	2013 Total £
Income from Social Lettings				
Rent Receivable net of Service Charges	4,930,981	133,199	5,064,180	4,867,644
Service Charges Receivable	114,239	12,109	126,348	115,165
	<hr/>	<hr/>	<hr/>	<hr/>
	5,045,220	145,308	5,190,528	4,982,809
Less: Rent Losses from Voids	(28,883)	-	(28,883)	(24,488)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Income from Social Letting	<u>5,016,337</u>	<u>145,308</u>	<u>5,161,645</u>	<u>4,954,321</u>
Expenditure on Social Letting Activities				
Service Costs	101,890	12,109	113,999	154,351
Management and Maintenance Admin Costs	1,616,774	75,985	1,692,759	1,581,290
Reactive Maintenance	756,899	-	756,899	723,056
Bad Debts – Rents and Service Charges	64,103	-	64,103	57,385
Planned and Cyclical Maintenance (Including Major Repairs)	848,389	-	848,389	853,229
Depreciation of Social Housing	742,866	6,504	749,370	698,736
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs of Social Letting	<u>4,130,921</u>	<u>94,598</u>	<u>4,225,519</u>	<u>4,068,047</u>
Operating Surplus on Social Letting Activities	<u>885,416</u>	<u>50,710</u>	<u>936,126</u>	<u>886,274</u>
2013	<u>835,230</u>	<u>51,044</u>	<u>886,274</u>	

There is no other accommodation except for General Needs and Shared Ownership.

The Association spent an additional £871,295 (2013: £632,205) on the replacement of components (kitchens, bathrooms, windows and heating systems) during the year. This component expenditure was capitalised.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

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

	From Scottish Ministers		Other Revenue Grants		Supporting People Income		Other Income		Total Turnover		Operating Costs		Operating Costs		Surplus / (Deficit)		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Care and Repair Service	6,179	289,653	-	-	-	-	-	-	295,832	-	295,832	-	-	-	-	-	-
Changes Fund	-	28,697	-	-	-	-	-	-	28,697	-	28,697	-	-	-	-	-	-
Medical Adaptations	63,325	-	-	-	-	-	-	-	63,325	-	61,053	-	2,272	-	-	-	-
Other Activities	-	-	-	-	-	-	47,646	-	47,646	-	9,728	-	37,918	-	-	-	12,424
Total from Other Activities	69,504	318,350	-	47,646	-	47,646	435,500	-	395,310	-	40,190	-	12,424	-	-	-	-
2013	49,930	345,695	-	25,140	-	420,765	-	408,341	-	-	12,424	-	-	-	-	-	-

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

5. OFFICERS' EMOLUMENTS

The Officers are defined in Section 149 of the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers or employees of the Association.

Number of Officers receiving emoluments greater than £60,000, excluding pension contributions:

	2014	2013
	Number	Number
£60,001 - £70,000	-	2
£70,001 - £80,000	2	1
£80,001- £90,000	1	-
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>223,759</u>	<u>217,765</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>81,327</u>	<u>79,256</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>21,051</u>	<u>20,466</u>

6. EMPLOYEE INFORMATION

	2014	2013
	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>35</u>	<u>34</u>
Staff Costs were:	£	£
Wages and Salaries	1,185,865	1,138,437
Social Security	95,701	93,098
Pension (Note 29)	213,814	203,499
Temporary, Agency and Seconded Staff	14,457	4,688
	<u>1,509,837</u>	<u>1,439,722</u>

Included in the above are the costs for 9 employees who were engaged in non-housing association activities (2013: 8).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2014	2013
	£	£
On Bank Loans and Overdrafts	<u>890,551</u>	<u>921,878</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 £	2013 £
Surplus on Ordinary Activities before Taxation is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	855,860	797,291
Auditors' Remuneration - Audit Services	10,129	9,420
- Other Services	1,112	3,212
Loss on Disposal of Other Fixed Assets	2,427	965
Operating Lease Rentals - Plant and Machinery	9,442	9,110
	<hr/>	<hr/>

9. TAXATION

The Association is a registered Scottish Charity and is not liable to United Kingdom corporation tax on its charitable activities.

10. TANGIBLE FIXED ASSETS

Housing Properties Gross Cost

	LSVT Housing Properties held for Letting £	Non-LSVT Housing Properties held for Letting £	Housing Properties Under Construction £	Shared Ownership Housing Properties £	Total £
Cost					
At 1 April 2013	9,389,142	63,979,793	428,942	2,139,290	75,937,167
Schemes Completed in Year	-	-	-	-	-
Additions	697,590	280,395	54,993	1,476	1,034,454
Disposals	(298,044)	(137,296)	-	-	(435,340)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	<u>9,788,688</u>	<u>64,122,892</u>	<u>483,935</u>	<u>2,140,766</u>	<u>76,536,281</u>
Depreciation					
At 1 April 2013	3,081,586	2,590,091	-	116,078	5,787,755
Charge for year	284,702	406,781	-	6,504	697,987
Released on Disposals	(207,403)	(18,104)	-	-	(225,507)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	<u>3,158,885</u>	<u>2,978,768</u>	<u>-</u>	<u>122,582</u>	<u>6,260,235</u>
Net Book Values Before Grants					
As at 31 March 2014	<u>6,629,803</u>	<u>61,144,124</u>	<u>483,935</u>	<u>2,018,184</u>	<u>70,276,046</u>
As at 31 March 2013	<u>6,307,556</u>	<u>61,389,702</u>	<u>428,942</u>	<u>2,023,212</u>	<u>70,149,412</u>

All housing properties are freehold.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

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

11. TANGIBLE FIXED ASSETS

Grants

	Non-LSVT Housing Properties held for Letting £	Housing Properties Under Construction £	Shared Ownership Housing Properties £	Total £
Social Housing Grant				
At 1 April 2013	44,232,822	396,230	1,673,375	46,302,427
Schemes Completed in Year	-	-	-	-
Additions	53,283	-	-	53,283
Disposals	(109,437)	-	-	(109,437)
	<u>44,176,668</u>	<u>396,230</u>	<u>1,673,375</u>	<u>46,246,273</u>
At 31 March 2014	<u>44,176,668</u>	<u>396,230</u>	<u>1,673,375</u>	<u>46,246,273</u>
Other Grants				
As at 1 April 2013	579,828	-	1,797	581,625
Schemes Completed in Year	-	-	-	-
Additions	-	-	-	-
Disposals	(480)	-	-	(480)
	<u>579,348</u>	<u>-</u>	<u>1,797</u>	<u>581,145</u>
At 31 March 2014	<u>579,348</u>	<u>-</u>	<u>1,797</u>	<u>581,145</u>
Total Grants				
At 31 March 2014	<u>44,756,016</u>	<u>396,230</u>	<u>1,675,172</u>	<u>46,827,418</u>
At 31 March 2013	<u>44,812,650</u>	<u>396,230</u>	<u>1,675,172</u>	<u>46,884,052</u>

Total capital grant received by the Association's properties, prior to the write-off of sums allocated to components was £47,296,246 (2013: £47,242,959).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

12. TANGIBLE FIXED ASSETS

Other Fixed Assets	Office Premises £	Office Equipment £	Computer Equipment £	Vans £	Total £
Cost					
At 1 April 2013	1,407,729	108,611	269,909	7,200	1,793,449
Additions	324	2,695	40,663	-	43,682
Disposals	-	(12,824)	(41,799)	-	(54,623)
	<u>1,408,053</u>	<u>98,482</u>	<u>268,773</u>	<u>7,200</u>	<u>1,782,508</u>
Depreciation					
At 1 April 2013	265,371	57,493	213,594	6,900	543,358
Charge for the Year	46,567	12,838	46,784	300	106,489
Released on Disposals	-	(12,824)	(39,372)	-	(52,196)
	<u>311,938</u>	<u>57,507</u>	<u>221,006</u>	<u>7,200</u>	<u>597,651</u>
Net Book Value					
At 31 March 2014	<u>1,096,115</u>	<u>40,975</u>	<u>47,767</u>	-	<u>1,184,857</u>
At 31 March 2013	<u>1,142,358</u>	<u>51,118</u>	<u>56,315</u>	<u>300</u>	<u>1,250,091</u>

13. FIXED ASSET INVESTMENT

	2014 £	2013 £
Investment in Subsidiary	1	1

The Association owns 100% of the ordinary share capital of its subsidiary, R3 Repairs Limited. The subsidiary was incorporated on 15 June 2009. 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 for the year ended 31st March 2014 were as follows:

	2014 £	2013 £
Capital & Reserves	<u>(131,651)</u>	<u>(241,966)</u>
Profit/(Loss) for year	<u>110,315</u>	<u>(53,744)</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

14. DEBTORS	2014	2013
	£	£
Rental Debtors	279,140	234,911
Less: Provision for Bad and Doubtful Debts	(135,855)	(99,502)
	<u>143,285</u>	<u>135,409</u>
Loan to Subsidiary (Note 20)	630,000	300,000
Due from Subsidiary (Note 20)	1,064,267	717,307
Other Debtors	61,215	69,253
Prepayments and Accrued Income	150,319	94,199
	<u>2,049,086</u>	<u>1,316,168</u>

The loan to the Association's subsidiary is not re-payable within one year as it does not fall due until 31 March 2019.

15. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:-

	2014	2013
	£	£
Housing Loans (Note 16)	487,157	453,406
Rent in Advance	75,019	58,452
Due to Subsidiary (Note 20)	993,455	471,118
Trade Creditors	74,794	88,864
Other Creditors	90,388	146,880
Other Taxation and Social Security	28,571	55,277
Accruals and Deferred Income	176,546	378,038
	<u>1,925,930</u>	<u>1,652,035</u>

16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014	2013
	£	£
Housing Loans	19,588,455	19,840,212
	<u>19,588,455</u>	<u>19,840,212</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

16. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Housing Loans are secured by standard securities over the Association's housing properties and are repayable at varying rates of interest in instalments, due as follows:-

	2014 £	2013 £
Within one year	487,157	453,406
Between one and two years	475,676	460,103
Between two and five years	1,532,242	1,478,477
In five years or more	17,580,537	17,901,632
	<hr/>	<hr/>
	20,075,612	20,293,618
Less: Amount shown in Current Liabilities	(487,157)	(453,406)
	<hr/>	<hr/>
	<u>19,588,455</u>	<u>19,840,212</u>

17. CALLED UP SHARE CAPITAL

	2014 £	2013 £
Shares of £1 each Issued and Fully Paid		
At 1 April 2013	135	131
Issued in year	2	5
Cancelled in year	(3)	(1)
	<hr/>	<hr/>
At 31 March 2014	<u>134</u>	<u>135</u>

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.

18. DESIGNATED RESERVES

	At 1 April 2013 £	Transfer (to)/ from Revenue Reserves £	At 31 March 2014 £
Cyclical Maintenance Reserve	322,353	48,220	370,573
Major Repairs Reserve	2,045,073	(411,183)	1,633,890
Service Equipment Replacement	48,986	14,200	63,186
	<hr/>	<hr/>	<hr/>
Total	<u>2,416,412</u>	<u>(348,763)</u>	<u>2,067,649</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

19. ACCUMULATED SURPLUS	2014	2013
	£	£
Surplus for the year	223,966	4,149
Transfer from Designated Reserves	348,763	401,911
	<hr/>	<hr/>
Surplus after Transfers	572,729	406,060
Brought forward at 1 April 2013	<u>3,457,170</u>	<u>3,051,110</u>
Carried forward at 31 March 2014	<u>4,029,899</u>	<u>3,457,170</u>

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8. Two individuals, who were Management Committee members for all/part of the year, are also tenants of the Association during the year; their tenancies are on the Association's normal tenancy terms.

Management Committee Members cannot use their position to their advantage. Any transaction between the Association and any entity, with which a Management Committee member has a connection, is made at arm's length and is under normal commercial terms. One member of the Management Committee is employed by Anderson Strathern, a firm which provides legal services to the Association. During the year Anderson Strathern was paid £9,196 of legal fees under normal commercial terms.

During the year, in accordance with formal agreements between it and its subsidiary, the Association invoiced the subsidiary for services provided as follows:

	£
Occupancy Charge	7,500
Recharge for share of management and administration costs	298,787
Interest on loan	13,500

The Association procured repairs and maintenance services to a total cost of £2,105,324 for the year from its subsidiary. All transactions were made at arm's length and under normal commercial terms.

The Association has provided a loan of £630,000, under the terms of a formal agreement, to its subsidiary, in addition the subsidiary was due the sum of £1,064,266 to the Association and the Association due the sum of £993,455 to its subsidiary at 31 March 2014, for services invoiced but not yet settled.

21. CAPITAL COMMITMENTS	2014	2013
	£	£
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>420,381</u>	<u>250,000</u>
Other Fixed Assets		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
The Association expects to finance the above commitment by:		
Capital Grants Receivable	183,721	200,000
Loan Facilities and Own Funds	236,660	50,000
	<hr/>	<hr/>
	<u>420,381</u>	<u>250,000</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

22. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET
CASH FLOW FROM OPERATING ACTIVITIES

	2014 £	2013 £
Operating Surplus	976,316	898,698
Depreciation	855,860	797,291
Share Capital Written Off	(3)	(1)
Change in Debtors	(732,949)	16,298
Loss on Disposal of Other Fixed Assets	2,427	965
Change in Creditors	394,631	(28,404)
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	<u>1,496,282</u>	<u>1,684,847</u>

23. RECONCILIATION OF NET CASH FLOW
TO MOVEMENT IN NET DEBT

	2014 £	2013 £
(Decrease) in Cash in the period	(604,849)	(453,757)
Cash flow from change in debt	218,006	281,613
	<hr/>	<hr/>
Movement in net debt during year	(386,843)	(172,144)
Net Debt at April 2013	(18,759,274)	(18,587,130)
	<hr/>	<hr/>
Net Debt at 31 March 2014	<u>(19,146,117)</u>	<u>(18,759,274)</u>

24. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2013 £	Cash Flows & Other Changes £	At 31 March 2014 £
Cash in hand, at bank	1,534,344	(604,849)	929,495
Debt due within 1 year	(453,406)	(33,751)	(487,157)
Debt due after 1 year	(19,840,212)	251,757	(19,588,455)
	<hr/>	<hr/>	<hr/>
Net Debt	<u>(18,759,274)</u>	<u>(386,843)</u>	<u>(19,146,117)</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

25. ACCOMMODATION IN MANAGEMENT

	At 1 April 2013	Additions	Disposals	At 31 March 2014
General Needs – LSVT & New Build	1,219	1	(3)	1,217
General Needs – Rehabilitation	15	-	-	15
Shared Ownership property	57	-	-	57
	—	—	—	—
Total	<u>1,291</u>	<u>1</u>	<u>(3)</u>	<u>1,289</u>

26. ACCOMMODATION MANAGED BY OTHERS

At 1 April 2013	Additions	Transfer to General Needs	Disposals	At 31 March 2014
23	-	-	-	23

Properties are managed on the Association's behalf by East Lothian Council and Blue Triangle Housing Association. No funding is payable to the managers by the Association.

27. COMMITMENTS UNDER OPERATING LEASES

	2014 £	2013 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring less than one year	-	624
Expiring between one and two years	9,406	-
Expiring between two and five years	-	5,662
	—	—
Total	<u>9,406</u>	<u>6,286</u>

28. GAIN ON DISPOSAL OF FIXED ASSETS

	2014 £	2013 £
Net proceeds from disposal of housing accommodation	165,720	-
Cost of Sales	<u>(48,197)</u>	-
Gain/(Loss) on disposal of housing accommodation sold in the year	<u>117,523</u>	-

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

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

29. RETIREMENT BENEFITS

The Association participates in the Scottish Housing Associations' 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.

It is not possible in the normal course of events to identify the share of the underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the scheme 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.

The Trustees commission an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the future contributions required so that the Scheme can meet its obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared to liabilities of £304million, equivalent to a past service funding level of 56.4%.

The scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

The Scheme offers six benefit structures to employers, namely:

- a. Final salary with a 1/60th accrual rate.
- b. Career average revalued earnings with a 1/60th accrual rate.
- c. Career average revalued earnings with a 1/70th accrual rate.
- d. Career average revalued earnings with a 1/80th accrual rate
- e. Career average revalued earnings with a 1/120th accrual rate, contracted in
- f. Defined Contribution (DC) option.

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months prior notice.. East Lothian Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and a final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008.

During the accounting period the Association paid contributions at the rate of 9.6% of pensionable salaries. Member contributions were 9.6%.

As at the balance sheet date there were 35 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1,110,216. The Association continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

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

29. RETIREMENT BENEFITS (continued)

2012 Valuation Assumptions	%pa
Investment return pre retirement	5.3
Investment return post retirement- Non pensioners	3.4
Investment return post retirement- Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality Tables	
Non- pensioners	44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25%p.a. for females.
Pensioners	90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50%p.a. for males and 1.25% p.a. for females

Contribution Rates for Future Service (payable from 1 April 2014)	%
Final salary 1/ 60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/ 70ths	19.2
Career average revalued earnings 1/ 80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increase by 3 % per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating additional contributions.

The Employer Debt regulations were introduced in September 2005 following a change in legislation. The legislation was revised in the Occupational Pensions Schemes (Employer Debt and Miscellaneous Amendments) Regulations 2008 (SI 2008/731) (" The Regulations") which came into force on 6 April 2008. An employer debt will arise if one of the following events occurs at a time when the Scheme is not fully funded on a buy-out basis:

- a. The commencement of winding up of the Scheme.
- b. An employer becomes insolvent.
- c. An Employer Cessation Event.

An Employer Cessation Event occurs when an employer ceases to participate in the Scheme, i.e. it no longer has any active members in the Scheme at a point in time when there is at least one other employer that continues to employ active members in the Scheme.

The 2008 Regulations tighten the definition of an Employer Cessation Event. However, it remains the case that an employer will not be deemed to have withdrawn from the Scheme (and hence will not be liable for a debt on withdrawal) provided that it continues to employ at least one person who is an active member of the Scheme.

The Scheme Actuary has calculated the employer debt that would have been payable if the Association had withdrawn from the Scottish Housing Associations' Pension Scheme as at 30 September 2013.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

29. RETIREMENT BENEFITS (continued)

The suggested Pension Obligations Disclosure Note includes conditional paragraphs. The appropriate choice of paragraph for each employer will depend on the accounting treatment adopted by the employer, in particular whether or not a provision is made for the employer debt.

Under FRS17 an employer should only provide in the balance sheet for the potential debt on withdrawal if it was demonstrably committed as at the balance sheet date to an event that would make the liability crystallise. For example, if an employer had made the decision prior to the balance sheet date to close the Scheme to future accrual at some date in the future, then this would crystallise an employer debt on the date that the Scheme was closed to future accrual (unless the Scheme was fully funded on a buy-out basis as at the date the Scheme closed to future accrual).

Disclosure in Respect of Employer Debt

Following a change in legislation in September 2005 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 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 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 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 Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Association was £4.5m.

30. OTHER FINANCIAL COMMITMENTS

Liquidity Risk

The Association's Treasury Management policy with regards to liquidity is to maintain sufficient funds in liquid form at all times to ensure that the Association can meet its liabilities as they fall due.

Interest Rate Risk

The Association finances its operations through a mixture of retained profits and bank borrowings. Bank borrowings are in accordance with the Association Treasury Management Policy and interest risk is managed by having a balance of fixed and variable rates.

At the Balance Sheet date the Association had an interest rate swap in place as part of its interest rate risk strategy. The book value of the swap was £nil and the fair value of the swap was valued at (£2.46 million) (2013: (£3.25million)). The fair value of the swap is based on current market values. Changes in the fair value of the interest rate swap is not recognised in the financial statements as it is accounted for on an accruals basis over the life of the loan facility to which it relates