

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

**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 2015

Robert McNeill	Chair
Joyce Bolan	Secretary
John Holcombe	Vice Chair
Alan Clydesdale	
Jim Curran	
Frank Colston	
Shirley Evans	
Peter Ewart	
Alan Forsyth	
Peter Hayman	
Caryn Innes	
Brian Logan	
Jill Malcolmson	Resigned 22 September 2014
David Rose	

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 2015

The Management Committee present their report and the audited financial statements for the year ended 31 March 2015.

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 £911,516 (2014: £976,316) three properties were sold under the "Right to Buy" legislation and one shared ownership property was sold outright in the year. Following the deduction of finance costs, the Association's activities generated a surplus of £231,346 (2014: £223,966) for the year. A sum of £258,841 has been transferred from designated reserves to fund additional planned maintenance expenditure, resulting in the total accumulated surplus increasing by £490,187 to £4,520,086 (2014: £4,029,899).

During the year the Association spent £3,355,369 on the development of new properties and purchased five properties under the "Mortgage to Rent" Scheme. There was a net increase to the number of properties in management of one unit.

The Association spent £2,356,033 (2014: £2,476,583) on the maintenance and improvement of its properties during the year. Of this expenditure, £531,195 (2014: £871,295), 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 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 required energy and efficiency standards, 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 2015

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 (2014: £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, regard 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 2015

Statement on Internal Financial Control

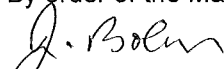
2. It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of the Association's systems include ensuring that:
 - 2.1 formal 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 quarterly 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 audit reports.
 - 2.8 Regulatory returns are prepared, authorised and submitted to the relevant regulatory bodies.
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 2015, 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:
 - Asset Management
 - IT Management Controls
 - Tenant Participation
 - Rent Arrears

The governing body has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2015. 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
13 August 2015

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 2015

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31 March 2015 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 and express an opinion on the financial statements in accordance with applicable laws 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of the audit. 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 2015 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.

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
13 August 2015

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LoTHIAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2015

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 Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the 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 relevant regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through enquiry of certain members of the 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 relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls..



ALEXANDER SLOAN
Chartered Accountants
EDINBURGH
13 August 2015

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

	Note	2015 £	2014 £
TURNOVER	2	5,717,924	5,597,145
Operating Costs	2	(4,806,408)	(4,620,829)
		<hr/>	<hr/>
Operating Surplus		911,516	976,316
Gain on Disposal of Housing Stock	28	178,312	117,523
Interest Receivable		33,572	20,678
Interest Payable and Similar Charges	7	(892,054)	(890,551)
		<hr/>	<hr/>
Surplus for the Year	8	<u>231,346</u>	<u>223,966</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**

	2015 £	2014 £
Surplus for the financial year	231,346	223,966
	<hr/>	<hr/>
Total gains recognised since last annual report	<u>231,346</u>	<u>223,966</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**BALANCE SHEET
AS AT 31 MARCH 2015**

	Note	2015 £	2014 £
FIXED ASSETS			
Housing Properties - Cost less Depreciation	10	72,738,830	70,276,046
Less: Social Housing Grants	11	(48,382,880)	(46,246,273)
Other Grants	11	(581,058)	(581,145)
		<hr/>	<hr/>
Other Fixed Assets	12	23,774,892 1,147,089	23,448,628 1,184,857
		<hr/>	<hr/>
		<u>24,921,981</u>	<u>24,633,485</u>
FIXED ASSET INVESTMENT			
	13	<u>1</u>	<u>1</u>
CURRENT ASSETS			
Debtors	14	1,585,947	2,049,086
Cash at Bank and in Hand		1,983,771	929,495
		<hr/>	<hr/>
		3,569,718	2,978,581
CREDITORS - Amounts falling due within one year	15	(1,945,237)	(1,925,930)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,624,481	1,052,651
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		26,546,463	25,686,137
CREDITORS - Amounts falling due after more than one year	16	(20,217,458)	(19,588,455)
		<hr/>	<hr/>
NET ASSETS		<u>6,329,005</u>	<u>6,097,682</u>
CAPITAL AND RESERVES			
Called up Share Capital	17	111	134
Designated Reserves	18	1,808,808	2,067,649
Accumulated Surplus	19	4,520,086	4,029,899
		<hr/>	<hr/>
		<u>6,329,005</u>	<u>6,097,682</u>

The Financial Statements on pages 8 to 28 were approved by the Management Committee on 13 August 2015 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 2015**

	Note	£	2015 £	£	2014 £
Net Cash Inflow from Operating Activities	22		2,233,533		1,496,282
Returns on Investments and Servicing of Finance					
Interest Received		33,392		20,709	
Interest Paid		(892,795)		(891,231)	
		—————		—————	
Net Cash Outflow from Returns on Investments and Servicing of Finance			(859,403)		(870,522)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(3,381,852)		(1,187,926)	
Purchase of Other Fixed Assets		(47,050)		(43,682)	
Social Housing Grant Received		2,180,721		53,283	
Proceeds on Disposal of Properties		279,460		165,720	
		—————		—————	
Net Cash Outflow from Capital Expenditure			(968,721)		(1,012,605)
Net Cash Outflow before use of Liquid Resources and Financing			405,409		(386,845)
Financing					
Loan Advances Received			1,140,000		250,000
Loan Principal Repayments			(491,134)		(468,006)
Share Capital Issued			1		2
			—————		—————
Increase /(Decrease) in Cash	23		<u>1,054,276</u>		<u>(604,849)</u>

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

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

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 2015**

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.

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

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 2015

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

	Note	2015		2014	
		Turnover £	Operating Costs £	Turnover £	Operating Costs £
Social Lettings	3	5,344,659	(4,447,924)	5,161,645	(4,225,519)
Other Activities	4	373,265	(358,484)	435,500	(395,310)
TOTAL		<u>5,717,924</u>	<u>(4,806,408)</u>	<u>5,597,145</u>	<u>(4,620,829)</u>
					<u>Operating Surplus £</u>
					936,126
					40,190
					<u>976,316</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2015 Total £	2014 Total £
Income from Social Lettings				
Rent Receivable net of Service Charges	5,110,751	133,063	5,243,814	5,064,180
Service Charges Receivable	117,749	12,105	129,854	126,348
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Rent Losses from Voids	5,228,500 (29,009)	145,168 -	5,373,668 (29,009)	5,190,528 (28,883)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Income from Social Letting	<u>5,199,491</u>	<u>145,168</u>	<u>5,344,659</u>	<u>5,161,645</u>
Expenditure on Social Letting Activities				
Service Costs	91,977	12,105	104,082	113,999
Management and Maintenance Admin Costs	1,663,149	70,548	1,733,697	1,692,759
Reactive Maintenance	844,437	-	844,437	756,899
Bad Debts – Rents and Service Charges	35,226	4,705	39,931	64,103
Planned and Cyclical Maintenance (Including Major Repairs)	980,401	-	980,401	848,389
Depreciation of Social Housing	745,071	305	745,376	749,370
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs of Social Letting	<u>4,360,261</u>	<u>87,663</u>	<u>4,447,924</u>	<u>4,225,519</u>
Operating Surplus on Social Letting Activities	<u>839,230</u>	<u>57,505</u>	<u>896,735</u>	<u>936,126</u>
2014	<u>885,416</u>	<u>50,710</u>	<u>936,126</u>	

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

The Association spent an additional £531,195 (2014: £871,295) 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 2015

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)	
	£	£	£	£	£	£	£	£	£	£	Bad Debts	Other	£	£	£	£
Care and Repair Service	5,281	281,723	-	-	-	-	-	-	287,004	-	287,004	-	-	-	-	-
Medical Adaptations	61,171	-	-	-	-	-	-	-	61,171	-	60,459	712	2,272	712	2,272	
Other Activities	-	-	-	25,090	-	-	25,090	-	25,090	-	11,021	14,069	37,918	14,069	37,918	
Total from Other Activities	66,452	281,723	-	25,090	-	-	25,090	-	373,265	-	358,484	14,781	40,190	14,781	40,190	
2014	69,504	318,350	-	47,646	-	-	47,646	-	435,500	-	395,310	40,190	-	40,190	-	

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

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:

	2015	2014
	Number	Number
£60,001 - £70,000	1	-
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>286,933</u>	<u>223,759</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>82,948</u>	<u>81,327</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>34,463</u>	<u>21,051</u>

6. EMPLOYEE INFORMATION

	2015	2014
	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>33</u>	<u>35</u>
Staff Costs were:	£	£
Wages and Salaries	1,136,383	1,185,865
Social Security	93,661	95,701
Pension Contributions- Current (Note 29)	129,429	106,581
Pension Contributions- Past Service Deficit (Note 29)	179,802	107,233
Temporary, Agency and Seconded Staff	8,133	14,457
	<u>1,547,408</u>	<u>1,509,837</u>

Included in the above are the costs for 7 employees who were engaged in non-housing association activities (2014: 9).

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£	£
On Bank Loans and Overdrafts	<u>892,054</u>	<u>890,551</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015 £	2014 £
Surplus on Ordinary Activities before Taxation is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	829,602	855,860
Auditors' Remuneration - Audit Services	10,689	10,129
- Other Services	2,384	1,112
Loss on Disposal of Other Fixed Assets	594	2,427
Operating Lease Rentals - Plant and Machinery	9,947	9,442
	<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 2014	9,788,688	64,122,892	483,935	2,140,766	76,536,281
Schemes Completed in Year	-	-	-	-	-
Additions	130,747	1,165,196	2,131,802	-	3,427,745
Disposals	(185,898)	(92,843)	-	(119,753)	(398,494)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	<u>9,733,537</u>	<u>65,195,245</u>	<u>2,615,737</u>	<u>2,021,013</u>	<u>79,565,532</u>
Depreciation					
At 1 April 2014	3,158,885	2,978,768	-	122,582	6,260,235
Charge for year	277,616	442,102	-	305	720,023
Released on Disposals	(133,230)	(19,577)	-	(749)	(153,556)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	<u>3,303,271</u>	<u>3,401,293</u>	<u>-</u>	<u>122,138</u>	<u>6,826,702</u>
Net Book Values before Grants					
As at 31 March 2015	<u>6,430,266</u>	<u>61,793,952</u>	<u>2,615,737</u>	<u>1,898,875</u>	<u>72,738,830</u>
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>

All housing properties are freehold.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

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

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 2014	44,176,668	396,230	1,673,375	46,246,273
Schemes Completed in Year	-	-	-	-
Additions	468,536	1,819,452	-	2,287,988
Disposals	(63,614)	-	(87,767)	(151,381)
	<u>44,581,590</u>	<u>2,215,682</u>	<u>1,585,608</u>	<u>48,382,880</u>
At 31 March 2015	<u>44,581,590</u>	<u>2,215,682</u>	<u>1,585,608</u>	<u>48,382,880</u>
Other Grants				
As at 1 April 2014	579,348	-	1,797	581,145
Schemes Completed in Year	-	-	-	-
Additions	-	-	-	-
Disposals	(87)	-	-	(87)
	<u>579,261</u>	<u>-</u>	<u>1,797</u>	<u>581,058</u>
At 31 March 2015	<u>579,261</u>	<u>-</u>	<u>1,797</u>	<u>581,058</u>
Total Grants				
At 31 March 2015	<u>45,160,851</u>	<u>2,215,682</u>	<u>1,587,405</u>	<u>48,963,938</u>
At 31 March 2014	<u>44,756,016</u>	<u>396,230</u>	<u>1,675,172</u>	<u>46,827,418</u>

Total capital grant received by the Association's properties, prior to the write-off of sums allocated to components was £49,496,468 (2014: £47,296,246).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

12. TANGIBLE FIXED ASSETS

Other Fixed Assets	Office Premises	Office Equipment	Computer Equipment	Vans	Total
	£	£	£	£	£
Cost					
At 1 April 2014	1,408,053	98,482	268,773	7,200	1,782,508
Additions	-	1,909	45,141	-	47,050
Disposals	-	(7,310)	(14,282)	-	(21,592)
	<u>1,408,053</u>	<u>93,081</u>	<u>299,632</u>	<u>7,200</u>	<u>1,807,966</u>
At 31 March 2015	1,408,053	93,081	299,632	7,200	1,807,966
Depreciation					
At 1 April 2014	311,938	57,507	221,006	7,200	597,651
Charge for the Year	48,602	13,018	22,604	-	84,224
Released on Disposals	-	(7,310)	(13,688)	-	(20,998)
	<u>360,540</u>	<u>63,215</u>	<u>229,922</u>	<u>7,200</u>	<u>660,877</u>
At 31 March 2015	360,540	63,215	229,922	7,200	660,877
Net Book Value					
At 31 March 2015	<u>1,047,513</u>	<u>29,886</u>	<u>69,710</u>	-	<u>1,147,089</u>
At 31 March 2014	<u>1,096,115</u>	<u>40,975</u>	<u>47,767</u>	-	<u>1,184,857</u>

13. FIXED ASSET INVESTMENT

	2015	2014
	£	£
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 2015 were as follows:

	2015	2014
	£	£
Capital & Reserves	<u>(114,550)</u>	<u>(131,651)</u>
Profit /(Loss) for year	<u>17,100</u>	<u>110,315</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

14. DEBTORS	2015 £	2014 £
Rental Debtors	242,414	279,140
Less: Provision for Bad and Doubtful Debts	(146,465)	(135,855)
	<u>95,949</u>	<u>143,285</u>
Loan to Subsidiary (Note 20)	630,000	630,000
Due from Subsidiary (Note 20)	689,015	1,064,267
Other Debtors	34,870	61,215
Prepayments and Accrued Income	136,113	150,319
	<u>1,585,947</u>	<u>2,049,086</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:-

	2015 £	2014 £
Housing Loans (Note 16)	507,020	487,157
Rent in Advance	81,104	75,019
Due to Subsidiary (Note 20)	792,434	993,455
Trade Creditors	133,412	74,794
Other Creditors	117,921	90,388
HAG Repayable	34,443	-
Other Taxation and Social Security	27,699	28,571
Accruals and Deferred Income	251,204	176,546
	<u>1,945,237</u>	<u>1,925,930</u>

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

	2015 £	2014 £
Housing Loans	20,217,458	19,588,455
	<u>20,217,458</u>	<u>19,588,455</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

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:-

	2015	2014
	£	£
Within one year	507,020	487,157
Between one and two years	547,700	475,676
Between two and five years	1,764,208	1,532,242
In five years or more	17,905,550	17,580,537
	<hr/>	<hr/>
	20,724,478	20,075,612
Less: Amount shown in Current Liabilities	(507,020)	(487,157)
	<hr/>	<hr/>
	<u>20,217,458</u>	<u>19,588,455</u>

17. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2014	134	135
Issued in year	1	2
Cancelled in year	(24)	(3)
	<hr/>	<hr/>
At 31 March 2015	<u>111</u>	<u>134</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	Transfer	At 31 March
	2014	(to)/from	2015
	£	Revenue	£
	£	Reserves	£
Cyclical Maintenance Reserve	370,573	(13,832)	356,741
Major Repairs Reserve	1,633,890	(264,381)	1,369,509
Service Equipment Replacement	63,186	19,372	82,558
	<hr/>	<hr/>	<hr/>
Total	<u>2,067,649</u>	<u>(258,841)</u>	<u>1,808,808</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

19. ACCUMULATED SURPLUS	2015	2014
	£	£
Surplus for the year	231,346	223,966
Transfer from Designated Reserves	258,841	348,763
	<hr/>	<hr/>
Surplus after Transfers	490,187	572,729
Brought forward at 1 April 2014	<u>4,029,899</u>	<u>3,457,170</u>
Carried forward at 31 March 2015	<u>4,520,086</u>	<u>4,029,899</u>

20. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8. One individual Management Committee member was also a tenant of the Association during the year and their tenancy is 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 £109,977 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	234,468
Interest on loan	28,350

The Association procured repairs and maintenance services to a total cost of £1,989,372 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 £689,015 to the Association and the Association due the sum of £792,434 to its subsidiary at 31 March 2015, for services provided but not yet settled.

21. CAPITAL COMMITMENTS	2015	2014
	£	£
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>491,187</u>	<u>420,381</u>
The Association expects to finance the above commitment by:		
Capital Grants Receivable	-	183,721
Loan Facilities and Own Funds	491,187	236,660
	<hr/>	<hr/>
	<u>491,187</u>	<u>420,381</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

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

	2015 £	2014 £
Operating Surplus	911,516	976,316
Depreciation	829,602	855,860
Share Capital Written Off	(24)	(3)
Change in Debtors	517,262	(732,949)
Loss on Disposal of Other Fixed Assets	594	2,427
Change in Creditors	(25,417)	394,631
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	<u>2,233,533</u>	<u>1,496,282</u>

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

	2015 £	2014 £
Increase/(Decrease) in Cash in the period	1,054,276	(604,849)
Cash flow from change in debt	(648,868)	218,006
	<hr/>	<hr/>
Movement in net debt during year	405,410	(386,843)
Net Debt at 1 April 2014	(19,146,117)	(18,759,274)
	<hr/>	<hr/>
Net Debt at 31 March 2015	<u>(18,740,707)</u>	<u>(19,146,117)</u>

24. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2014 £	Cash Flows & Other Changes £	At 31 March 2015 £
Cash in hand, at bank	929,495	1,054,276	1,983,771
Debt due within 1 year	(487,157)	(19,863)	(507,020)
Debt due after 1 year	(19,588,455)	(629,003)	(20,217,458)
	<hr/>	<hr/>	<hr/>
Net Debt	<u>(19,146,117)</u>	<u>405,410</u>	<u>(18,740,707)</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

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

25. ACCOMMODATION IN MANAGEMENT

	At 1 April 2014	Additions	Disposals	At 31 March 2015
General Needs – Rented	1,232	8	(3)	1,237
Shared Ownership property	57	-	(3)	54
	—	—	-	—
Total	<u>1,289</u>	<u>8</u>	<u>(6)</u>	<u>1,291</u>

26. ACCOMMODATION MANAGED BY OTHERS

At 1 April 2014	Additions	Transfer to General Needs	Disposals	At 31 March 2015
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

	2015 £	2014 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring less than one year	2,267	-
Expiring between one and two years	3,744	9,406
Expiring between two and five years	2,724	-
Expiring in over five years	1,512	-
	—	—
Total	<u>10,247</u>	<u>9,406</u>

28. GAIN ON DISPOSAL OF FIXED ASSETS

	2015 £	2014 £
Net proceeds from disposal of housing accommodation	279,460	165,270
Cost of Sales	<u>(101,148)</u>	<u>(48,197)</u>
Gain/(Loss) on disposal of housing accommodation sold in the year	<u>178,312</u>	<u>117,523</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

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

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 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

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 both the final salary, with a 1/60th accrual rate benefit structure, and the career average salary, with a 1/80th accrual rate structure, for active members as at 31 March 2014 and for new entrants from 1 April 2014.

During the accounting period the Association paid contributions at the rate of 12.3% (final salary 1/60ths) or 8.5% (career average 1/80ths) of pensionable salaries. Member contributions were either 12.3% or 8.4% of salary.

As at the balance sheet date there were 30 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £1,052,266. 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:

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

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. This 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 2014.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 2014. As of this date the estimated employer debt for the Association was £6.0m.

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 (£3.25 million) (2014: (£2.46 million)). 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.