

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2016**

**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 2016**

Robert McNeill	Chair
Joyce Bolan	Secretary
Peter Ewart	Vice-Chair
Alan Clydesdale	
Jim Curran	
Frank Colston	
Shirley Evans	
Alan Forsyth	
Peter Hayman	
John Holcombe	
Caryn Innes	
Brian Logan	
David Rose	
Eileen Shand	Co-opted 24 March 2016

**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

**Internal Auditors**

TIAA  
Business Assurance Specialists  
53-55 Gosport Business Centre  
Aerodrome Road  
Gosport  
PO13 OFQ

**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 2016**

The Management Committee present their report and the audited financial statements for the year ended 31 March 2016.

#### **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 £1,367,780 (2015: £1,396,842). One property was sold under the "Right to Buy" legislation and four shared ownership properties were sold outright in the year. Following the deduction of finance costs, the Association's activities generated a surplus (total comprehensive income) of £713,626 (2015: a loss of £306,345) for the year. The total revenue reserves at 31 March 2016 were £5,318,784 (2015: £4,605,158).

In accordance with the Statement of Recommended Practice, the Association has adopted the Financial Reporting Standard for UK and Ireland (FRS 102) for the accounting period beginning 1 April 2015. As a result of this the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102. The transition to FRS 102 has resulted in a number of changes in accounting practice compared with those used previously. These changes are set out in note 25.

During the year the Association spent £998,731 on the development of new properties. There was a net increase to the number of properties in management of twelve units.

The Association spent £2,329,208 (2015: £2,356,033) on the maintenance and improvement of its properties during the year. Of this expenditure, £537,090 (2015: £531,195), was spent on the replacement of components which are accounted for as assets in the Statement of Financial Position.

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 securing loan finance in an uncertain economic climate, ensuring our properties meet required energy and efficiency standards, accommodating increased contributions to the pension scheme, the impact of Welfare Reform on arrears and bad debt levels and the ability of our subsidiary to expand its activities and improve its financial performance.

#### **Changes in Fixed Assets**

During the year the cost of the Association's housing properties has increased as detailed in Note 11.

#### **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 2016**

#### **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 (2015: £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 judgements 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 2014 and the Determination of Accounting Requirements 2015. 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 2016

#### Statement on Internal Financial Control

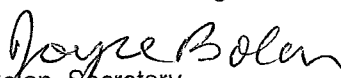
2. It is the Management Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key elements of the Association's systems include ensuring that:
  - 2.1 formal 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 has carried out a full risk assessment and is undertaking a rolling three year programme of tests, which has been approved by the Management Committee.
4. During the year ended 31 March 2016, 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:
  - Complaints Handling
  - Payroll
  - Data Protection
  - Risk Management
  - HR Management

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 2016. 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  
18 August 2016

## **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 2016**

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31 March 2016 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and accounting standard of the United Kingdom.

This report is made solely to the Association's members, as a body, in accordance with 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 explained more fully in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements that give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable 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. 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 2016 and of its surplus 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 2014 and the Determination of Accounting Requirements 2015.

#### **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 Statement of Comprehensive Income to which our report relates, and the Statement of Financial Position 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  
18 August 2016

**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 2016**

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.

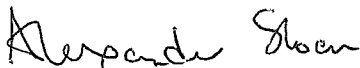
**Basis of Opinion**

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the 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 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  
18 August 2016

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £	Restated 2015 £
<b>REVENUE</b>	2	7,056,831	6,888,221
Less: Operating Costs	2	(5,689,051)	(5,491,379)
<b>Operating Surplus</b>		<b>1,367,780</b>	<b>1,396,842</b>
Gain on Sale of Housing Stock	24	192,316	180,295
Interest Receivable and Other Income		32,905	33,572
Interest Payable and Similar Charges	7	(871,375)	(892,054)
Movement in Fair Value of Financial Instruments	18	41,000	(951,000)
Other Finance Charges	10	(49,000)	(74,000)
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	8	<b><u>713,626</u></b>	<b><u>(306,345)</u></b>
Other Comprehensive Income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>713,626</u></b>	<b><u>(306,345)</u></b>

All amounts relate to continuing operations. Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The notes on pages 12 to 29 form part of these financial statements.



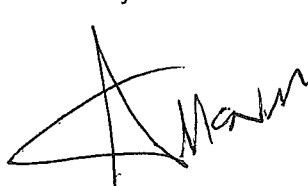
**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2016**

	Note	2016 £	Restated 2015 £
<b>NON-CURRENT ASSETS</b>			
Housing Properties - Depreciated Costs	11 (a)	62,118,057	62,376,221
Other Non-Current Assets	11 (b)	1,144,598	1,147,089
		<hr/>	<hr/>
		63,262,655	63,523,310
<b>INVESTMENT IN SUBSIDIARY</b>	12	<u>1</u>	<u>1</u>
<b>CURRENT ASSETS</b>			
Receivables	13	1,734,672	1,585,947
Cash at Bank and in Hand		4,691,876	1,983,771
		<hr/>	<hr/>
		6,426,548	3,569,718
<b>PAYABLES</b> - Amounts falling due within one year	14	(2,114,922)	(2,305,901)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		4,311,626	1,263,817
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		67,574,282	64,787,128
<b>PAYABLES</b> - Amounts falling due after more than one year	15	(28,226,639)	(25,428,958)
		<hr/>	<hr/>
<b>DEFERRED INCOME</b>			
Social Housing Grants	16	<u>(34,028,748)</u>	<u>(34,752,901)</u>
<b>NET ASSETS</b>		<b><u>5,318,895</u></b>	<b><u>4,605,269</u></b>
<b>EQUITY</b>			
Share Capital	17	111	111
Revenue Reserves		5,318,784	4,605,158
		<hr/>	<hr/>
		<b><u>5,318,895</u></b>	<b><u>4,605,269</u></b>

Comparative figures have been restated to reflect the adoption of the Housing SORP 2014 and FRS102.

The Financial Statements were approved by the Management Committee on 18 August 2016 and signed on its behalf by:-



R McNeill  
Chairman



P Ewart  
Vice Chairman



J Bolan  
Secretary

The notes on pages 12 to 29 form part of these financial statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016	Restated 2015
		£	£
<b>Net Cash Inflow from Operating Activities</b>	20	1,414,857	2,233,533
<b>Investing Activities</b>			
Acquisition and Construction of Properties	(1,444,301)	(3,381,852)	
Purchase of Other Fixed Assets	(94,133)	(47,050)	
Social Housing Grant Received	472,899	2,180,721	
Social Housing Grant Repaid	(34,443)	-	
Proceeds on Disposal of Properties	210,025	279,460	
<b>Net Cash Outflow from Investing Activities</b>		(889,953)	(968,721)
<b>Financing Activities</b>			
Interest Received on Cash and Cash Equivalents	33,009	33,392	
Interest Paid on Loans	(873,853)	(892,795)	
Loan Principal Repayments	(525,955)	(491,134)	
Share Capital Issued	-	1	
Loan Advances Received	3,550,000	1,140,000	
<b>Net Cash Inflow /(Outflow ) from Financing</b>		2,183,201	(210,536)
Increase in Cash		<u>2,708,105</u>	<u>1,054,276</u>
Opening Cash & Cash Equivalents		<u>1,983,771</u>	<u>929,495</u>
Closing Cash & Cash Equivalents		<u>4,691,876</u>	<u>1,983,771</u>

The notes on pages 12 to 29 form part of these financial statements.

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2016**

	Share Capital	Revenue Reserves	Total
	£	£	£
<b>Balance as at 1<sup>st</sup> April 2014</b>	134	4,911,503	4,911,637
Issue of Shares	-	-	-
Cancellation of Shares	(23)	-	(23)
Deficit for Year		(306,345)	(306,345)
<b>Balance as at 31st March 2015</b>	<b>111</b>	<b>4,605,158</b>	<b>4,605,269</b>
<b>Balance as at 1<sup>st</sup> April 2015</b>	111	4,605,158	4,605,269
Issue of Shares	-	-	-
Cancellation of Shares	-	-	-
Surplus for Year		713,626	713,626
<b>Balance as at 31st March 2016</b>	<b>111</b>	<b>5,318,784</b>	<b>5,318,895</b>

The reserves opening balance has been restated to reflect the change in accounting requirements under the Housing SORP 2014 and FRS102.

## EAST LoTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES

##### Introduction and Accounting Basis

These financial statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Statement of Recommended Practice for social housing providers 2014. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods beginning on or after 1 January 2015.

##### Turnover

The Association recognises rent receivable net of losses from voids. Service Charge income (net of voids) is recognised when expenditure is incurred as this is considered to be the point when the service has been performed and the revenue criteria are met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

##### Retirement Benefits

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

The Association accounts for amounts that it has agreed to pay towards the Scheme deficit in accordance with paragraph 28.11A of FRS 102. The present value of this liability has been recognised in the Statement of Financial Position. The discount rate applied to this obligation is that of a yield rate for the high quality corporate bond.

##### Valuation of Housing Properties

Housing Properties are stated at cost, 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 11. 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

Non – Current 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 non-current assets are reviewed for impairment at the end of each reporting period.

## **EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016**

#### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

##### **Social Housing Grant and Other Grants in Advance/Arrears**

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Statement of Comprehensive Income when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Statement of Comprehensive Income 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.

##### **Sale of Housing Properties**

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

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

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 Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

##### **Works to Existing Properties**

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

##### **Capitalisation of Development Overheads**

Administration costs which are directly attributable to development activities are capitalised in accordance with the Statement of Recommended Practice.

##### **Derivative Financial Statements**

The Association uses an interest-rate swap to manage its exposure to interest-rate movements. The fair value of these contracts is recorded in the balance sheet and is determined by discounted future cash flows at the prevailing market rates at the balance sheet date.

The Association's interest rate swap is not designated as a hedging instrument.

## EAST LoTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Key Judgements made in the application of Accounting Policies

a) Exemptions taken in the transition to FRS 102.

The Association has considered but not taken advantage of the exemptions in the first time application of FRS 102:

- i) The Association has not revisited previous accounting estimates
- ii) The Association has not revisited the accounting of previous business combinations

b) The Categorisation of Housing Properties

In the judgement of the Management Committee the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

c) Identification of cash generating units

The Association considers its cash generating units to be the schemes in which it manages its housing property for asset management purposes.

d) Financial instrument break clause

The Association has considered the break clauses attached to the Financial Instruments that it has in place for its loan funding. In the judgement of the Management Committee these break clauses do not cause the Financial Instrument to be classified as a Complex Financial Instrument, and therefore they meet the definition of a Basic Financial Instrument.

##### Financial instruments – Basic

The Association recognises basic financial instruments in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

##### Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Management Committee to exercise judgement in applying East Lothian Housing Association's Accounting Policies. The areas requiring a higher degree of judgement or complexity, and areas where assumptions or estimates are most significant to the financial statements, are disclosed below:

###### Rent Arrears – Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers tenant payment history, arrangements in place and court action.

###### Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors

###### Useful life of Properties, Plant and Equipment

The Association assesses the useful life of its properties, plant and equipment and estimates the annual charge to be depreciated based on this.

###### Past Service Provision

In March 2016 the Association received details from the Pension Trust of the provisional valuation of the pension scheme at September 2015 and the Pension Trust's estimate of the Association's future past service deficit contributions. The Association has used this to provide the basis of the pension past service deficit liability in the financial statements. The Board feel this is the best available estimate of the past service liability.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Note	2016		2015 Restated		Operating Surplus £
		Revenue £	Operating Costs £	Turnover £	Operating Costs £	
Social Lettings	3	6,700,665	(5,346,639)	6,514,956	(5,132,895)	1,382,061
Other Activities	4	356,166	(342,412)	373,265	(358,484)	14,781
<b>TOTAL</b>		<b><u>7,056,831</u></b>	<b><u>(5,689,051)</u></b>	<b><u>6,888,221</u></b>	<b><u>(5,491,379)</u></b>	<b><u>1,396,842</u></b>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2016 Total £	2015 Restated Total £
<b>Income from Social Lettings</b>				
Rent Receivable net of Service Charges	5,344,045	131,609	5,475,654	5,243,814
Service Charges Receivable	110,545	9,327	119,872	129,854
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Gross Rents Receivable</b>	<b>5,454,590</b>	<b>140,936</b>	<b>5,595,526</b>	<b>5,373,668</b>
Less: Rent Losses from Voids	(30,276)	-	(30,276)	(29,009)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Rents Receivable</b>	<b>5,424,314</b>	<b>140,936</b>	<b>5,565,250</b>	<b>5,344,659</b>
Amortisation of Social Housing Grant	1,157,067	(21,652)	1,135,415	1,170,297
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total Income from Social Letting</b>	<b><u>6,581,381</u></b>	<b><u>119,284</u></b>	<b><u>6,700,665</u></b>	<b><u>6,514,956</u></b>
<b>Expenditure on Social Letting Activities</b>				
Service Costs	95,024	9,327	104,351	104,082
Management and Maintenance Admin Costs	1,644,691	63,309	1,708,000	1,553,765
Reactive Maintenance	828,394	-	828,394	844,437
Bad Debts – Rents and Service Charges	48,809	4,343	53,152	39,931
Planned and Cyclical Maintenance (Including Major Repairs)	963,724	-	963,724	980,401
Depreciation of Social Housing	1,659,309	29,709	1,689,018	1,610,279
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Operating Costs of Social Letting</b>	<b><u>5,239,951</u></b>	<b><u>106,688</u></b>	<b><u>5,346,639</u></b>	<b><u>5,132,895</u></b>
<b>Operating Surplus on Social Letting Activities</b>	<b><u>1,341,430</u></b>	<b><u>12,596</u></b>	<b><u>1,354,026</u></b>	<b><u>1,382,061</u></b>
2015	<u>1,353,601</u>	<u>28,460</u>	<u>1,382,061</u>	

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

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

The Association spent an additional £537,090 (2015: £531,295) 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 2016

4. PARTICULARS OF REVENUE, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES

	From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Surplus /(Deficit) 2016 £	Surplus /(Deficit) 2015 £
Care and Repair Service	4,224	275,246	-	-	279,470	-	279,470	-	-
Medical Adaptations	51,243	-	-	-	51,243	-	51,242	1	712
Other Activities	-	-	-	25,453	25,453	-	11,700	13,753	14,069
<b>Total from Other Activities</b>	<b>55,467</b>	<b>275,246</b>	<b>-</b>	<b>25,453</b>	<b>356,166</b>	<b>-</b>	<b>342,412</b>	<b>13,754</b>	<b>14,781</b>
<b>2015</b>	<b>66,452</b>	<b>281,723</b>	<b>-</b>	<b>25,090</b>	<b>373,265</b>	<b>-</b>	<b>358,484</b>	<b>14,781</b>	<b>-</b>

The disclosure of turnover, operating costs and operating surplus from affordable letting activities has been restated to reflect the requirements of the Housing SORP 2014. Comparative figures have been restated on the same basis.

## EAST LoTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 5. OFFICERS' EMOLUMENTS

The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 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:

	2016	Restated 2015
	Number	Number
£60,001 - £70,000	2	1
£70,001 - £80,000	2	2
£80,001 - £90,000	-	1
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>272,657</u>	<u>286,933</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>73,913</u>	<u>82,948</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>53,744</u>	<u>34,463</u>
Total Compensation paid to key management personnel	<u>326,401</u>	<u>321,396</u>

#### 6. EMPLOYEE INFORMATION

	2016	Restated 2015
	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>33</u>	<u>33</u>
The average total number of Employees employed during the year was	<u>38</u>	<u>36</u>
Staff Costs were:	£	£
Wages and Salaries	1,089,709	1,130,332
Social Security	87,316	92,952
Other Pension Costs	217,874	136,060
Temporary, Agency and Seconded Staff	31,096	8,133
	<u>1,425,995</u>	<u>1,367,447</u>

Included in the above are the costs for 7 employees who were engaged in non-housing association activities (2015: 7).

On 1 April 2015, a salary exchange scheme was introduced, which enables employees to opt to have their pension contributions paid by the Association, in return for an equivalent reduction to their salary.

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

<b>7. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2016</b>	<b>2015</b>
	£	£
On Bank Loans and Overdrafts	871,375	892,054
On Other Loans	-	-
Less: Interest Capitalised	-	-
	<u>871,375</u>	<u>892,054</u>

<b>8. SURPLUS FOR YEAR</b>		<b>Restated</b>
	<b>2016</b>	<b>2015</b>
	£	£
Surplus is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	1,784,830	1,694,503
Auditors' Remuneration - Audit Services	10,564	10,689
- Other Services	5,405	2,384
Loss on Disposal of Other Fixed Assets	812	594
Operating Lease Rentals - Plant and Machinery	10,345	9,947
	<u>                    </u>	<u>                    </u>

**9. TAXATION**

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

<b>10. OTHER FINANCE INCOME/ CHARGES</b>	<b>2016</b>	<b>2015</b>
	£	£
Unwinding of Discounted Liabilities on Pension Past Service Deficit	<u>49,000</u>	<u>74,000</u>

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**11. NON CURRENT ASSETS**

**a) Housing Properties**

	<b>LSVT Housing Properties held for Letting £</b>	<b>Non-LSVT Housing Properties held for Letting £</b>	<b>Housing Properties Under Construction £</b>	<b>Shared Ownership Housing Properties £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 2015 (restated)	9,733,537	65,195,245	2,615,737	2,021,013	79,565,532
Schemes Completed in Year	-	1,952,527	(1,952,527)	-	-
Additions	387,191	170,934	977,696	-	1,535,821
Disposals	(174,823)	(113,146)	-	(124,276)	(412,245)
	<u>9,945,905</u>	<u>67,205,560</u>	<u>1,640,906</u>	<u>1,896,737</u>	<u>80,689,108</u>
<b>Depreciation</b>					
At 1 April 2015 (restated)	3,351,257	13,244,783	-	593,271	17,189,311
Charge for year	311,290	1,266,023	-	29,709	1,607,022
Released on Disposals	(117,013)	(68,927)	-	(39,342)	(225,282)
	<u>3,545,534</u>	<u>14,441,879</u>	<u>-</u>	<u>583,638</u>	<u>18,571,051</u>
<b>Net Book Value</b>					
<b>At 31 March 2016</b>	<b>6,400,371</b>	<b>52,763,681</b>	<b>1,640,906</b>	<b>1,313,099</b>	<b>62,118,057</b>
At 31 March 2015 (restated)	6,382,280	51,950,462	2,615,737	1,427,742	62,376,221

Additions to housing properties includes capitalised major repairs to existing properties of £537,090 (2015-£531,195).

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £2,329,208. The amount capitalised is £537,090, with the balance charged to the statement of comprehensive income. The amounts capitalised can be further split between component replacement of £537,090 and improvements of £nil.

The Association's lenders have standard securities over Housing Property with a carrying value of £44,608,440.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

11b). NON CURRENT ASSETS (CONTINUED)

Other Tangible Assets	Office Premises £	Office Equipment £	Computer Equipment £	Vans £	Total £
<b>Cost</b>					
At 1 April 2015	1,408,053	93,081	299,632	7,200	1,807,966
Additions	-	598	93,535	-	94,133
Disposals	-	(264)	(1,000)	-	(1,264)
	<u>1,408,053</u>	<u>93,415</u>	<u>392,167</u>	<u>7,200</u>	<u>1,900,835</u>
<b>Depreciation</b>					
At 1 April 2015	360,540	63,215	229,922	7,200	660,877
Charge for the Year	47,241	12,328	36,243	-	95,812
Released on Disposals	-	(264)	(188)	-	(452)
	<u>407,781</u>	<u>75,279</u>	<u>265,977</u>	<u>7,200</u>	<u>756,237</u>
<b>Net Book Value</b>					
At 31 March 2016	<u>1,000,272</u>	<u>18,136</u>	<u>126,190</u>	-	<u>1,144,598</u>
At 31 March 2015	<u>1,047,513</u>	<u>29,866</u>	<u>69,710</u>	-	<u>1,147,089</u>

12. FIXED ASSET INVESTMENT

	2016 £	2015 £
Investment in Subsidiary	1	1

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

The Association 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 2016 were as follows:

	2016 £	2015 £
Capital & Reserves	<u>(185,325)</u>	<u>(114,550)</u>
(Loss)/Profit for year	<u>(70,775)</u>	<u>17,100</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

13. RECEIVABLES	2016	2015
	£	£
Arrears of Rent and Service Charges	261,962	242,414
Less: Provision for Bad and Doubtful Debts	(169,100)	(146,465)
	<hr/>	<hr/>
	92,862	95,949
Loan to Subsidiary – Due after more than one year (Note 19)	630,000	630,000
Due from Subsidiary (Note 19)	542,216	689,015
Other Receivables	32,931	34,870
Prepayments and Accrued Income	436,663	136,113
	<hr/>	<hr/>
	<b><u>1,734,672</u></b>	<b><u>1,585,947</u></b>

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

14. PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR:-

	2016	Restated 2015
	£	£
Housing Loans (Note 15)	551,516	507,020
Derivative Financial Instruments	169,368	162,500
Rent in Advance	93,189	81,105
Due to Subsidiary (Note 19)	526,419	792,434
Trade Payables	45,951	133,411
Other Payables	133,025	117,921
HAG Repayable	100,895	34,443
Other Taxation and Social Security	27,635	27,699
Liability for Past Service Contributions	183,000	178,000
Accruals and Deferred Income	283,924	271,368
	<hr/>	<hr/>
	<b><u>2,114,922</u></b>	<b><u>2,305,901</u></b>

At the balance sheet date there were pension contributions outstanding of £36,696 (2015: £35,786).

15. PAYABLES – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£	£
Liability for Past Service Contributions	1,981,000	2,124,000
Derivative Financial Instruments (Note 18)	3,048,632	3,087,500
Housing Loans	23,197,007	20,217,458
	<hr/>	<hr/>
	<b><u>28,226,639</u></b>	<b><u>25,428,958</u></b>
<b><i>Housing Loans</i></b>	<b>2016</b>	<b>2015</b>
	£	£
Amounts due in one year or more but less than two years	688,276	547,701
Amounts due in two years or more but less than five years	2,190,859	1,764,208
Amounts due in more than five years	20,317,872	17,905,549
	<hr/>	<hr/>
	<b><u>23,197,007</u></b>	<b><u>20,217,458</u></b>

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**15. PAYABLES – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

<i>Liability for past service contributions</i>	<b>2016</b>	<b>2015</b>
	£	£
Amounts due in one year or more but less than two years	147,668	143,506
Amounts due in two years or more but less than five years	499,970	485,875
Amounts due in more than five years	1,333,362	1,494,619
	<u><b>1,981,000</b></u>	<u><b>2,124,000</b></u>

<i>Derivative Financial Instruments</i>	<b>2016</b>	<b>2015</b>
	£	£
Amounts due in one year or more but less than two years	169,368	162,500
Amounts due in two years or more but less than five years	508,104	487,500
Amounts due in more than five years	2,371,160	2,437,500
	<u><b>3,048,632</b></u>	<u><b>3,087,500</b></u>

The Association has a number of long term housing loans the terms and conditions of which are as follows:

Lender	Security	Effective Interest Rate	Maturity	Variable/ Fixed
RBS	Standard Security over 453 properties	6.691%	2035	Fixed
RBS	Standard Security over 453 properties	Libor +0.245%	2035	Variable
RBS	Standard Security over 38 properties	Libor +0.245%	2027-2031	Variable
Bank of Scotland	Standard Security over 95 properties	5.70%	2028	Fixed
Bank of Scotland	Standard Security over 6 properties	Base +0.30%	2026-2027	Variable
Nationwide Building Society	Standard Security over 191 properties	3.40%-4.24%	2041	Fixed
Nationwide Building Society	Standard Security over 93 properties	Base +0.40%	2041	Variable
East Lothian Council	Standard Security over 146 properties and 53 properties in development	1.41%-5.40%	2039-2047	Fixed
The Scottish Government	Standard Security over 12 properties	13%	2020	Fixed

All loans are secured, but not necessarily over scheme for which they were originally drawn.

All the Association's bank borrowings are repayable on a monthly or quarterly basis with the principal being amortised over the terms of the loans.

**Liability for Past Pension Deficits**

The liability for past service contributions has been accounted for in accordance with FRS 102 para 28.13A and represents the present value of the contributions payable. The cash outflows have been discounted at a rate of 2.29% (2015-2.22%)

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016

16. DEFERRED INCOME	Restated 2016 £	2015 £
Social Housing Grants		
Balance as at 1 April 2015	34,752,901	33,705,755
Additions in year	512,157	2,287,988
Released/ Repaid as the result of property disposal	(42,080)	(70,545)
Amortised in year	(1,194,230)	(1,170,297)
	-----	-----
Balance as at 31 March 2016	<u>34,028,748</u>	<u>34,752,901</u>

Outstanding subordinated capital grant made available to the Association at 31 March 2016, (prior to amortisation), was £49,438,903.

Deferred income is expected to be released to the Statement of Comprehensive Income in the following years:

	2016 £	2015 £
Amounts due within one year	1,194,230	1,194,230
Amounts due in one year or more	32,834,518	33,558,671
	-----	-----
	34,028,748	34,752,901

17. CALLED UP SHARE CAPITAL

	£
Shares of £1 each Issued and Fully Paid	
At 1 April 2015	111
Issued in year	-
Cancelled in year	-
At 31 March 2016	<u>111</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. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2016		
	Fair Value Interest Rate Swap	Pensions Deficit Liability	Total
	£	£	£
Balance at 1 April 2015	3,250,000	2,302,000	5,552,000
Unwinding of Discount Factor	-	49,000	49,000
Deficit Contribution Paid in Year	-	(178,000)	(178,000)
Re-measurement in Year	-	(9,000)	(9,000)
Change in Fair Value in Year	(32,000)	-	(32,000)
Balance at 31 March 2016	<u>3,218,000</u>	<u>2,164,000</u>	<u>5,382,000</u>



**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**18. CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

	2015		
	Fair Value Interest Rate Swap	Pensions Deficit Liability	Total
	£	£	£
Balance at 1 April 2014	2,460,000	2,240,000	4,700,000
Unwinding of Discount Factor	-	74,000	74,000
Deficit Contribution Paid In Year	-	(173,000)	(173,000)
Re-measurement in Year	-	161,000	161,000
Change in Fair Value in Year	790,000	-	790,000
Balance at 31 March 2015	3,250,000	2,302,000	5,552,000

**Interest Rate Risk**

Bank borrowings are in accordance with the Association's Treasury Management Policy and interest rate risk is managed by having a suitable balance of variable and fixed rate borrowings. The interest rate swap forms part of that strategy.

**19. RELATED PARTY TRANSACTIONS**

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 102. One 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.

Transactions with governing body members (and their close family) were as follows:

	£
Rent Received from Tenants on the Management Committee	9,939

At the year-end total rent arrears owed by the tenant member of the Management Committee was £nil.

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 £60,311 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	240,923
Interest on loan	28,350

The Association procured repairs and maintenance services to a total cost of £2,004,588 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 £542,216 to the Association and the Association due the sum of £526,419 to its subsidiary at 31 March 2016, for services provided but not yet settled.

**EAST LoTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**20. STATEMENT OF CASH FLOWS**

**Reconciliation of operating surplus to balance as at 31 March 2016**

	2016 £	Restated 2015 £
Operating Surplus	1,367,780	1,396,842
Depreciation	1,784,830	1,694,503
Amortisation of Capital Grants	(1,135,415)	(1,170,297)
Unwinding of Discount on Pension Liability	(49,000)	(74,000)
Change in Fair Value of SWAP	41,000	(951,000)
Share Capital Written Off	-	(23)
Change in Debtors	(109,571)	517,262
Loss on Disposal of Other Fixed Assets	812	594
Change in Creditors	(485,579)	819,652
	<hr/>	<hr/>
<u>Net Cash Inflows from Operating Activities</u>	<u>1,414,857</u>	<u>2,233,533</u>

**21. ACCOMMODATION IN MANAGEMENT**

	At 1 April 2015	Additions	Disposals	At 31 March 2016
General Needs – Rented	1,237	17	(1)	1,253
Shared Ownership property	54	-	(4)	50
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b><u>1,291</u></b>	<b><u>17</u></b>	<b><u>(5)</u></b>	<b><u>1,303</u></b>

Housing Units owned by the Group but managed by another body:

Name of Provider	No of Units		Funds Payable to Provider	
	2016	2015	2016 £	2015 £
Blue Triangle (Glasgow) Housing Association	9	9	-	-
East Lothian Council	14	14	-	-

**22. DETAILS OF THE ASSOCIATION**

The Association is a Registered Society registered with the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 18-20 Market Street, Haddington, EH41 3JL.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing property in East Lothian.

**EAST LOTHIAN HOUSING ASSOCIATION LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2016**

**23. COMMITMENTS UNDER OPERATING LEASES**

	2016 £	2015 £
At the year end, the total future minimum lease payments under Non – cancellable operating leases were as follows:-		
Not later than one year	624	2,267
Later than one year and not later than five years	16,495	12,333
Later than five years	-	7,938
	<hr/>	<hr/>
<b>Total</b>	<b><u>17,119</u></b>	<b><u>22,538</u></b>

Lease commitments have been restated under FRS102 to include the timing of the full payment due under the contract.

**24. GAIN ON DISPOSAL OF FIXED ASSETS**

	2016 £	Restated 2015 £
Net proceeds from disposal of housing accommodation	314,400	279,460
Cost of Disposals	<u>(122,084)</u>	<u>(99,165)</u>
Gain/(Loss) on housing accommodation disposed of in the year	<b><u>192,316</u></b>	<b><u>180,295</u></b>

## EAST LOTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 25 TRANSITION TO THE FINANCIAL REPORTING STANDARD

In accordance with the Statement of Recommended Practice the Association has adopted the Financial Reporting Standard for UK and Ireland (FRS 102) for the accounting period beginning 1 April 2015. As a result of this, the comparative figures for the period ending 31 March 2015 have been restated in accordance with FRS 102.

The transition to FRS 102 has resulted in a number of changes in accounting practice compared with those used previously. The following describes the differences between the assets and liabilities and income and expenditure as presented previously, and the amounts as restated to comply with the accounting policies selected in accordance with FRS 102 for the reporting period ended 31 March 2016.

#### Reconciliation of Capital & Reserves

	Note	At 31 March 2015			At 31 March 2014		
		As previously Stated	Effect of Transition	As Restated	As previously Stated	Effect of Transition	As Restated
		£	£	£	£	£	£
Non-Current Assets	(i)	24,921,981	38,601,329	63,523,310	24,633,485	37,246,804	61,880,289
Fixed Asset Investments		1	-	1	1	-	1
Current Assets		3,569,718	-	3,569,718	2,978,581	-	2,978,581
Current Liabilities	(ii)	(1,945,237)	(360,664)	(2,305,901)	(1,925,930)	(328,096)	(2,254,026)
Non-Current Liabilities	(ii)	(20,217,458)	(5,211,500)	(25,428,958)	(19,588,455)	(4,399,000)	(23,987,455)
Deferred Income	(i)	-	(34,752,901)	(34,752,901)	-	(33,705,756)	(33,705,756)
		6,329,005	(1,723,736)	4,605,269	6,097,682	(1,186,048)	4,911,634
Capital & Reserves		(6,329,005)	1,723,736	(4,605,269)	(6,097,682)	1,186,048	(4,911,634)

#### Reconciliation of Retained Surpluses for the Year

	Note	Year Ended 31 March 2015		
		As previously Stated	Effect of Transition	As Restated
		£	£	£
Revenue	(i)	5,717,924	1,170,297	6,888,221
Operating Costs	(i) & (ii)	(4,806,408)	(684,971)	(5,491,379)
Gain on Disposal of Housing Stock		178,312	1,983	180,295
Interest Receivable		33,572	-	33,572
Interest Payable		(892,054)	-	(892,054)
Change in Fair Value of Financial Inst		-	(951,000)	(951,000)
Other Finance Income / Costs		-	(74,000)	(74,000)
Surplus / (Deficit)		231,346	(537,691)	(306,345)

#### Notes on reconciliations

- (i) Social Housing Grants have been accounted for in accordance with the SORP which has meant that grants are no longer deducted from the cost of the capital asset, but are instead treated as deferred income which is recognised in income over the useful life of the related asset.
- (ii) As the Association has entered into an agreement to make contributions to fund a deficit in the SHAPS pension scheme this has been recognised as a liability in accordance with the FRS. This liability was not previously recognised and payments made under this agreement were written off as operating costs. In addition to this the Association has an interest rate swap which was previously unrecognised but now requires to be recognised at its fair value under FRS 102 Section 12.
- (iii) The liability recognised as a result of (ii) above has been discounted to its present value. The unwinding of the discount is recognised as a finance cost in accordance with FRS 102 para 28.13 A

## EAST LOTHIAN HOUSING ASSOCIATION LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

#### 26. RETIREMENT BENEFITS

The Association participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme provides benefits to some 155 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30th September 2016. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions from 1 April 2014 to 30 September 2027- £26,304,000 are per annum (payable monthly and increasing by 3% each on 1<sup>st</sup> April) for all members of the Scheme.

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

The Association made payments totalling £393,536 (comprising £124,642 current contributions, £185,013 payments toward past deficits and £83,881 towards the Association's Salary Exchange Scheme) (2015 - £308,231 in total, of which £129,429 were current contributions and £179,802 were toward past deficits) to the pension scheme during the year.

#### 27. CAPITAL COMMITMENTS

	2016	2015
	£	£
<b>Housing Developments</b>		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>5,144,279</u>	<u>491,187</u>
The Association expects to finance the above commitment by:		
Capital Grants Receivable	1,727,317	-
Loan Facilities and Own Funds	3,416,962	491,187
	<u>5,144,279</u>	<u>491,187</u>

