

EAST LOTHIAN HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 2017

Robert McNeill	Chair
Joyce Bolan	Secretary
Peter Ewart	Vice-Chair
Alan Clydesdale	Deceased 20 March 2017
Jim Curran	
Frank Colston	
Shirley Evans	
Alan Forsyth	
Peter Hayman	
John Holcombe	
Caryn Innes	
Brian Logan	
David Rose	
Eileen Shand	

Executive Officer

Martin Pollhammer	Chief Executive
-------------------	-----------------

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
---	---

Auditors

Alexander Sloan
Chartered Accountants & Statutory Auditors
50 Melville Street
Edinburgh
EH3 7HF

Internal Auditors

TIAA
Business Assurance Specialists
53-55 Gosport Business Centre
Aerodrome Road
Gosport
PO13 0FQ

Solicitors

Anderson Strathern W.S. Solicitors 14 Court Street Haddington EH41 3JA	TC Young Solicitors 7 West George Street Glasgow E2 1BA
--	---

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2017

The Management Committee present their report and the audited financial statements for the year ended 31 March 2017.

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 £1,500,455 (2016: £1,367,780). Five 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 (total comprehensive income) of £1,990,783 (2016: £713,626) for the year. The total revenue reserves at 31 March 2017 were £7,309,567 (2016: £5,318,784).

During the year the Association spent £5,206,122 on the development of new properties. There was a net reduction in the number of properties in management of six units.

The Association spent £2,712,320 (2016: £2,329,208) on the maintenance and improvement of its properties during the year. Of this expenditure, £926,340 (2016: £537,090), was spent on the replacement of components which are accounted for as assets in the Statement of Financial Position.

The Association participates in the SHAPS pension scheme which was re-valued in September 2015. As a result of this revaluation, the Association's past service pension deficit liability reduced by £961,000, (note 18) which has increased the surplus for the year by the same amount.

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 possible increased contributions to the pension scheme in the longer term, 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 have decreased 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 2017

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 (2016: £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 2017**

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 TIAA, 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 2017, working in conjunction with the Association's Finance and Audit Sub-Committee, TIAA has reviewed the Association's systems of internal controls applicable to the following areas:
- Governance Strategic Control Arrangements
 - Business Continuity and Information Technology Disaster Recovery Arrangements
 - Data Security Policy, Procedures and Activity
 - Procurement

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 2017. 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

Following a comprehensive tendering process for the provision of external audit services, a resolution to appoint the successful tenderer will be proposed at the Annual General Meeting.

By order of the Management Committee



Joyce Bolán, Secretary
24 August 2017

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 2017

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31 March 2017 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 2017 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
24 August 2017

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 2017

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
24 August 2017

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017 £	2016 £
REVENUE	2	7,280,073	7,056,831
Less: Operating Costs	2	(5,779,618)	(5,689,051)
Operating Surplus		1,500,455	1,367,780
Gain on Sale of Housing Stock	24	348,423	192,316
Interest Receivable and Other Income		51,729	32,905
Interest Payable and Similar Charges	7	(903,824)	(871,375)
Movement in Fair Value of Financial Instruments	18	1,041,000	41,000
Other Finance Charges	10	(47,000)	(49,000)
SURPLUS FOR THE YEAR	8	<u>1,990,783</u>	<u>713,626</u>
TOTAL COMPREHENSIVE INCOME		<u>1,990,783</u>	<u>713,626</u>

All amounts relate to continuing operations.

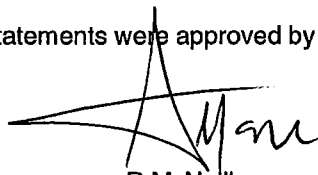
The notes on pages 12 to 28 form part of these financial statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

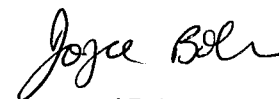
**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	2017 £	2016 £
NON-CURRENT ASSETS			
Housing Properties - Depreciated Costs	11 (a)	66,409,219	62,118,057
Other Non-Current Assets	11 (b)	1,110,090	1,144,598
		<hr/>	<hr/>
		67,519,309	63,262,655
INVESTMENT IN SUBSIDIARY	12	1	1
CURRENT ASSETS			
Receivables	13	1,862,510	1,734,672
Cash at Bank and in Hand		2,709,156	4,691,876
		<hr/>	<hr/>
		4,571,666	6,426,548
PAYABLES - Amounts falling due within one year	14	(2,807,144)	(2,114,922)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,764,522	4,311,626
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		69,283,832	67,547,282
PAYABLES - Amounts falling due after more than one year	15	(26,382,460)	(28,226,639)
		<hr/>	<hr/>
DEFERRED INCOME			
Social Housing Grants	16	(35,591,700)	(34,028,748)
NET ASSETS		<u>7,309,672</u>	<u>5,318,895</u>
EQUITY			
Share Capital	17	105	111
Revenue Reserves		7,309,567	5,318,784
		<hr/>	<hr/>
		<u>7,309,672</u>	<u>5,318,895</u>

The Financial Statements were approved by the Management Committee on 24 August 2017 and signed on its behalf by:-


R McNeill
Chairman


P Ewart
Vice Chairman


J Bolan
Secretary

The notes on pages 12 to 28 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2017	2016
		£	£
Net Cash Inflow from Operating Activities	20	2,470,079	1,414,857
Investing Activities			
Acquisition and Construction of Properties	(6,165,464)	(1,444,301)	
Purchase of Other Fixed Assets	(76,169)	(94,133)	
Social Housing Grant Received	2,869,901	472,899	
Social Housing Grant Repaid	(146,819)	(34,443)	
Proceeds on Disposal of Properties	482,798	210,025	
Net Cash Outflow from Investing Activities		(3,035,753)	(889,953)
Financing Activities			
Interest Received on Cash and Cash Equivalents	51,902	33,009	
Interest Paid on Loans	(904,826)	(873,853)	
Loan Principal Repayments	(564,126)	(525,955)	
Share Capital Issued	4	-	
Loan Advances Received	-	3,550,000	
Net Cash (Outflow) / Inflow from Financing		(1,417,046)	2,183,201
(Decrease) / Increase in Cash		<u>(1,982,720)</u>	<u>2,708,105</u>
Opening Cash & Cash Equivalents		<u>4,691,876</u>	<u>1,983,771</u>
Closing Cash & Cash Equivalents		<u>2,709,156</u>	<u>4,691,876</u>

The notes on pages 12 to 28 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital	Revenue Reserves	Total
	£	£	£
Balance as at 1 April 2015	111	4,605,158	4,605,269
Issue of Shares	-	-	-
Cancellation of Shares	-	-	-
Surplus for Year	-	713,626	713,626
Balance as at 31 March 2016	111	5,318,784	5,318,895
Balance as at 1 April 2016	111	5,318,784	5,318,895
Issue of Shares	4	-	4
Cancellation of Shares	(10)	-	(10)
Surplus for Year	-	1,990,783	1,990,783
Balance as at 31 March 2017	105	7,309,567	7,309,672

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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 2017

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.

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 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 2017

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Key Judgements made in the application of Accounting Policies

a) 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.

b) 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.

c) 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 Management Committee 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 2017

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

	Note	2017			2016		
		Revenue £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Social Lettings	3	6,832,260	(5,344,905)	1,487,355	6,700,665	(5,346,639)	1,354,026
Other Activities	4	447,813	(434,713)	13,100	356,166	(342,412)	13,754
TOTAL		7,280,073	(5,779,618)	1,500,455	7,056,831	(5,689,051)	1,367,780

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2017 Total £	2016 Total £
Income from Social Lettings				
Rent Receivable net of Service Charges	5,453,986	126,816	5,580,802	5,475,654
Service Charges Receivable	113,613	8,248	121,861	119,872
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Rents Receivable	5,567,599	135,064	5,702,663	5,595,526
Less: Rent Losses from Voids	(38,227)	-	(38,227)	(30,276)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Rents Receivable	5,529,372	135,064	5,664,436	5,565,250
Amortisation of Social Housing Grant	1,157,067	10,757	1,167,824	1,135,415
Total Income from Social Letting	<u>6,686,439</u>	<u>145,821</u>	<u>6,832,260</u>	<u>6,700,665</u>
Expenditure on Social Letting Activities				
Service Costs	96,922	8,248	105,170	104,351
Management and Maintenance Admin Costs	1,611,287	64,182	1,675,469	1,708,000
Reactive Maintenance	907,183	-	907,183	828,394
Bad Debts – Rents and Service Charges	59,064	-	59,064	53,152
Planned and Cyclical Maintenance (Including Major Repairs)	878,797	-	878,797	963,724
Depreciation of Social Housing	1,691,614	27,608	1,719,222	1,689,018
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs of Social Letting	<u>5,244,867</u>	<u>100,038</u>	<u>5,344,905</u>	<u>5,346,639</u>
Operating Surplus on Social Letting Activities	<u>1,441,572</u>	<u>45,783</u>	<u>1,487,355</u>	<u>1,354,026</u>
2016	<u>1,341,430</u>	<u>12,596</u>	<u>1,354,026</u>	

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

The Association spent an additional £926,340 (2016: £537,090) 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 2017

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) 2017	Surplus /(Deficit) 2016
	£	£	£	£	£	£	£	£	£
Care and Repair Service	4,423	277,586	-	-	282,009	-	282,009	-	-
Medical Adaptations	138,152	-	-	-	138,152	-	138,136	16	1
Other Activities	-	-	-	27,652	27,652	-	14,568	13,084	13,753
Total from Other Activities	142,575	277,586	-	27,652	447,813	-	434,713	13,100	13,754
2016	55,467	275,246	-	25,453	356,166	-	342,241	13,754	-

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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:

	2017	2016
	Number	Number
£60,001 - £70,000	2	2
£70,001 - £80,000	2	2
£80,001 - £90,000	-	-
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>273,929</u>	<u>272,657</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>74,576</u>	<u>73,913</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>53,922</u>	<u>53,744</u>
Total Compensation paid to key management personnel	<u>327,851</u>	<u>326,401</u>

6. EMPLOYEE INFORMATION

	2017	2016
	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>35</u>	<u>33</u>
The average total number of Employees employed during the year was	<u>37</u>	<u>38</u>
Staff Costs were:	£	£
Wages and Salaries	1,069,672	1,089,709
Social Security	106,377	87,316
Other Pension Costs	221,439	217,874
Temporary, Agency and Seconded Staff	28,548	31,096
	<u>1,426,036</u>	<u>1,425,995</u>

Included in the above are the costs for 8 employees who were engaged in non-housing association activities (2016: 7).

The Association operates a salary exchange scheme 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 2017**

7. INTEREST PAYABLE AND SIMILAR CHARGES	2017	2016
	£	£
On Bank Loans and Overdrafts	903,824	871,375
On Other Loans	-	-
Less: Interest Capitalised	-	-
	<hr/>	<hr/>
	<u>903,824</u>	<u>871,375</u>

8. SURPLUS FOR YEAR	2017	2016
	£	£
Surplus is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	1,829,345	1,784,830
Auditors' Remuneration - Audit Services	11,847	10,564
- Other Services	1,575	5,405
(Gain)/Loss on Disposal of Other Fixed Assets	(496)	812
Operating Lease Rentals - Plant and Machinery	10,165	10,345
	<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. OTHER FINANCE INCOME/ CHARGES

	2017	2016
	£	£
Unwinding of Discounted Liabilities on Pension Past Service Deficit	<u>47,000</u>	<u>49,000</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

11. NON CURRENT ASSETS

a) Housing Properties

	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 2016	9,945,905	67,205,560	1,640,906	1,896,737	80,689,108
Schemes Completed in Year	-	-	-	-	-
Additions	473,140	465,495	5,206,123	-	6,144,758
Disposals	(299,876)	(215,307)	-	(63,170)	(578,353)
	<u>10,119,169</u>	<u>67,455,748</u>	<u>6,847,029</u>	<u>1,833,567</u>	<u>86,255,513</u>
Depreciation					
At 1 April 2016	3,545,534	14,441,879	-	583,638	18,571,051
Charge for year	295,881	1,299,249	-	27,607	1,622,737
Released on Disposals	(169,812)	(173,660)	-	(4,022)	(347,494)
	<u>3,671,603</u>	<u>15,567,468</u>	<u>-</u>	<u>607,223</u>	<u>19,846,294</u>
Net Book Value					
At 31 March 2017	<u>6,447,566</u>	<u>51,888,280</u>	<u>6,847,029</u>	<u>1,226,344</u>	<u>66,409,219</u>
At 31 March 2016	<u>6,400,371</u>	<u>52,763,681</u>	<u>1,640,906</u>	<u>1,313,099</u>	<u>62,118,057</u>

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £2,712,320. The amount capitalised is £926,340 (2016: £537,090), with the balance charged to the statement of comprehensive income. All the amounts capitalised relate to components replaced.

The Association's lenders have standard securities over Housing Property with a carrying value of £42,438,972 (£44,608,440).

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11b). NON CURRENT ASSETS (CONTINUED)

Other Tangible Assets	Office Premises	Office Equipment	Computer Equipment	Vans	Total
	£	£	£	£	£
Cost					
At 1 April 2016	1,408,053	93,415	392,167	7,200	1,900,835
Additions	-	1,313	74,856	-	76,169
Disposals	-	(1,367)	(26,844)	(7,200)	(35,411)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	<u>1,408,053</u>	<u>93,361</u>	<u>440,179</u>	<u>-</u>	<u>1,941,593</u>
Depreciation					
At 1 April 2016	407,781	75,279	265,977	7,200	756,237
Charge for the Year	43,611	9,115	57,397	-	110,123
Released on Disposals	-	(1,367)	(26,290)	(7,200)	(34,857)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	<u>451,392</u>	<u>83,027</u>	<u>297,084</u>	<u>-</u>	<u>831,503</u>
Net Book Value					
At 31 March 2017	<u>956,661</u>	<u>10,334</u>	<u>143,095</u>	<u>-</u>	<u>1,110,090</u>
At 31 March 2016	<u>1,000,272</u>	<u>18,136</u>	<u>126,190</u>	<u>-</u>	<u>1,144,598</u>

12. FIXED ASSET INVESTMENT

	2017	2016
	£	£
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 31 March 2017 were as follows:

	2017	2016
	£	£
Capital & Reserves	<u>(210,923)</u>	<u>(185,325)</u>
Loss for year	<u>(25,599)</u>	<u>(70,775)</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

13. RECEIVABLES	2017	2016
	£	£
Arrears of Rent and Service Charges	284,394	261,962
Less: Provision for Bad and Doubtful Debts	(188,589)	(169,100)
	<u>95,805</u>	<u>92,862</u>
Loan to Subsidiary – Due after more than one year (Note 19)	630,000	630,000
Due from Subsidiary (Note 19)	667,896	542,216
VAT Debtor	14,602	-
Other Receivables	45,418	32,931
Prepayments and Accrued Income	408,789	436,663
	<u>1,862,510</u>	<u>1,734,672</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. The repayment profile is to be reviewed during the year to 31 March 2018.

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

	2017	2016
	£	£
Housing Loans (Note 15)	646,585	551,516
Derivative Financial Instruments	174,333	169,368
Rent in Advance	114,526	93,189
Due to Subsidiary (Note 19)	861,817	526,419
Trade Payables	370,615	45,951
Other Payables	158,594	133,025
HAG Repayable	-	100,895
Other Taxation and Social Security	28,498	27,635
Liability for Past Service Contributions	186,019	183,000
Accruals and Deferred Income	266,157	283,924
	<u>2,807,144</u>	<u>2,114,922</u>

At the balance sheet date there were pension contributions outstanding of £36,351 (2016: £36,696).

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

	2017	2016
	£	£
Liability for Past Service Contributions	880,981	1,981,000
Derivative Financial Instruments (Note 18)	2,963,667	3,048,632
Housing Loans	22,537,812	23,197,007
	<u>26,382,460</u>	<u>28,226,639</u>
<i>Housing Loans</i>	2017	2016
	£	£
Amounts due in one year or more but less than two years	711,665	688,276
Amounts due in two years or more but less than five years	1,972,304	2,190,859
Amounts due in more than five years	19,853,843	20,317,872
	<u>22,537,812</u>	<u>23,197,007</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

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

<i>Liability for past service contributions</i>	2017	2016
	£	£
Amounts due in one year or more but less than two years	206,934	147,668
Amounts due in two years or more but less than five years	674,047	499,970
Amounts due in more than five years	-	1,333,362
	<u>880,981</u>	<u>1,981,000</u>
 <i>Derivative Financial Instruments</i>	 2017	 2016
	£	£
Amounts due in one year or more but less than two years	174,333	169,368
Amounts due in two years or more but less than five years	522,999	508,104
Amounts due in more than five years	2,266,335	2,371,160
	<u>2,963,667</u>	<u>3,048,632</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 92 properties	Base +0.40%	2041	Variable
East Lothian Council	Standard Security over 146 properties and 53 properties in development	2.81%-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 1.06% (2016: 2.29%).

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

16. DEFERRED INCOME	2017	2016
	£	£
Social Housing Grants		
Balance as at 1 April 2016	34,028,748	34,752,901
Additions in year	2,776,700	512,157
Released/ Repaid as the result of property disposal	(20,666)	(42,080)
Amortised in year	(1,193,082)	(1,194,230)
	<u>35,591,700</u>	<u>34,028,748</u>
Balance as at 31 March 2017	<u>35,591,700</u>	<u>34,028,748</u>

Outstanding subordinated capital grant made available to the Association at 31 March 2017, (prior to amortisation), was £52,169,679.

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

	2017	2016
	£	£
Amounts due within one year	1,193,082	1,194,230
Amounts due in one year or more	34,398,618	32,834,518
	<u>35,591,700</u>	<u>34,028,748</u>

17. CALLED UP SHARE CAPITAL

	£
Shares of £1 each Issued and Fully Paid	
At 1 April 2016	111
Issued in year	4
Cancelled in year	(10)
At 31 March 2017	<u>105</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

	2017		
	Fair Value	Pensions	Total
	Interest Rate Swap	Deficit Liability	
	£	£	£
Balance at 1 April 2016	3,218,000	2,164,000	5,382,000
Unwinding of Discount Factor	-	47,000	47,000
Deficit Contribution Paid in Year	-	(183,000)	(183,000)
Re-measurement in Year *	-	(961,000)	(961,000)
Change in Fair Value in Year*	(80,000)	-	(80,000)
Balance at 31 March 2017	<u>3,138,000</u>	<u>1,067,000</u>	<u>4,205,000</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Movement in Fair Value of Financial Instruments*

Re-measurement in Year *	-	961,000	961,000
Change in Fair Value in Year*	<u>80,000</u>	<u>-</u>	<u>80,000</u>
	80,000	961,000	1,041,000

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>

Movement in Fair Value of Financial Instruments*

Re-measurement in Year *	-	9,000	9,000
Change in Fair Value in Year*	<u>32,000</u>	<u>-</u>	<u>32,000</u>
	32,000	9,000	41,000

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	£ 9,694
At the year-end total rent arrears owed by tenant members of the Management Committee	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 £55,407 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	269,188
Interest on loan	27,314

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

19. RELATED PARTY TRANSACTIONS (continued)

The Association procured repairs and maintenance services to a total cost of £2,389,037 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 £667,896 to the Association and the Association due the sum of £861,817 to its subsidiary at 31 March 2017, for services provided but not yet settled.

20. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2017

	2017 £	2016 £
Operating Surplus	1,500,455	1,367,780
Depreciation	1,829,345	1,784,830
Amortisation of Capital Grants	(1,167,824)	(1,135,415)
Unwinding of Discount on Pension Liability	(47,000)	(49,000)
Change in Fair Value of SWAP	80,000	41,000
Re-measurement of Pensions Liability	961,000	-
Share Capital Written Off	(10)	-
Change in Debtors	(221,212)	(109,571)
Loss on Disposal of Other Fixed Assets	554	812
Change in Creditors	(465,229)	(485,579)
	<hr/>	<hr/>
Net Cash Inflows from Operating Activities	<u>2,470,079</u>	<u>1,414,857</u>

21. ACCOMMODATION IN MANAGEMENT

	At 1 April 2016	Additions	Disposals	At 31 March 2017
General Needs – Rented	1,253	-	(5)	1,248
Shared Ownership property	50	-	(1)	49
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,303</u>	=	(6)	<u>1,297</u>

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

Name of Provider	No of Units		Funds Payable to Provider	
	2017	2016	2017 £	2016 £
Blue Triangle (Glasgow) Housing Association	9	9	-	-
East Lothian Council	14	14	-	-

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

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.

23. COMMITMENTS UNDER OPERATING LEASES

	2017 £	2016 £
At the year end, the total future minimum lease payments under Non – cancellable operating leases were as follows:-		
Not later than one year	7,359	6,469
Later than one year and not later than five years	13,310	10,650
	<hr/>	<hr/>
Total	<u>20,669</u>	<u>17,119</u>

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

	2017 £	2016 £
Net proceeds from disposal of housing accommodation	490,361	314,400
Cost of Disposals	<u>(141,938)</u>	<u>(122,084)</u>
Gain/(Loss) on housing accommodation disposed of in the year	<u>348,423</u>	<u>192,316</u>

25. RETIREMENT BENEFITS

The Association participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme provides benefits to over 150 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.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

25. RETIREMENT BENEFITS (continued)

Deficit contributions from 1 April 2014 to 30 September 2027 are £26,304,000 per annum (payable monthly and increasing by 3% each on 1 April).

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022 - £25,735,092 per annum (payable monthly, increasing by 3% each 1 April)

From 1 April 2017 to 30 June 2025 - £727,217 per annum (payable monthly, increasing by 3% each 1 April)

From 1 April 2017 to 31 October 2026 - £1,239,033 per annum (payable monthly, increasing by 3% each 1 April)

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 £404,315 (comprising £119,773 current contributions, £190,585 payments toward past deficits and £93,957 towards the Association's Salary Exchange Scheme) (2016 - £393,536 in total, of which £124,642 were current contributions £185,013 were toward past deficits and £83,881 towards the Association's Salary Exchange Scheme) to the pension scheme during the year.

26. CAPITAL COMMITMENTS

	2017	2016
	£	£
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>3,697,329</u>	<u>5,144,279</u>
The Association expects to finance the above commitment by:		
Capital Grants Receivable	1,267,001	1,727,313
Loan Facilities and Own Funds	2,430,328	3,416,962
	<u>3,697,329</u>	<u>5,144,279</u>