

EAST LOTHIAN HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 2018

Peter Ewart	Chair from 25 September 2017, Vice-Chair to 25 September 2017
Brian Logan	Vice-Chair from 25 September 2017
Robert McNeill	Chair to 25 September 2017
Joyce Bolan	Secretary
Jim Curran	
Frank Colston	
Shirley Evans	
Alan Forsyth	
Peter Hayman	
John Holcombe	
Caryn Innes	
David Rose	
Eileen Shand	

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
Accountants and Business Advisers
50 Melville Street
Edinburgh
EH3 7HF

Internal Auditors

TIAA
Business Assurance Specialists
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Solicitors

Anderson Strathern W.S. Solicitors 1 Rutland Court Edinburgh EH3 8EY	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 2018

The Management Committee present their report and the audited financial statements for the year ended 31 March 2018.

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 £1,688,813 (2017: £1,500,455). The Association completed the development of eighty one properties in the year. One property was sold under the "Right to Buy" legislation, two in open market sales (difficult to manage properties) 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 £1,655,249 (2017: £1,990,783) for the year. The total revenue reserves at 31 March 2018 were £8,964,816 (2017: £7,309,567).

During the year the Association spent £3,410,867 on the development of new properties. There was a net increase in the number of properties in management of seventy four units.

The Association spent £2,367,839 (2017: £2,712,320) on the maintenance and improvement of its properties during the year. Of this expenditure, £625,700 (2017: £926,340), 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 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 increased as detailed in Note 11.

The Management Committee and Executive Officers

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

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.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Donations

The Association made donations to other charitable organisations during the year of £1,000 (2017: £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 it 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.
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;

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2018

Statement on Internal Financial Control

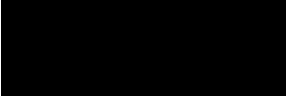
- 2.3 quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
 - 2.4 forecasts and budgets are prepared which allow the Management Committee and 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 2018, 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:
 - General Data Protection Regulation
 - Management Committee and Senior Management Succession Planning

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 2018. 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



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16 August 2018

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED

We have audited the financial statements of East Lothian Housing Association Limited ("The Association") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the FRC's Ethical Standards and have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- The Management Committee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other Information

The Management Committee is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED (Continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Management Committee.

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Association in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Association in accordance with the requirements of the legislation;
- The Statement of Comprehensive Income and the Statement of Financial Position are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out in Page 4, the Association's Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Management Committee either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Committee.
- Conclude on the appropriateness of the Management Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITORS REPORT TO THE MEMBERS
OF EAST LoTHIAN HOUSING ASSOCIATION LIMITED
(Continued)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



ALEXANDER SLOAN
Accountants and Business Advisers
Statutory Auditors
EDINBURGH

16 August 2018

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 2018

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
Accountants and Business Advisors
Statutory Auditors
EDINBURGH

16 August 2018

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
REVENUE	2	7,751,669	7,280,073
Less: Operating Costs	2	(6,062,856)	(5,779,618)
Operating Surplus		1,688,813	1,500,455
Gain on Sale of Housing Stock	24	417,175	348,423
Interest Receivable and Other Income		32,704	51,729
Interest Payable and Similar Charges	7	(942,443)	(903,824)
Movement in Fair Value of Financial Instruments	18	469,000	1,041,000
Other Finance Charges	10	(10,000)	(47,000)
SURPLUS FOR THE YEAR	8	<u>1,655,249</u>	<u>1,990,783</u>
TOTAL COMPREHENSIVE INCOME		<u>1,655,249</u>	<u>1,990,783</u>

All amounts relate to continuing operations.


The notes on pages 14 to 31 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
NON-CURRENT ASSETS			
Housing Properties - Depreciated Costs	11 (a)	68,421,341	66,409,219
Other Non-Current Assets	11 (b)	1,038,092	1,110,090
		<hr/>	<hr/>
		69,459,433	67,519,309
INVESTMENT IN SUBSIDIARY	12	<u>1</u>	<u>1</u>
CURRENT ASSETS			
Receivables	13	1,753,167	1,862,510
Cash at Bank and in Hand		1,739,126	2,709,156
		<hr/>	<hr/>
		3,492,293	4,571,666
PAYABLES - Amounts falling due within one year	14	(2,477,212)	(2,807,144)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,015,081	1,764,522
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		70,474,515	69,283,832
PAYABLES - Amounts falling due after more than one year	15	(26,030,216)	(26,382,460)
		<hr/>	<hr/>
DEFERRED INCOME			
Social Housing Grants	16	(35,479,376)	(35,591,700)
		<hr/>	<hr/>
NET ASSETS		<u>8,964,923</u>	<u>7,309,672</u>
EQUITY			
Share Capital	17	107	105
Revenue Reserves		8,964,816	7,309,567
		<hr/>	<hr/>
		<u>8,964,923</u>	<u>7,309,672</u>

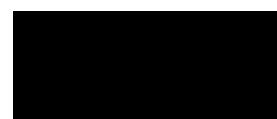
The Financial Statements were approved by the Management Committee on 16 August 2018 and signed on its behalf by:-



P Ewart
Chairman



B Logan
Vice Chairman



Secretary

The notes on pages 14 to 31 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		£	£
Net Cash Inflow from Operating Activities	20	1,894,628	2,470,079
Investing Activities			
Acquisition and Construction of Properties	(3,965,407)	(6,165,464)	
Purchase of Other Fixed Assets	(38,785)	(76,169)	
Social Housing Grant Received	1,267,001	2,869,901	
Social Housing Grant Repaid	(107,618)	(146,819)	
Proceeds on Disposal of Properties	533,455	482,798	
		<hr/>	
Net Cash Outflow from Investing Activities		(2,311,354)	(3,035,753)
Financing Activities			
Interest Received on Cash and Cash Equivalents	32,692	51,902	
Interest Paid on Loans	(943,225)	(904,826)	
Loan Principal Repayments	(642,773)	(564,126)	
Share Capital Issued	2	4	
Loan Advances Received	1,000,000	-	
		<hr/>	
Net Cash (Outflow) / Inflow from Financing		(553,304)	(1,417,046)
		<hr/>	<hr/>
(Decrease) / Increase in Cash		<u>(970,030)</u>	<u>(1,982,720)</u>
Opening Cash & Cash Equivalents		<u>2,709,156</u>	<u>4,691,876</u>
Closing Cash & Cash Equivalents		<u>1,739,126</u>	<u>2,709,156</u>

The notes on pages 14 to 31 form part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Share Capital	Revenue Reserves	Total
	£	£	£
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
Balance as at 1 April 2017	105	7,309,567	7,309,672
Issue of Shares	2	-	2
Cancellation of Shares	-	-	-
Surplus for Year	-	1,655,249	1,655,249
Balance as at 31 March 2018	107	8,964,816	8,964,923

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 2018

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 2018

1. PRINCIPAL ACCOUNTING POLICIES (continued)

VAT

The Association is VAT registered but a large proportion of its income is exempt for VAT purposes. As a result most of the VAT paid is not recovered and therefore expenditure is shown inclusive of the VAT not recovered.

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 2018

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

	Note	2018		2017			
		Revenue £	Operating Costs £	Operating Surplus £	Turnover £	Operating Costs £	Operating Surplus £
Social Lettings	3	7,375,174	(5,700,417)	1,674,757	6,832,260	(5,344,905)	1,487,355
Other Activities	4	376,495	(362,439)	14,056	447,813	(434,713)	13,100
TOTAL		<u>7,751,669</u>	<u>(6,062,856)</u>	<u>1,688,813</u>	<u>7,280,073</u>	<u>(5,779,618)</u>	<u>1,500,455</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2018 Total £	2017 Total £
Income from Social Lettings				
Rent Receivable net of Service Charges	5,900,330	124,004	6,024,334	5,580,802
Service Charges Receivable	125,555	10,196	135,751	121,861
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Rents Receivable	6,025,885	134,200	6,160,085	5,702,663
Less: Rent Losses from Voids	(56,618)	-	(56,618)	(38,227)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Rents Receivable	5,969,267	134,200	6,103,467	5,664,436
Amortisation of Social Housing Grant	1,299,904	(28,197)	1,271,707	1,167,824
Total Income from Social Letting	<u>7,269,171</u>	<u>106,003</u>	<u>7,375,174</u>	<u>6,832,260</u>
Expenditure on Social Letting Activities				
Service Costs	106,559	10,196	116,755	105,170
Management and Maintenance Admin Costs	1,807,421	65,818	1,873,239	1,675,469
Reactive Maintenance	976,469	-	976,469	907,183
Bad Debts – Rents and Service Charges	60,119	-	60,119	59,064
Planned and Cyclical Maintenance (Including Major Repairs)	765,670	-	765,670	878,797
Depreciation of Social Housing	1,882,787	25,378	1,908,165	1,719,222
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs of Social Letting	<u>5,599,025</u>	<u>101,392</u>	<u>5,700,417</u>	<u>5,344,905</u>
Operating Surplus on Social Letting Activities	<u>1,670,146</u>	<u>4,611</u>	<u>1,674,757</u>	<u>1,487,355</u>
2017	<u>1,441,572</u>	<u>45,783</u>	<u>1,487,355</u>	

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

The Association spent an additional £625,700 (2017: £926,340) 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 2018

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) 2018 £	Surplus/ (Deficit) 2017 £
Care and Repair Service	2,953	315,587	-	-	318,540	-	318,540	-	-
Medical Adaptations	30,471	-	-	-	30,471	-	30,471	-	16
Other Activities	-	-	-	27,484	27,484	-	13,428	14,056	13,084
Total from Other Activities	33,424	315,587	-	27,484	376,495	-	362,439	14,056	13,100
2017	142,575	277,586	-	27,652	447,813	-	434,713	13,100	-

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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:

	2018	2017
	Number	Number
£60,001 - £70,000	2	2
£70,001 - £80,000	2	2
	£	£
Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)	<u>276,924</u>	<u>273,929</u>
Emoluments payable to Chief Executive (excluding pension contributions)	<u>75,854</u>	<u>74,576</u>
Pension contributions made on behalf of Officers with emoluments greater than £60,000	<u>55,859</u>	<u>53,922</u>
Total Compensation paid to key management personnel	<u>332,783</u>	<u>327,851</u>

6. EMPLOYEE INFORMATION

	2018	2017
	Number	Number
The average monthly number of full time equivalent persons employed during the year was:	<u>34</u>	<u>35</u>
The average total number of Employees employed during the year was	<u>37</u>	<u>37</u>
Staff Costs were:	£	£
Wages and Salaries	1,098,663	1,069,672
Social Security	108,888	106,377
Pension Costs	216,263	221,439
Temporary, Agency and Seconded Staff	42,425	28,548
	<u>1,466,239</u>	<u>1,426,036</u>

Included in the above are the costs for 8 employees who were engaged in non-housing association activities (2017: 8).

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 2018**

7. INTEREST PAYABLE AND SIMILAR CHARGES	2018	2017
	£	£
On Bank Loans and Overdrafts	<u>942,443</u>	<u>903,824</u>

8. SURPLUS FOR YEAR

	2018	2017
	£	£
Surplus is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	2,018,948	1,829,345
Auditors' Remuneration - Audit Services	10,783	11,847
- Other Services	1,622	1,575
(Gain)/Loss on Disposal of Other Fixed Assets	-	(496)
Operating Lease Rentals - Plant and Machinery	12,560	10,165
	<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.

10. OTHER FINANCE INCOME/ CHARGES

	2018	2017
	£	£
Unwinding of Discounted Liabilities on Pension Past Service Deficit	<u>10,000</u>	<u>47,000</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 2017	10,119,169	67,455,748	6,847,029	1,833,567	86,255,513
Schemes Completed in Year	-	10,257,896	(10,257,896)	-	-
Additions	322,250	303,450	3,410,867	-	4,036,567
Disposals	(177,511)	(87,531)	-	(132,563)	(397,605)
At 31 March 2018	<u>10,263,908</u>	<u>77,929,563</u>	<u>-</u>	<u>1,701,004</u>	<u>89,894,475</u>
Depreciation					
At 1 April 2017	3,671,603	15,567,468	-	607,223	19,846,294
Charge for year	303,562	1,503,477	-	25,378	1,832,417
Released on Disposals	(92,087)	(62,726)	-	(50,764)	(205,577)
At 31 March 2018	<u>3,883,078</u>	<u>17,008,219</u>	<u>-</u>	<u>581,837</u>	<u>21,473,134</u>
Net Book Value					
At 31 March 2018	<u>6,380,830</u>	<u>60,921,344</u>	<u>-</u>	<u>1,119,167</u>	<u>68,421,341</u>
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>

All land and housing properties are freehold.

Total expenditure on existing properties in the year amounted to £2,367,839. The amount capitalised is £625,700 (2017: £926,340), 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 £50,436,432 (2017:£42,438,972).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

11b). NON CURRENT ASSETS (CONTINUED)

Other Tangible Assets	Office Premises £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 April 2017	1,408,053	93,361	440,179	1,941,593
Additions	5,190	-	33,595	38,785
Disposals	-	-	(1,413)	(1,413)
	<u>1,413,243</u>	<u>93,361</u>	<u>472,361</u>	<u>1,978,965</u>
Depreciation				
At 1 April 2017	451,392	83,027	297,084	831,503
Charge for the Year	42,662	4,183	63,938	110,783
Released on Disposals	-	-	(1,413)	(1,413)
	<u>494,054</u>	<u>87,210</u>	<u>359,609</u>	<u>940,873</u>
Net Book Value				
At 31 March 2018	<u>919,189</u>	<u>6,151</u>	<u>112,752</u>	<u>1,038,092</u>
At 31 March 2017	<u>956,661</u>	<u>10,334</u>	<u>143,095</u>	<u>1,110,090</u>

12. FIXED ASSET INVESTMENT

	2018 £	2017 £
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 2018 were as follows:

	2018 £	2017 £
Capital & Reserves	(361,944)	(210,923)
Loss for year	(151,020)	(25,599)

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

13. RECEIVABLES	2018 £	2017 £
Arrears of Rent and Service Charges	324,528	284,394
Less: Provision for Bad and Doubtful Debts	(225,292)	(188,589)
	<hr/>	<hr/>
	99,236	95,805
Loan to Subsidiary – Due after more than one year (Note 19)	600,000	630,000
Loan to Subsidiary – Due within one year (Note 19)	30,000	-
Due from Subsidiary (Note 19)	730,470	667,896
VAT Debtor	-	14,602
Other Receivables	41,962	45,418
Prepayments and Accrued Income	251,499	408,789
	<hr/>	<hr/>
	<u>1,753,167</u>	<u>1,862,510</u>

The loan to the Association's subsidiary was reviewed during the year and is to be repaid in annual instalments by 31 March 2028.

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

	2018 £	2017 £
Housing Loans (Note 15)	698,046	646,585
Derivative Financial Instruments	157,412	174,333
Rent in Advance	114,317	114,526
Due to Subsidiary (Note 19)	658,715	861,817
Trade Payables	103,003	370,615
Other Payables	172,782	158,594
Other Taxation and Social Security	33,682	28,498
Liability for Past Service Contributions	191,949	186,019
Accruals and Deferred Income	347,306	266,157
	<hr/>	<hr/>
	<u>2,477,212</u>	<u>2,807,144</u>

At the balance sheet date there were pension contributions outstanding of £37,020 (2017: £36,351).

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

	2018 £	2017 £
Liability for Past Service Contributions	668,051	880,981
Derivative Financial Instruments (Note 18)	2,518,588	2,963,667
Housing Loans	22,843,577	22,537,812
	<hr/>	<hr/>
	<u>26,030,216</u>	<u>26,382,460</u>
<i>Housing Loans</i>	2018	2017
	£	£
Amounts due in one year or more but less than two years	779,852	711,665
Amounts due in two years or more but less than five years	2,166,626	1,972,304
Amounts due in more than five years	19,897,099	19,853,843
	<hr/>	<hr/>
	<u>22,843,577</u>	<u>22,537,812</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

<i>Liability for past service contributions</i>	2018	2017
	£	£
Amounts due in one year or more but less than two years	212,673	206,934
Amounts due in two years or more but less than five years	455,378	674,047
Amounts due in more than five years	-	-
	<u>668,051</u>	<u>880,981</u>
 <i>Derivative Financial Instruments</i>	 2018	 2017
	£	£
Amounts due in one year or more but less than two years	157,412	174,333
Amounts due in two years or more but less than five years	472,236	522,999
Amounts due in more than five years	1,888,940	2,266,335
	<u>2,518,588</u>	<u>2,963,667</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 445 properties	6.691%	2035	Fixed
RBS	Standard Security over 445 properties	Libor +0.245%	2035	Variable
RBS	Standard Security over 37 properties	Libor +0.245%	2027-2031	Variable
Bank of Scotland	Standard Security over 95 properties	Base +0.30%	2026-2027	Variable
Nationwide Building Society	Standard Security over 152 properties	3.40%-4.24%	2041	Fixed
Nationwide Building Society	Standard Security over 31 properties	Base +0.40%	2041	Variable
Nationwide Building Society	Standard Security over 46 properties	LIBOR +0.40%	2041	Variable
Triodos Bank	Standard Security over 30 properties	Base + 1.5%	2042	Variable
East Lothian Council	Standard Security over 199 properties	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 1.51% (2017: 1.06%).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

16. DEFERRED INCOME	2018	2017
	£	£
Social Housing Grants		
Balance as at 1 April 2017	35,591,700	34,028,748
Additions in year	1,267,001	2,776,700
Released/ Repaid as the result of property disposal	(46,097)	(20,666)
Amortised in year	(1,333,228)	(1,193,082)
	<hr/>	<hr/>
Balance as at 31 March 2018	<u>35,479,376</u>	<u>35,591,700</u>

Outstanding subordinated capital grant made available to the Association at 31 March 2018, (prior to amortisation), was £53,329,062

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

	2018	2017
	£	£
Amounts due within one year	1,333,228	1,193,082
Amounts due in one year or more	34,146,148	34,398,618
	<hr/>	<hr/>
	<u>35,479,376</u>	<u>35,591,700</u>

17. CALLED UP SHARE CAPITAL

	£
Shares of £1 each Issued and Fully Paid	
At 1 April 2017	105
Issued in year	2
Cancelled in year	-
	<hr/>
At 31 March 2018	<u>107</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

	2018		
	Fair Value	Pensions	Total
	Interest Rate Swap	Deficit Liability	
	£	£	£
Balance at 1 April 2017	3,138,000	1,067,000	4,205,000
Unwinding of Discount Factor	-	10,000	10,000
Deficit Contribution Paid in Year	-	(210,000)	(210,000)
Re-measurement in Year *	-	(7,000)	(7,000)
Change in Fair Value in Year*	(462,000)	-	(462,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	<u>2,676,000</u>	<u>860,000</u>	<u>3,536,000</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

Movement in Fair Value of Financial Instruments*

Re-measurement in Year *	-	7,000	7,000
Change in Fair Value in Year*	<u>462,000</u>	<u>-</u>	<u>462,000</u>
	<u>462,000</u>	<u>7,000</u>	<u>469,000</u>

2017

	Fair Value Interest Rate Swap	Pensions Deficit Liability	Total
	£	£	£
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>

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>
	<u>80,000</u>	<u>961,000</u>	<u>1,041,000</u>

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.

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. There were no transactions with governing body members (and their close family) during the year.

In 2017, one member of the Management Committee was a tenant and rent received in relation to this during the year amounted to £9,694. No tenants were also members of the Management Committee in the current year.

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 £48,272 (2017: £55,407) for legal fees under normal commercial terms. £18,720 (2017 £41,958) of these fees are included within accruals at 31 March 2018.

One member of the Management Committee and one of the Association's Key Management Personnel used R3 Direct services during the year. The total amount due from those parties was £3,780 (2017: £0) of which £1,944 of this balance was outstanding at the year end.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

19. RELATED PARTY TRANSACTIONS (continued)

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

	2018	2017
	£	£
Occupancy Charge	7,500	7,500
Recharge for share of management and administration costs	161,785	269,188
Interest on loan	27,422	27,314

The Association procured repairs and maintenance services to a total cost of £2,068,765 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 £730,470 (2017: £667,896) to the Association and the Association due the sum of £658,715 (£861,817) to its subsidiary at 31 March 2018, for services provided but not yet settled.

The terms of the loan were amended in 2018 and the facility was increased to £1,100,000.

During the year, the Association made charitable donations of £1,000 (2017: £900) to the East Lothian Care & Repair Charitable Trust. Paula Oliver, Director of Finance and David Rose, member of the ELHA Management Committee are both Trustees of this Trust.

20. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2018

	2018	2017
	£	£
Operating Surplus	1,688,813	1,500,455
Depreciation	2,018,948	1,829,345
Amortisation of Capital Grants	(1,271,707)	(1,167,824)
Unwinding of Discount on Pension Liability	(10,000)	(47,000)
Change in Fair Value of SWAP	462,000	80,000
Re-measurement of Pensions Liability	7,000	961,000
Share Capital Written Off	-	(10)
Change in Debtors	109,355	(221,212)
Loss on Disposal of Other Fixed Assets	-	554
Change in Creditors	(1,109,781)	(465,229)
	<hr/>	<hr/>
Net Cash Inflows from Operating Activities	<u>1,894,628</u>	<u>2,470,079</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

21. ACCOMMODATION IN MANAGEMENT

	At 1 April 2017	Additions	Disposals	At 31 March 2018
General Needs – Rented	1,248	81	(3)	1,326
Shared Ownership property	49	-	(4)	45
	—	—	—	—
Total	<u>1,297</u>	<u>81</u>	<u>(7)</u>	<u>1,371</u>

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

Name of Provider	No of Units		Funds Payable to Provider	
	2018	2017	2018	2017
			£	£
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.

23. COMMITMENTS UNDER OPERATING LEASES

	2018 £	2017 £
At the year end, the total future minimum lease payments under Non – cancellable operating leases were as follows:-		
Not later than one year	12,180	7,359
Later than one year and not later than five years	13,220	13,310
	—	—
Total	<u>25,400</u>	<u>20,669</u>

24. GAIN ON DISPOSAL OF FIXED ASSETS

	2018 £	2017 £
Net proceeds from disposal of housing accommodation	546,470	490,361
Cost of Disposals	<u>(129,295)</u>	<u>(141,938)</u>
Gain/(Loss) on housing accommodation disposed of in the year	<u>417,175</u>	<u>348,423</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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.

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)

Unless a concession has been agreed with the Trustee, the term to 28 February 2022 applies.

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 £426,486 (comprising £116,153 current contributions, £217,898 payments toward past deficits and £92,435 towards the Association's Salary Exchange Scheme) to the pension scheme during the year. (2017 - £404,315 in total, of which £119,773 were current contributions, £190,585 were toward past deficits and £93,957 towards the Association's Salary Exchange Scheme).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

26. CAPITAL COMMITMENTS	2018 £	2017 £
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>3,697,329</u>
The Association expects to finance the above commitment by:		
Capital Grants Receivable	-	1,267,001
Loan Facilities and Own Funds	-	2,430,328
	<u>-</u>	<u>3,697,329</u>