



Alexander Sloan
Accountants and Business Advisers

East Lothian Housing Association Limited

Report and Financial Statements

For the year ended 31 March 2020

Registered Housing Association No. 103

FCA Reference No. 2266R(S)

Scottish Charity No. SC028900

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Contents

	Page
Members of the Management Committee, Executives and Advisers	1
Report of the Management Committee	2 - 5
Report by the Auditors on Corporate Governance Matters	6
Report of the Auditors	7
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Cash Flows	11
Statement of Changes In Equity	12
Notes to the Financial Statements	13 - 31

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVES AND ADVISERS YEAR ENDED 31 MARCH 2020

Management Committee

Peter Ewart
Brian Logan
Joyce Bolan
Robert McNeill
Iain Atkinson
Frank Colston
Jim Curran
Shirley Evans
Alan Forsyth
Peter Hayman
David Rose
Eileen Shand

Chairperson
Vice Chairperson
Secretary
Resigned 26 February 2020
Appointed 26 September 2019

EXECUTIVE OFFICERS

Martin Pollhammer

Chief Executive

REGISTERED OFFICE

18-20 Market Street
Haddington
East Lothian
EH41 3JL

EXTERNAL 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
PO14 1AH

BANKERS

Royal Bank of Scotland
32 Court Street
Haddington
EH41 3NP

BANKERS

Bank of Scotland
44 Court Street
Haddington
EH41 3NP

SOLICITORS

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

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

The Management Committee presents its report and the Financial Statements for the year ended 31 March 2020.

Legal Status

Benefit Society (No.2266R(S)), the Scottish Housing Regulator as a registered social landlord (No.103) and as a registered Scottish Charity with the charity number SC028900. The Association is governed by its Rule Book.

Principal Activities

The principal activities of the Association are the provision and management of affordable rented accommodation.

Review of Business and Future Developments

The Association's main activities over the year generated an operating surplus of £1,818,977 (2019: £1,805,493). Following the deduction of finance costs, the Association's activities generated a surplus of £792,289 (2019: £971,831) for the year before actuarial gains on the defined benefit pension plan of £1,115,000 (2019: losses of £155,000). The total revenue reserves at 31 March 2020 were £11,400,936 (2019: £10,689,647).

During the year the Association spent £3,722,774 (2019: £14,878) on the development of new properties. There was no change in the number of properties in management.

The Association spent £3,119,078 (2019: £3,090,414) on the maintenance and improvement of its properties during the year. Of this expenditure £1,016,150 (2019: £1,206,000) was spent on the replacement of components which are accounted for as assets in the Statement of Financial Position. As a result of this expenditure, 99.8% of our properties meet required energy and efficiency standards.

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 future 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, the ability of our subsidiary to expand its activities and improve its financial performance and managing the impact of the coronavirus pandemic on our operations and finances.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1.

Each member of the Management Committee holds one fully paid share of £1 in the Association. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives 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.

Statement of Management Committee's Responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires the Management Committee to prepare Financial Statements for each financial year which give 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; and
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring the Association's suppliers are paid promptly.

Going Concern

Based on its budgetary and forecasting processes the Management Committee expects that the Association has adequate resources to continue in operational existence for the foreseeable future; therefore, it continues to adopt the going concern basis of accounting in preparing the annual Financial Statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposition.

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 financial misstatement or loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
 - experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
 - forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
 - 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;
 - regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
-
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
 - the Management Committee receives 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;
 - formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

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.

During the year ended 31 March 2020, working in conjunction with the Association's Finance and Audit Sub-Committee and Audit and Assurance Committee, TIAA has reviewed the Association's systems of internal financial controls applicable to the following areas:

- Sickness and Absence Management and Monitoring
- Tenant Participation
- Tenancy Sustainment including Rental Arrears
- Care and Repair Adaptations Services

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2020

Donations

During the year the Association made charitable donations amounting to £1,000 (2019 - £1,000).

Disclosure of Information to the Auditor

The members of the Management Committee at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to auditors.

Auditors

A resolution to reappoint the Auditors, Alexander Sloan, Accountants and Business Advisers, will be proposed at the Annual General Meeting.

By order of the Management Committee



Secretary
20 August 2020

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT BY THE AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on page 4 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements relating to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 4 has provided the disclosures required by the relevant Regulatory Standards with the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes 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 within the publication 'Our Regulatory Framework' and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

[REDACTED]
Accountants and Business Advisers
Statutory Auditors
EDINBURGH
20 August 2020



Alexander Sloan
Accountants and Business Advisers

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

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

Opinion

We have audited the financial statements of East Lothian Housing Association Limited (the 'Association') for the year ended 31 March 2020 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 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 prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 Standard, and we 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 auditor's 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 Committee of Management Report.

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
- 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 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 the Management Committee

As explained more fully in the Statement of Management Committee's Responsibilities as set out on page 3, the Management Committee are 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 related 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.

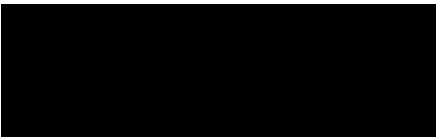
Auditor's responsibilities for the audit of the financial statements

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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorresponsibilities>. This description forms part of our audit report.

Use of our Report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's 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.


Accountants and Business Advisers
Statutory Auditors
EDINBURGH
20 August 2020



Alexander Sloan
Accountants and Business Advisers

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020	2019
		£	£
Revenue	2	8,572,677	8,225,509
Operating costs	2	6,753,700	6,420,016
OPERATING SURPLUS		1,818,977	1,805,493
Gain on sale of housing stock	7	-	39,982
Interest receivable and other income		34,950	34,918
Interest payable and similar charges	8	(903,638)	(909,562)
Movement in fair value of financial instruments	27	(130,000)	31,000
Other Finance income/(charges)	11	(28,000)	(30,000)
		(1,026,688)	(833,662)
SURPLUS FOR THE YEAR		792,289	971,831
Other comprehensive income			
Adjustment relating to opening pension liability	19	-	(363,000)
Actuarial gains/(losses) on defined benefit pension plan	19	1,155,000	(155,000)
TOTAL COMPREHENSIVE INCOME		1,947,289	453,831

The results relate wholly to continuing activities.

The notes on pages 13 to 31 form an integral part of these financial statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
NON-CURRENT ASSETS					
Housing properties - depreciated cost	12(a)		70,313,507		67,587,660
Other tangible assets	12(b)		1,102,109		1,048,888
Investments	-		1		1
			<u>71,415,617</u>		<u>68,636,549</u>
CURRENT ASSETS					
Receivables	14	2,033,027		1,976,765	
Cash and cash equivalents	15	1,621,355		1,623,592	
		<u>3,654,382</u>		<u>3,600,357</u>	
CREDITORS: Amounts falling due within one year	16	<u>(2,534,742)</u>		<u>(2,404,832)</u>	
NET CURRENT ASSETS			<u>1,119,640</u>		<u>1,195,525</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			72,535,257		69,832,074
CREDITORS: Amounts falling due after more than one year	17		(25,383,554)		(25,003,283)
PENSIONS AND OTHER PROVISIONS FOR LIABILITIES AND CHARGES					
Scottish housing association pension scheme	19	<u>(35,000)</u>		<u>(1,271,000)</u>	
DEFERRED INCOME					
Social housing grants	20	<u>(35,750,671)</u>		<u>(34,139,047)</u>	
			<u>(35,750,671)</u>		<u>(34,139,047)</u>
NET ASSETS			<u>11,366,032</u>		<u>9,418,744</u>
EQUITY					
Share capital	21		96		97
Revenue reserves			11,400,936		10,689,647
Pension reserves			(35,000)		(1,271,000)
			<u>11,366,032</u>		<u>9,418,744</u>

The financial statements were approved by the Management Committee and authorised for issue and signed on their behalf on 20 August 2020.

Chairperson

Vice Chairperson

Secretary

The notes on pages 13 to 31 form an integral part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes		2020		2019
		£	£	£	£
Surplus for the Year			792,289		971,831
<i>Adjustments for non-cash items:</i>					
Depreciation of tangible fixed assets	9	2,129,509		2,153,542	
Amortisation of capital grants	20	(1,332,637)		(1,316,662)	
Loss/(gain) on disposal of tangible fixed assets		2,274		(39,982)	
Non-cash adjustments to pension provisions		(81,000)		(107,000)	
Change in fair value of SWAP		130,000		(31,000)	
Share capital written off	21	(2)		(11)	
			848,144		658,887
Interest receivable			(34,950)		(34,918)
Interest payable	8		903,638		909,562
			848,144		658,887
Operating cash flows before movements in working capital			2,509,121		2,505,362
Change in debtors		(56,250)		(223,556)	
Change in creditors		27,736		95,553	
			(28,514)		(128,003)
Net cash inflow from operating activities			2,480,607		2,377,359
Investing Activities					
Acquisition and construction of properties		(4,640,196)		(1,227,478)	
Purchase of other fixed assets		(171,927)		(121,572)	
Social housing grant received		2,944,261		-	
Social housing grant repaid		-		(23,666)	
Proceeds on disposal of housing properties		-		55,345	
			(1,867,862)		(1,317,371)
Net cash outflow from investing activities			(1,867,862)		(1,317,371)
Financing Activities					
Loan Advances Received		1,000,000		400,000	
Interest received on cash and cash equivalents		34,938		34,875	
Interest paid on loans		(897,151)		(909,363)	
Loan principal repayments		(752,770)		(701,035)	
Share capital issued	21	1		1	
			(614,982)		(1,175,522)
Net cash outflow from financing activities			(614,982)		(1,175,522)
Decrease in cash	22		(2,237)		(115,534)
Opening cash & cash equivalents			1,623,592		1,739,126
Closing cash & cash equivalents			1,621,355		1,623,592
Cash and cash equivalents as at 31 March					
Cash	22		1,621,355		1,623,592
			1,621,355		1,623,592

The notes on pages 13 to 31 form an integral part of these financial statements.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 MARCH 2020

	Share Capital	Scottish Housing Association Pension reserve	Revenue Reserve	Total
	£	£	£	£
Balance as at 1 April 2018	107	-	8,964,816	8,964,923
Issue of Shares	1	-	-	1
Cancellation of Shares	(11)	-	-	(11)
Other comprehensive income	-	(518,000)	-	(518,000)
Other movements	-	(753,000)	753,000	-
Surplus for the year	-	-	971,831	971,831
Balance as at 31 March 2019	<u>97</u>	<u>(1,271,000)</u>	<u>10,689,647</u>	<u>9,418,744</u>
Balance as at 1 April 2019	97	(1,271,000)	10,689,647	9,418,744
Issue of Shares	1	-	-	1
Cancellation of Shares	(2)	-	-	(2)
Other comprehensive income	-	1,155,000	-	1,155,000
Other movements	-	81,000	(81,000)	-
Surplus for the year	-	-	792,289	792,289
Balance as at 31 March 2020	<u>96</u>	<u>(35,000)</u>	<u>11,400,936</u>	<u>11,366,032</u>

The notes on pages 20 to 38 form an integral part of these financial statements.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Accounting

These financial statements were 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 2018. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102, applicable for accounting periods on or after 1 January 2019. They comply with the Determination of Accounting Requirements 2019. A summary of the principal accounting policies is set out below.

Revenue

Revenue comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sales of properties built for sale, other services provided, revenue grants receivable and government grants released to income in the period.

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

Government grants are released to income over the expected useful life of the asset to which they relate. Revenue grants are receivable when the conditions for receipt of the agreed grant funding have been

Retirement Benefits

The Association participates in the Scottish Housing Association Pension Scheme (SHAPS) a multi-employer defined benefit scheme. 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 organisations taken as a whole. The Association accounts for this scheme as a defined benefit pension scheme in accordance with FRS 102.

Going Concern

On the basis that the Management Committee expects that the Association has adequate resources to continue in operational existence for the foreseeable future, the Association has adopted the going concern basis of accounting in preparing these financial statements.

Impairment

The Association assesses at the end of each accounting period whether there are indications that a non-current asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Where the carrying value of non-current assets is less than their recoverable amounts the shortfall is recognised as an impairment loss in the Statement of Comprehensive Income. The recoverable amount is the higher of the fair value less costs to sell and value-in-use of the asset based on its service potential.

Impairment losses previously recognised are reversed if the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Comprehensive Income.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Housing Properties

Housing properties are held for the provision of social housing. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes acquisition of land and buildings and development cost. The Association depreciates housing properties on a straight line basis over the useful life of each major component. Housing under construction and land are not depreciated. 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 Tangible 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:

<i>Asset Category</i>	<i>Depreciation Rate</i>
Office Premises	4%
Alterations to Office Premises	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.

Social Housing Grants and Other Capital Grants

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 they relate.

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.

Sales Of Housing Properties

First tranche shared ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating costs. 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 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.

Taxation

The Association is a Registered Scottish Charity and is not liable to taxation on its charitable activities.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Leases

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 or the term of the lease whichever is shorter.

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, a material reduction in future maintenance costs, or a significant extension of the life of the property.

Capitalisation Of Development Overheads

Directly attributable development administration costs relating to ongoing development activities are capitalised.

Borrowing Costs

All borrowing costs are expensed to the statement of comprehensive income using the effective interest rate method.

Derivative Financial Instruments

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.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a non-current asset. Surpluses made on the disposal of first tranche sales are taken to the Statement of Comprehensive Income.

Property developments that are intended for resale are included in current assets until disposal.

Housing Property Managed By Agents

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

VAT

The Association is VAT registered but the substantial 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 VAT.

Financial Instruments - Basic

The Association classes all of its loans as basic financial instruments including agreements with break clauses. 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.

Cash and Liquid Resources

Cash comprises cash at bank and in hand, deposits repayable on demand less overdrafts. Liquid resources are current asset investments that can be disposed of without penalty and are readily convertible into amounts of cash at their carrying value.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued.)

Key Judgements and estimates made in the application of Accounting Policies

The preparation of financial statements requires the use of certain accounting judgements and accounting estimates. It also requires the Association to exercise judgement in applying its 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:

Key Judgements

a) 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 Management Committee considers its cash-generating units to be the schemes in which it manages its housing property for asset management purposes.

c) Financial instrument break clauses

The Management Committee has considered the break clauses attached to the financial instruments that it has in place for its loan funding. In their judgement 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.

d) Pension Liability

The Association participates in a defined benefit pension scheme arrangement with the Scottish Housing Association Pension Scheme. The fund is administered by the Pensions Trust. The Pension Trust have developed a method of calculating each member's share of the assets and liabilities of the scheme. The Association has decided that this method is appropriate and provides a reasonable estimate of the pension assets and liabilities of the Association and has therefore adopted this valuation method.

Estimation Uncertainty

a) 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.

b) 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.

c) 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 assessment.

d) Costs of shared ownership

The Association allocates costs to shared ownership properties on an percentage basis split across the number of properties the Association owns.

e) Defined pension liability

In determining the value of the Association's share of defined benefit pension scheme assets and obligations, the valuation prepared by the Scheme actuary includes estimates of life expectancy, salary growth, inflation and the discount rate on corporate bonds.

f) Allocation of share of assets and liabilities for multi employer scheme

Judgements in respect of the assets and liabilities to be recognised are based upon source information provided by administrators of the multi employer pension schemes and estimations performed by the Pensions Trust.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Notes	2020			2019		
		Turnover £	Operating costs £	Operating surplus / (deficit) £	Turnover £	Operating costs £	Operating surplus / (deficit) £
Affordable letting activities	3	8,095,521	6,344,323	1,751,198	7,830,405	6,048,752	1,781,653
Other Activities	4	477,156	409,377	67,779	395,104	371,264	23,840
Total		8,572,677	6,753,700	1,818,977	8,225,509	6,420,016	1,805,493

3. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT FROM AFFORDABLE LETTING ACTIVITIES

	General Needs Housing £	Shared Ownership £	2020 Total £	2019 Total £
Revenue from Lettings				
Rent receivable net of service charges	6,505,761	131,607	6,637,368	6,403,813
Service charges receivable	143,300	8,307	151,607	136,958
Gross income from rent and service charges	6,649,061	139,914	6,788,975	6,540,771
Less: Rent losses from voids	26,091	-	26,091	27,028
Income from rents and service charges	6,622,970	139,914	6,762,884	6,513,743
Grants released from deferred income	1,299,904	32,733	1,332,637	1,316,662
Total turnover from affordable letting activities	7,922,874	172,647	8,095,521	7,830,405
Expenditure on affordable letting activities				
Management and maintenance administration costs	2,001,840	68,937	2,070,777	2,010,422
Service costs	128,629	8,307	136,936	128,955
Planned and cyclical maintenance, including major repairs	893,560	-	893,560	829,960
Reactive maintenance costs	1,209,368	-	1,209,368	1,053,979
Bad Debts - rents and service charges	20,605	-	20,605	(17,330)
Depreciation of affordable let properties	1,988,173	24,904	2,013,077	2,042,766
Operating costs of affordable letting activities	6,242,175	102,148	6,344,323	6,048,752
Operating surplus on affordable letting activities	1,680,699	70,499	1,751,198	1,781,653
2019	1,729,442	52,211		

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

The Association spent an additional £1,016,150 (2019: £1,206,000) on the replacement of components (kitchens, bathrooms, windows and heating systems) during the year. This component expenditure was capitalised.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Grants from Scottish Ministers	Other revenue grants	Other income	Total Turnover	Other operating costs	Operating surplus / (deficit) 2020	Operating surplus / (deficit) 2019
	£	£	£	£	£	£	£
Care and Repair Service	3,680	348,925	5,000	357,605	357,605	-	-
Medical adaptations	37,293	-	-	37,293	37,293	-	-
Other activities	-	-	35,711	35,711	14,479	21,232	20,995
Sponsorship and donations	-	-	46,547	46,547	-	46,547	2,845
Total From Other Activities	40,973	348,925	87,258	477,156	409,377	67,779	23,840
2019	28,893	326,457	39,754	395,104	371,264	23,840	

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

5. OFFICERS' EMOLUMENTS

	2020	2019
	£	£
The Officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Management Committee, managers and employees of the Association.		
Aggregate emoluments payable to Officers with emoluments greater than £60,000 (excluding pension contributions)	<u>284,844</u>	<u>213,495</u>
Pension contributions made on behalf on Officers with emoluments greater than £60,000	<u>67,721</u>	<u>48,364</u>
Emoluments payable to Chief Executive (excluding pension contributions)	79,385	77,765
Pension contributions paid on behalf of the Chief Executive	<u>22,150</u>	<u>21,709</u>
Total emoluments payable to the Chief Executive	<u>101,535</u>	<u>99,474</u>
Total emoluments paid to key management personnel	<u>352,565</u>	<u>344,125</u>

The number of Officers, including the highest paid Officer, who received emoluments, including pension contributions, over £60,000 was in the following ranges:-

	Number	Number
£70,001 to £80,000	-	1
£80,001 to £90,000	3	1
£90,001 to £100,000	-	1
£100,001 to £110,000	<u>1</u>	<u>-</u>

6. EMPLOYEE INFORMATION

	2020	2019
	No.	No.
Average monthly number of full time equivalent persons employed during the year	<u>34</u>	<u>33</u>
Average total number of employees employed during the year	<u>39</u>	<u>36</u>
Staff costs were:	£	£
Wages and salaries	1,207,333	1,139,448
National insurance costs	118,125	114,267
Pension costs	233,258	219,088
Temporary, agency and seconded staff	11,996	66,766
	<u>1,570,712</u>	<u>1,539,569</u>

Included in the above are the costs for 8 employees who were engaged in non-housing association activities (2019: 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 in their salary.

During the year the Association made payments towards the past service deficit of £229,452 (2019: £216,272).

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

7. GAIN ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	-	55,345
Cost of sales	-	15,363
	<u>-</u>	<u>39,982</u>
Gain on sale of housing stock	<u>-</u>	<u>39,982</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
On bank loans and overdrafts	903,638	909,562
	<u>903,638</u>	<u>909,562</u>

9. SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus For The Year is stated after charging/(crediting):		
Depreciation - non-current assets	2,129,509	2,153,542
Auditors' remuneration - audit services	10,887	9,463
Auditors' remuneration - other services	1,675	1,624
Operating lease rentals - other	12,282	12,276
Loss / (gain) on sale of other non-current assets	2,274	(39,982)
	<u>2,274</u>	<u>(39,982)</u>

10. CORPORATION TAX

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME / (CHARGES)

	2020	2019
	£	£
Net interest on pension obligations	(28,000)	(30,000)
	<u>(28,000)</u>	<u>(30,000)</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12(a). NON-CURRENT ASSETS

(a) Housing Properties	Housing Properties Held for Letting £	Housing Properties In course of Construction £	Shared Ownership Completed £	Total £
COST				
At 1 April 2019	88,882,934	14,878	1,672,857	90,570,669
Additions	1,016,150	3,722,774	-	4,738,924
Disposals	(406,141)	-	-	(406,141)
At 31 March 2020	<u>89,492,943</u>	<u>3,737,652</u>	<u>1,672,857</u>	<u>94,903,452</u>
DEPRECIATION				
At 1 April 2019	22,389,052	-	593,957	22,983,009
Charge for Year	1,863,891	-	24,904	1,888,795
Disposals	(281,859)	-	-	(281,859)
At 31 March 2020	<u>23,971,084</u>	<u>-</u>	<u>618,861</u>	<u>24,589,945</u>
NET BOOK VALUE				
At 31 March 2020	<u>65,521,859</u>	<u>3,737,652</u>	<u>1,053,996</u>	<u>70,313,507</u>
At 31 March 2019	<u>66,493,882</u>	<u>14,878</u>	<u>1,078,900</u>	<u>67,587,660</u>

Expenditure on Existing Properties	2020 Component replacement £	2019 Component replacement £
Amounts capitalised	1,016,150	1,206,000
Amounts charged to the statement of comprehensive income	2,102,928	1,884,414
	<u>3,119,078</u>	<u>3,090,414</u>

All land and housing properties are heritable.

The Association's lenders have standard securities over housing property with a carry value of £52,461,350 (2019 - £49,831,598).

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

12(b) NON CURRENT ASSETS (continued)

(b) Other tangible assets	Office Premises £	Furniture & Equipment £	Computer Equipment £	Total £
COST				
At 1 April 2019	1,421,569	93,361	578,664	2,093,594
Additions	78,372	1,459	92,096	171,927
Eliminated on disposals	-	-	(297,336)	(297,336)
At 31 March 2020	<u>1,499,941</u>	<u>94,820</u>	<u>373,424</u>	<u>1,968,185</u>
DEPRECIATION				
At 1 April 2019	536,884	90,670	417,152	1,044,706
Charge for year	42,830	1,575	72,027	116,432
Eliminated on disposals	-	-	(295,062)	(295,062)
At 31 March 2020	<u>579,714</u>	<u>92,245</u>	<u>194,117</u>	<u>866,076</u>
NET BOOK VALUE				
At 31 March 2020	<u>920,227</u>	<u>2,575</u>	<u>179,307</u>	<u>1,102,109</u>
At 31 March 2019	<u>884,685</u>	<u>2,691</u>	<u>161,512</u>	<u>1,048,888</u>

13. FIXED ASSET INVESTMENTS

	2020 £	2019 £
Subsidiary undertakings	1	1
	<u>1</u>	<u>1</u>

Subsidiary Undertakings

East Lothian Housing Association Limited has the following wholly owned subsidiary undertakings. The registered office of the subsidiary is 18-20 Market Street, Haddington, East Lothian.

	2020		2019	
	Reserves £	Profit / (Loss) £	Reserves £	Profit / (Loss) £
R3 Repairs Limited	(275,309)	66,301	(341,610)	20,334

14 RECEIVABLES

	2020 £	2019 £
Gross arrears of rent and service charges	317,677	297,451
Less: Provision for doubtful debts	(203,259)	(192,091)
<i>Net arrears of rent and service charges</i>	<u>114,418</u>	<u>105,360</u>
Other receivables	414,400	274,188
Amounts due from group undertakings	874,209	967,217
Loan to subsidiary - Due within one year	30,000	30,000
Loan to subsidiary - Due after more than one year	600,000	600,000
	<u>2,033,027</u>	<u>1,976,765</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

15 CASH AND CASH EQUIVALENTS

	2020	2019
	£	£
Cash at bank and in hand	1,621,355	1,623,592
	<u>1,621,355</u>	<u>1,623,592</u>

16 PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing loans	694,261	716,993
Derivative financial instruments	185,003	165,312
Trade payables	72,622	95,024
Rent received in advance	92,694	91,069
Other taxation and social security	30,315	31,794
Amounts due to group undertakings	679,409	788,520
Other payables	171,912	177,583
Accruals and deferred income	608,526	338,537
	<u>2,534,742</u>	<u>2,404,832</u>

17 PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£	£
Housing loans	22,793,557	22,523,595
Derivative financial instruments	2,589,997	2,479,688
	<u>25,383,554</u>	<u>25,003,283</u>

18. DEBT ANALYSIS - BORROWINGS

	2020	2019
	£	£
Housing loans		
Amounts due within one year	694,261	716,993
Amounts due in one year or more but less than two years	745,985	807,428
Amounts due in two years or more but less than five years	2,224,724	2,264,032
Amounts due in more than five years	19,822,848	19,452,135
	<u>23,487,818</u>	<u>23,240,588</u>

The Association has a number of bank loans the principal terms of which are as follows:

Lender	Number of Properties Secured	Effective Interest Rate	Maturity (Year)	Variable or 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 94 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	2.3%	2042	Fixed
East Lothian Council	Standard Security over 199 properties	2.81%-5.40%	2039-2047	Fixed
The Scottish Government	Standard Security over 12 properties	13.0%	2020	Fixed
CAF Bank	Standard Security over 28 properties	Base +1.6%	2045	Variable

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS

Scottish Housing Association Pension Scheme

East Lothian Housing Association Limited participates in the Scottish Housing Association Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 pensions schemes in the UK.

The last valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £877m. The valuation revealed a shortfall of assets compared with the value of liabilities of £121m (equivalent to a past service funding level of 89%). A recovery plan is in place to eliminate the past service deficit which runs to 30 September 2022.

The Scheme operates on a 'last man standing' basis, meaning that in the event of an employer withdrawing from the Scheme and being unable to pay its share of the debt on withdrawal, then the liability of the withdrawing employer is reapportioned amongst the remaining employer. Therefore in certain circumstances the Association may become liable for the obligations of a third party.

In 2019 the Pensions Trust, the administrator of the Scheme developed a method of determining the share of assets and liabilities for individual employers. This method was adopted by the Association in 2019 and resulted in an adjustment to the opening pension liability recognised in the statement of financial position of (£363,000).

Present values of defined benefit obligation, fair value of assets and defined benefit asset / (liability)

	2020	2019	2018
	£	£	£
Fair value of plan assets	7,075,000	6,064,000	6,304,000
Present value of defined benefit obligation	7,110,000	7,335,000	7,527,000
Surplus / (deficit) in plan	<u>(35,000)</u>	<u>(1,271,000)</u>	<u>(1,223,000)</u>
Defined benefit asset / (liability) to be recognised	<u>(35,000)</u>	<u>(1,271,000)</u>	<u>(1,223,000)</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £	2019 £
Defined benefit obligation at the start of period	7,335,000	7,527,000
Current service cost	337,000	287,000
Expenses	7,000	7,000
Interest expense	174,000	185,000
Contributions by plan participants	21,000	26,000
Actuarial losses (gains) due to scheme experience	256,000	(134,000)
Actuarial losses (gains) due to changes in demographic assumptions	(43,000)	18,000
Actuarial losses (gains) due to changes in financial assumptions	(868,000)	493,000
Benefits paid and expenses	(109,000)	(1,074,000)
Defined benefit obligation at the end of period	<u>7,110,000</u>	<u>7,335,000</u>

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £	2019 £
Fair value of plan assets at start of period	6,064,000	6,304,000
Interest income	146,000	155,000
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	500,000	222,000
Contributions by the employer	453,000	431,000
Contributions by plan participants	21,000	26,000
Benefits paid and expenses	(109,000)	(1,074,000)
Fair value of plan assets at the end of period	<u>7,075,000</u>	<u>6,064,000</u>

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £646,000

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Defined benefit costs recognised in the statement of comprehensive income

	2020	2019
	£	£
Current service cost	337,000	287,000
Expenses	7,000	7,000
Net interest expense	28,000	30,000
	<u>372,000</u>	<u>324,000</u>
Defined benefit costs recognised in statement of comprehensive income	372,000	324,000

Defined benefit costs recognised in the other comprehensive income

	2020	2019
	£	£
Experience on plan assets (excluding amounts included in interest income) - gain /(loss)	500,000	222,000
Experience gains and losses arising on plan liabilities - gain /(loss)	(256,000)	134,000
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligations - gain /(loss)	43,000	(18,000)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligations - gain / (loss)	868,000	(493,000)
	<u>1,155,000</u>	<u>(155,000)</u>
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain / (loss)	1,155,000	(155,000)
	<u>1,155,000</u>	<u>(155,000)</u>
Total amount recognised in other comprehensive income - gain (loss)	1,155,000	(155,000)

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

19. RETIREMENT BENEFIT OBLIGATIONS (continued)

Scottish Housing Association Pension Scheme (continued.)

Assets	2020	2019	2018
	£	£	£
Absolute Return	434,000	514,000	748,000
Alternative Risk Premia	567,000	339,000	239,000
Corporate Bond Fund	517,000	425,000	440,000
Credit Relative Value	170,000	105,000	-
Distressed Opportunities	129,000	103,000	29,000
Emerging Markets Debt	252,000	194,000	216,000
Fund of Hedge Funds	-	17,000	181,000
Global Equity	973,000	976,000	1,134,000
Infrastructure	417,000	254,000	115,000
Insurance-Linked Securities	190,000	157,000	172,000
Liability Driven Investment	1,863,000	2,158,000	2,219,000
Long Lease Property	173,000	74,000	-
Net Current Assets	54,000	6,000	12,000
Over 15 Year Gilts	90,000	156,000	204,000
Private Debt	140,000	78,000	58,000
Property	132,000	120,000	249,000
Risk Sharing	224,000	176,000	57,000
Secured Income	393,000	212,000	231,000
Opportunistic Illiquid Credit	172,000	-	-
Liquid Credit	185,000	-	-
Total assets	<u>7,075,000</u>	<u>6,064,000</u>	<u>6,304,000</u>

None of the fair values of the assets shown above include any direct investment in the Association's own financial instruments or any property occupied by, or other assets used by the Association.

Key Assumptions

	2020	2019	2018
Discount Rate	2.4%	2.3%	2.6%
Inflation (RPI)	2.6%	3.3%	3.2%
Inflation (CPI)	1.6%	2.3%	2.2%
Salary Growth	2.6%	3.3%	3.2%
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 years (years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	<u>24.5</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

20. DEFERRED INCOME

	Social Housing Grants £	Total £
Capital grants received		
At 1 April 2019	53,297,706	53,297,706
Additions in the year	2,944,261	2,944,261
At 31 March 2020	<u>56,241,967</u>	<u>56,241,967</u>
Amortisation		
At 1 April 2019	19,158,659	19,158,659
Amortisation in year	1,332,637	1,332,637
At 31 March 2020	<u>20,491,296</u>	<u>20,491,296</u>
Net book value		
At 31 March 2020	<u>35,750,671</u>	<u>35,750,671</u>
At 31 March 2019	<u>34,139,047</u>	<u>34,139,047</u>

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

	2020 £	2019 £
Amounts due within one year	1,335,800	1,332,637
Amounts due in more than one year	34,414,871	32,806,410
	<u>35,750,671</u>	<u>34,139,047</u>

21. SHARE CAPITAL

	2020 £	2019 £
Shares of £1 each, issued and fully paid		
At 1 April	97	107
Issued in year	1	1
Cancelled in year	(2)	(11)
At 31 March	<u>96</u>	<u>97</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.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

22. CASH FLOWS

Reconciliation of net cash flow to movement in net debt

	2020		2019	
	£	£	£	£
Decrease in cash	(2,237)		(115,534)	
Cashflow from change in net debt	2,232,458		1,007,986	
Movement in net debt during the year		2,230,221		892,452
Net debt at 1 April		(24,096,684)		(24,989,136)
Net debt at 31 March		(21,866,463)		(24,096,684)

	At 01 April 2019	Cashflows	Other Changes	At 31 March 2020
	£	£	£	£
Cash and cash equivalents	1,623,592	(2,237)	-	1,621,355
Debt: Due within one year	1,623,592	(2,237)	-	1,621,355
Due after more than one year	(716,993)	(247,230)	269,962	(694,261)
Net debt	(25,003,283)	2,479,688	(269,962)	(22,793,557)
	(24,096,684)	2,230,221	-	(21,866,463)

23. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure that has been contracted for but has not been provided for in the financial statements	3,000,296	5,021,466

The above commitments will be financed by a mixture of public grant, private finance and the Association's own resources.

24. COMMITMENTS UNDER OPERATING LEASES

	2020	2019
	£	£
At the year end, the total minimum lease payments under non-cancellable operating leases		
Other		
Expiring in the next year	4,745	11,706
Expiring later than one year and not later than five years	1,615	6,361

25. DETAILS OF 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, East Lothian, EH41 3JL.

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

26. MANAGEMENT COMMITTEE MEMBER EMOLUMENTS

Management Committee members received £346 (2019 - £560) in the year by way of reimbursement of expenses. No remuneration is paid to members in respect of their duties to the Association.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

27. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS

	2020	2019
	£	£
Opening fair value of derivative financial instruments	2,645,000	2,676,000
Change in fair value of derivative financial instruments	130,000	(31,000)
	<u>2,775,000</u>	<u>2,645,000</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.

28. HOUSING STOCK

	2020	2019
	No.	No.
The number of units of accommodation in management at the year end was:-		
General needs	1,326	1,326
Shared ownership	44	44
	<u>1,370</u>	<u>1,370</u>

Housing units managed by the Association and leased to another body:

Name of Organisation	Number of Units	
	2020	2019
	No.	No.
Blue Triangle (Glasgow) Housing Association	9	9
East Lothian Council	14	14

29. RELATED PARTY TRANSACTIONS

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

Any transactions between the Association and any entity with which a Management Committee member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Management Committee members (and their close family) were as follows:

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 £44,361 (2019: £38,311) for legal fees under normal commercial terms. £4,826 (2019: £17,378) of these fees are included within accruals at 31 March 2020.

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 NOTES TO THE FINANCIAL STATEMENTS (continued)

29 RELATED PARTY TRANSACTIONS (continued)

During the year, members of the Management Committee, members of the Association's Key Management Personnel and one of the subsidiary's Directors used R3 Direct Direct Services. The total amount due from these parties was £6,680 (2019: £1,918) of which £nil (2019: £778) of this balance was outstanding at the year end.

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

	2020	2019
	£	£
Occupancy Charge	7,500	7,500
Recharge for share of management and administration costs	228,619	190,843
Interest on Loan	29,710	29,394

The Association procured repairs and maintenance services to a total cost of £2,711,019 (2019: £2,713,548) for the year from its subsidiary. All transactions were made at arms 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 £874,209 (2019: £967,217) to the Association and the Association due the sum of £679,409 (2019: £788,520) to its subsidiary at 31 March 2020, 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 (2019: £1,000) to the East Lothian Care & Repair Charitable Trust. Paula Oliver, Director of Finance and David Rose, member of the ELHA Management Committee and Director of R3 Repairs Limited are both Trustees of this Trust.