

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

**Registered Scottish Charity No. SC028900
FSA Registration No. 2266R(S)
Registered Housing Association No.103**

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE AND ADVISERS

Management Committee at 31 March 2011

Peter Hayman	Chair
John Holcombe	Vice Chair to 28 October 2010
Brian Gegan	Appointed 6 September 2010, Vice Chair from 28 October 2010
Joyce Bolan	Secretary
Alan Clydesdale	
Jim Curran	
Frank Colston	
Shirley Evans	
Brian Logan	
Robert McNeil	
Andrew Robinson	
David Rose	Appointed 6 September 2010
Ian Shearer	
Fiona Sheldon	
Suzanne Vestri	Resigned 20 November 2010

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	Royal Bank of Scotland
44 Court Street	32 Court Street
Haddington	Haddington
EH41 3NP	EH41 3NP

Auditors

Alexander Sloan
Chartered Accountants & Statutory Auditors
1 Atholl Place
Edinburgh
EH3 8HP

Solicitors

Anderson Strathern W.S.	Blacklocks
Solicitors	Solicitors
14 Court Street	89 Constitution Street
Haddington	Edinburgh
EH41 3JA	EH6 7AS

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2011

The Management Committee present their report and the audited financial statements for the year ended 31 March 2011.

Legal Status

The Association is registered as a non-profit making organisation under the Industrial and Provident Societies Act 1965 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 £1,101,370 (2010: £764,631). Disposal of fixed assets during the year gave rise to a gain of £22,822 (2010: £64,806). Following the deduction of finance costs, the Association's activities generated a surplus of £1,161,189 (2010: £120,143) for the year. This surplus includes an exceptional item of £817,202, being the approved retention of excess proceeds from the sale of properties through the Right to Buy previously included in creditors. A sum of £197,451 has been transferred to designated reserves, resulting in the total accumulated surplus increasing by £963,738 to £2,199,766 (2010: £1,236,028).

During the year the Association spent £6.1 million on the development of new properties and completed 50 homes for rent, it also purchased 2 properties under the Mortgage to Rent Scheme, reinstated a residential property which had been used as temporary office accommodation and sold one property under Right to Buy. There was a net increase to accommodation in management of 52 units.

The Association's subsidiary R3 Repairs limited commenced trading on 15 April 2010, providing maintenance and repair services to the Association, two other Housing Associations and to Care and Repair clients.

The Committee is satisfied with the Association's financial performance during the year and with the year end position, it does however recognise the challenges ahead. These challenges include obtaining development funding in the current economic climate, ensuring our properties meet the Scottish Housing Quality Standard by 2015 and accommodating increased contributions to the pension scheme.

Changes in Fixed Assets

During the year the cost of the Association's housing properties has increased as detailed in Note 10. The Association acquired new office accommodation at a cost of £1.05m in April 2010.

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 Management Committee and Executive Officers

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 2011

Donations

The Association made donations to other charitable organisations during the year of £1,000 (2010: £1,000).

Statement of Management Committee's Responsibilities

The Industrial and Provident Societies Acts 1965 to 2002 require the Management Committee to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that period. In preparing those Financial Statements, the Management Committee is required to:-

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.
- prepare a statement on Internal Financial Control.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. They are 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, have regard to the substance of the reported transaction or arrangement in accordance with generally accepted accounting principles and practice.

In so far as the Management Committee is aware:

- There is no relevant audit information (information needed by the Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Management Committee has taken all steps that they ought to have taken to make itself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Statement on Internal Financial Control

1. The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of financial controls that is appropriate for the business environment in which it operates. These financial controls are designed to give reasonable assurance with respect to:
 - 1.1 the reliability of financial information used within the Association, or for publication;
 - 1.2 the maintenance of proper accounting records;
 - 1.3 the safeguarding of assets against unauthorised use or disposition.
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;

**REPORT OF THE MANAGEMENT COMMITTEE
FOR THE YEAR ENDED 31 MARCH 2011**

Statement on Internal Financial Control

- 2.2 experienced and suitably qualified staff take responsibility for important business functions, and annual appraisal procedures have been established to maintain standards of performance;
 - 2.3 regular 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 reports.
3. The Association's internal audit service is provided by The Internal Audit Association, who have carried out a full risk assessment and are undertaking a rolling three year programme of tests, which has been approved by the Management Committee.
 4. During the year ended 31 March 2011, working in conjunction with the Association's Finance and Audit Sub-Committee, The Internal Audit Association have reviewed the Association's systems of internal controls applicable to the following areas:
 - IT Security
 - Governance - Strategic Control
 - Responsive Maintenance
 - Rent Setting, Collection & Arrears

No weaknesses were found in the internal financial controls, which resulted in material losses, contingencies or uncertainties or which require disclosure in the financial statements or in the auditor's report on the financial statements.

Auditors

Following a comprehensive tendering process, a resolution to re-appoint as auditors, Alexander Sloan, Chartered Accountants will be proposed at the Annual General Meeting.

By order of the Management Committee



J Bolan, Secretary
23 June 2011

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED FOR THE YEAR ENDED 31 MARCH 2011

We have audited the financial statements of East Lothian Housing Association Limited for the year ended 31st March 2011 which comprise an income and expenditure account, balance sheet, cash flow statement and related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Management Committee and Auditors

As described in the Statement of Management Committee's Responsibilities the Association's Management Committee, are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the Management Committee's Report is consistent with the Financial Statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Management Committee's remuneration and transactions with the Association is not disclosed.

We read the Management Committee's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Management Committee in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion on the financial statements

In our opinion the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Association's affairs as at 31st March 2011 and of its income and expenditure and cash flow for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

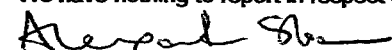
In our opinion, the information given in the Management Committee's Report is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- certain disclosures of 's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



ALEXANDER SLOAN
Chartered Accountants & Statutory Auditors
GLASGOW
23 June 2011

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF EAST LOTHIAN HOUSING ASSOCIATION LIMITED
FOR THE YEAR ENDED 31 MARCH 2011**

Corporate Governance Matters

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 section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

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 section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" 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 section on Internal Financial Control within SFHA's "Raising Standards in Housing".



Alexander Sloan
Chartered Accountants

23 June 2011

EAST LOTHIAN HOUSING ASSOCIATION LIMITED**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	2011 £	2010 £
TURNOVER	2	4,630,873	4,203,516
Operating Costs	2	(3,522,625)	(3,438,885)
		<hr/>	<hr/>
Operating Surplus		1,108,248	764,631
Gain on Sale of Housing Stock	29	15,944	64,806
Exceptional Item	31	817,202	-
Interest Receivable		26,244	24,142
Interest Payable and Similar Charges	7	(806,449)	(733,436)
		<hr/>	<hr/>
Surplus for the Year	8	<u>1,161,189</u>	<u>120,143</u>

All amounts relate wholly to continuing activities.

All recognised surpluses and deficits have been included in the Income and Expenditure Account. Historical cost surpluses and deficits are identical to those shown in the accounts.

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

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

BALANCE SHEET AS AT 31 MARCH 2011

	Note	2011 £	2010 £
FIXED ASSETS			
Housing Properties - Cost less Depreciation	10	66,177,513	60,247,683
Less: Social Housing Grants	11	(45,360,555)	(41,977,137)
Other Grants	11	(586,507)	(586,507)
Other Fixed Assets	12	20,230,451 1,323,920	17,684,039 262,383
		<u>21,554,371</u>	<u>17,946,422</u>
FIXED ASSET INVESTMENT	13	1	1
CURRENT ASSETS			
Development cost of Housing Property	14	-	16,364
Debtors	15	1,115,170	475,234
Cash at Bank and in Hand		1,973,821	3,673,296
		3,088,991	4,164,894
CREDITORS - Amounts falling due within one year	16	(1,453,383)	(2,042,465)
NET CURRENT ASSETS		1,635,608	2,122,429
TOTAL ASSETS LESS CURRENT LIABILITIES		23,189,980	20,068,852
CREDITORS - Amounts falling due after more than one year	17	(18,012,516)	(16,052,577)
NET ASSETS		<u>5,177,464</u>	<u>4,016,275</u>
CAPITAL AND RESERVES			
Called up Share Capital	18	130	130
Designated Reserves	19	2,977,568	2,780,117
Accumulated Surplus	20	2,199,766	1,236,028
		<u>5,177,464</u>	<u>4,016,275</u>

The Financial Statements on pages 8 to 28 were approved by the Management Committee on 23 June 2011 and signed on its behalf by:-

A. P. Hayman
A P Hayman
Chairman

Brian Logan
B Logan
Committee Member

J. Bolan
J Bolan
Secretary

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

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

	Note	£	2011 £	£	2010 £
Net Cash Inflow from Operating Activities	23		1,001,515		1,135,856
Returns on Investments and Servicing of Finance					
Interest Received		25,309		50,894	
Interest Paid		(811,026)		(728,273)	
Net Cash Outflow from Returns on Investments and Servicing of Finance			(785,718)		(677,379)
Capital Expenditure and Financial Investment					
Acquisition and Construction of Properties		(6,031,455)		(9,357,337)	
Purchase of Other Fixed Assets		(1,149,883)		(100,936)	
Social Housing Grant Received		3,478,411		5,843,800	
Other Capital Grants Received		-		96,176	
Loan to Subsidiary		(300,000)		-	
Proceeds on Disposal of Properties		26,285		96,763	
Net Cash Outflow from Capital Expenditure			(3,976,641)		(3,421,534)
Net Cash Outflow before use of Liquid Resources and Financing			(3,760,844)		(2,963,057)
Financing					
Loan Advances Received			2,760,964		3,923,000
Loan Principal Repayments			(699,600)		(198,588)
Share Capital Issued			5		8
(Decrease)/ Increase in Cash	24		(1,699,475)		761,363

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES

Introduction and Accounting Basis

These financial statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting by Registered Social Landlords 2008 and on the historical cost basis. They also comply with the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The financial statements for East Lothian Housing Association Limited present information about it as an individual undertaking and not about its group. A summary of the more important accounting policies is set out below.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from Scottish Ministers and the Local Authority.

Retirement Benefits

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

Valuation of Housing Properties

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at an annual rate of 1% -1.25%. Land is not depreciated. Housing properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount.

Depreciation and Impairment of Other Fixed Assets

Other Fixed Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	4%
Alterations to Office Premises	33.33%
Computer Equipment	10%-25%
Office Equipment Fixtures & Fittings	15%-20%
Vans, Tools & Plant	20%-50%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Social Housing Grant and Other Grants in Advance/Arrears

Where developments have been financed wholly or partly by Social Housing Grant or other capital grant, the cost of those developments has been reduced by the amount of the grant receivable. The amount of the grants receivable is shown separately on the Balance Sheet.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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. Disposals of subsequent tranches are treated as fixed asset disposals with the gain or loss on disposal shown in the income and expenditure account in accordance with the Statement of Recommended Practice.

Disposals of housing property under the Right to Buy scheme are treated as a fixed asset disposal and any gain and loss on disposal accounted for in the Income and Expenditure Account.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Income and Expenditure Account on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives.

Capitalisation of Major Repairs Expenditure

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

Capitalisation of Development Overheads

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

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Designated Reserves

The Association has designated part of its reserves to meet its long term obligations.

The Cyclical Maintenance Reserve has been designated to meet future repair and maintenance obligations which are cyclical in nature. These are carried out in accordance with a planned programme of works.

The Major Repairs Reserve is based on the Association's liability to maintain housing properties in a state of repair which meets the requirements of the Scottish Housing Quality Standard.

The Service Equipment Replacement reserve has been designed to meet future costs of replacing service equipment.

Property Development Cost

The proportion of the development cost of shared ownership properties expected to be disposed of as a first tranche sale is held in current assets until it is disposed of. The remaining part of the development cost is treated as a fixed asset. Surpluses made on the disposal of first tranche sales are taken to the Income and Expenditure Account in accordance with the Statement of Recommended Practice.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Property Development Cost (continued)

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

Housing Property Managed by Agents

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

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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

			2011		2010		
	Note	Turnover	Operating	Operating	Turnover	Operating	Operating
		£	Costs	Surplus	£	Costs	Surplus
			£	£		£	£
Social Lettings	3	4,156,132	(3,062,405)	1,093,727	3,835,599	(3,076,136)	759,463
Other Activities	4	474,741	(460,220)	14,521	367,917	(362,749)	5,168
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL		<u>4,630,873</u>	<u>(3,522,625)</u>	<u>1,108,248</u>	<u>4,203,516</u>	<u>(3,438,885)</u>	<u>764,631</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Shared Ownership £	2011 Total £	2010 Total £
Income from Social Lettings				
Rent Receivable net of Service Charges	3,962,666	115,704	4,078,370	3,775,549
Service Charges Receivable	94,251	11,209	105,460	87,232
	<hr/>	<hr/>	<hr/>	<hr/>
	4,056,917	126,913	4,183,830	3,862,781
Less: Rent Losses from Voids	(26,955)	(743)	(27,698)	(27,182)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Income from Social Letting	<u>4,029,962</u>	<u>126,170</u>	<u>4,156,132</u>	<u>3,835,599</u>
Expenditure on Social Letting Activities				
Service Costs	90,478	2,676	93,154	105,838
Management and Maintenance Admin Costs	1,414,281	69,982	1,484,263	1,313,183
Reactive Maintenance	574,145	38	574,183	563,950
Bad Debts – Rents and Service Charges	22,084	-	22,084	26,566
Planned and Cyclical Maintenance (Including Major Repairs)	721,209	-	721,209	917,949
Depreciation of Social Housing	163,693	3,819	167,512	148,650
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Costs of Social Letting	<u>2,985,890</u>	<u>76,515</u>	<u>3,062,405</u>	<u>3,076,136</u>
Operating Surplus on Social Letting Activities	<u>1,044,072</u>	<u>49,655</u>	<u>1,093,727</u>	<u>759,463</u>
2010	<u>718,231</u>	<u>41,232</u>	<u>759,463</u>	

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

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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

	From Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	Operating Costs Bad Debts £	Operating Costs Other £	Surplus / (Deficit) 2011 £	Surplus / (Deficit) 2010 £
Care and Repair Service	-	313,768	-	-	313,768	-	313,768	-	-
Shared Ownership (First Tranche Re-Sales)	-	-	-	26,612	26,612	-	16,364	10,248	-
Medical Adaptations	113,515	-	-	-	113,515	-	116,883	(3,368)	(1,035)
Other Activities	-	-	-	20,846	20,846	-	13,205	7,641	6,203
Total from Other Activities	113,515	313,768	-	47,458	474,741	-	460,220	14,521	5,168
 2010	 49,471	 301,308	 -	 17,138	 367,917	 -	 362,749	 5,168	 -

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

5. OFFICERS' EMOLUMENTS

The Officers are defined in section 74 of the Industrial & Provident Societies Act 1965 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:

	2011 Number	2010 Number
£60,001 - £70,000	1	2
£70,001 - £80,001	2	-
	£	£

Aggregate Emoluments payable to Officers with Emoluments greater than £60,000 (excluding pension contributions)

215,371 **130,820**

Emoluments payable to Chief Executive (excluding pension contributions)

78,514 **63,497**

Pension contributions made on behalf of Officers with emoluments greater than £60,000

30,757 **18,078**

6. EMPLOYEE INFORMATION

The average monthly number of full time equivalent persons employed during the year was:

	2011 Number	2010 Number
	<u>31</u>	<u>30</u>

Staff Costs were:

	£	£
Wages and Salaries	1,059,824	933,297
Social Security	81,951	70,681
Pension (Note 30)	149,681	133,087
Temporary, Agency and Seconded Staff	24,416	10,105
	<u>1,315,872</u>	<u>1,147,170</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

On Bank Loans and Overdrafts

	2011 £	2010 £
	<u>806,449</u>	<u>733,436</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £	2010 £
Surplus on Ordinary Activities before Taxation is stated after charging:		
Depreciation - Tangible Owned Fixed Assets	255,858	171,669
Auditors' Remuneration - Audit Services	9,234	7,976
- Other Services	1,200	411
Loss on Disposal of Other Fixed Assets	-	342
Operating Lease Rentals - Plant and Machinery	10,678	8,729

9. TAXATION

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

10. TANGIBLE FIXED ASSETS

Housing Properties Gross Cost

	LSVT Housing Properties held for Letting £	Non-LSVT Housing Properties held for Letting £	Housing Properties Under Construction £	Shared Ownership Housing Properties £	Total £
Cost					
At 1st April 2010	5,787,802	49,810,868	3,796,433	2,172,177	61,567,280
Schemes Completed in Year	-	6,719,548	(6,719,548)	-	-
Additions	-	61,949	6,045,734	-	6,107,683
Disposals	(11,796)	-	-	-	(11,796)
	<u>5,776,006</u>	<u>56,592,365</u>	<u>3,112,619</u>	<u>2,172,177</u>	<u>67,663,167</u>
At 31 March 2011					
Depreciation					
At 1st April 2010	672,347	597,656	-	49,594	1,319,597
Charge for year	48,204	115,488	-	3,820	167,512
Released on Disposals	(1,455)	-	-	-	(1,455)
	<u>719,096</u>	<u>713,144</u>	<u>-</u>	<u>53,414</u>	<u>1,485,654</u>
At 31 March 2011					
Net Book Values Before Grants					
As at 31 March 2011	<u>5,056,910</u>	<u>55,879,221</u>	<u>3,122,619</u>	<u>2,118,763</u>	<u>66,177,513</u>
As at 31 March 2010	<u>5,115,457</u>	<u>49,213,212</u>	<u>3,796,433</u>	<u>2,122,583</u>	<u>60,247,683</u>

All housing properties are freehold.

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

11. TANGIBLE FIXED ASSETS

Grants	Non-LSVT Housing Properties held for Letting £	Housing Properties Under Construction £	Shared Ownership Housing Properties £	Total £
Social Housing Grant				
At 1 April 2010	36,749,405	3,640,873	1,586,859	41,977,137
Schemes Completed in Year	4,087,975	(4,087,975)	-	-
Additions	-	3,383,418	-	3,383,418
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	<u>40,837,380</u>	<u>2,936,316</u>	<u>1,586,859</u>	<u>45,360,555</u>
Other Grants				
As at 1 April 2010	584,710	-	1,797	586,507
Schemes Completed in Year	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	<u>584,710</u>	<u>-</u>	<u>1,797</u>	<u>586,507</u>
Total Grants				
At 31 March 2011	<u>41,422,090</u>	<u>2,936,316</u>	<u>1,588,656</u>	<u>45,947,062</u>
At 31 March 2010	<u>37,334,115</u>	<u>3,640,873</u>	<u>1,588,656</u>	<u>42,563,644</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

12. TANGIBLE FIXED ASSETS

Other Fixed Assets	Office Premises £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 April 2010	292,372	74,532	85,033	551,937
Additions	1,053,750	16,340	79,793	1,149,883
Disposals	-	(2,575)	(8,415)	(10,990)
	<u>1,346,122</u>	<u>88,297</u>	<u>256,411</u>	<u>1,690,830</u>
Depreciation				
At 1 April 2010	142,911	39,595	107,048	289,554
Charge for the Year	39,920	7,443	40,983	88,346
Released on Disposals	-	(2,575)	(8,415)	(10,990)
	<u>182,831</u>	<u>44,463</u>	<u>139,616</u>	<u>366,910</u>
Net Book Value				
At 31 March 2011	<u>1,163,291</u>	<u>43,834</u>	<u>116,795</u>	<u>1,323,920</u>
At 31 March 2010	<u>149,461</u>	<u>34,937</u>	<u>77,985</u>	<u>262,383</u>

13. FIXED ASSET INVESTMENT

	2011 £	2010 £
Investment in Subsidiary	1	1

The Association owns 100% of the ordinary share capital of its subsidiary, R3 Repairs Limited. The subsidiary was incorporated on 15 June 2009. The relationship between the Association and its subsidiary is set out in an independence agreement between both parties.

14. PROPERTY DEVELOPMENT COSTS

	2011 £	2010 £
Completed properties unsold	-	<u>16,364</u>

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

15. DEBTORS

	2011	2010
	£	£
Amounts falling due within one year:		
Rental Debtors	258,996	150,603
Less: Provision for Bad and Doubtful Debts	(47,083)	(42,156)
	<u>211,913</u>	<u>108,447</u>
Loan to Subsidiary	300,000	-
Due from Subsidiary	251,200	53,172
Social Housing Grants Receivable	123,485	218,478
Other Debtors	104,433	56,116
Prepayments and Accrued Income	124,139	39,021
	<u>1,115,170</u>	<u>475,234</u>

The loan to the Association's subsidiary is not re-payable within one year as it does not fall due until 31 March 2015.

16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR:-

	£	£
Housing Loans (see note 17)	409,135	307,710
Rent in Advance	22,287	66,023
Due to Subsidiary	254,938	-
Trade Creditors	84,477	183,616
Other Creditors	23,988	21,042
Other Taxation and Social Security	48,349	27,682
Scottish Ministers RTB Excess	-	817,202
Accruals and Deferred Income	610,209	619,190
	<u>1,453,383</u>	<u>2,042,465</u>

The liability to the Scottish Ministers, for sums due in respect of the RTB excess, was cancelled during the year as a consequence of the termination of the terms of the Sale and Purchase Agreement for the stock transfer properties. The creditor has therefore been transferred to the Income and Expenditure Account as an exceptional item.

17. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011	2010
	£	£
Housing Loans	18,012,516	16,052,577
	<u>18,012,516</u>	<u>16,052,577</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

Housing Loans are secured by standard securities over the Association's housing properties and are repayable at varying rates of interest in installments, due as follows:-

	2011 £	2010 £
Within one year	409,135	307,710
Between one and two years	426,743	367,522
Between two and five years	1,387,880	1,204,480
In five years or more	16,197,893	14,480,575
	<hr/>	<hr/>
	18,421,651	16,360,287
Less: Amount shown in Current Liabilities	409,135	307,710
	<hr/>	<hr/>
	<u>18,012,516</u>	<u>16,052,577</u>

18. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Shares of £1 each Issued and Fully Paid		
At 1 April 2010	130	126
Issued in year	5	8
Cancelled in year	(5)	(4)
	<hr/>	<hr/>
At 31 March 2011	<u>130</u>	<u>130</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.

19. DESIGNATED RESERVES

	At 1 April 2010 £	Transfer (to)/ from Revenue Reserves £	At 31 March 2011 £
Cyclical Maintenance Reserve	321,891	82,579	404,470
Major Repairs Reserve	2,383,302	103,922	2,487,224
Service Equipment Replacement	74,924	10,950	85,874
	<hr/>	<hr/>	<hr/>
Total	<u>2,780,117</u>	<u>197,451</u>	<u>2,977,568</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**20. ACCUMULATED SURPLUS**

	2011 £	2010 £
Surplus for the year	1,161,189	120,143
Transfer (to)/ from Designated Reserves	(197,451)	265,905
	<hr/>	<hr/>
Surplus after Transfers	963,738	386,048
Brought forward at 1 April 2010	<u>1,236,028</u>	<u>849,980</u>
Carried forward at 31 March 2011	<u>2,199,766</u>	<u>1,236,028</u>

21. RELATED PARTY TRANSACTIONS

Members of the Management Committee are related parties of the Association as defined by Financial Reporting Standard 8. Two Management Committee members are also tenants of the Association; their tenancies are on the Association's normal tenancy terms.

Management Committee Members cannot use their position to their advantage. Any transaction between the Association and any entity, with which a Management Committee member has a connection, is made at arms length and is under normal commercial terms.

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

	£
Occupancy Charge	7,500
Recharge for share of management and administration costs	183,066
Interest on loan	12,045

The Association procured repairs and maintenance services to a total cost of £853,423 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 £300,000, under the terms of a formal agreement, to its subsidiary. In addition to this loan, the subsidiary was due the sum of £251,200 to the Association and the Association due the sum of £254,938 to its subsidiary at 31 March 2011, for services invoiced but not yet settled.

22. CAPITAL COMMITMENTS

	2011 £	2010 £
Housing Developments		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>3,665,348</u>	<u>6,249,075</u>
Other Fixed Assets		
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>20,000</u>	<u>1,058,190</u>
 The Association expects to finance the above commitment by:		
Capital Grant Receivable	707,944	2,828,422
Loan Facilities and Own Funds	2,977,404	4,478,843
	<hr/>	<hr/>
	<u>3,685,348</u>	<u>7,307,265</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 201123. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET
CASH FLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating Surplus	1,108,248	764,631
Depreciation	255,858	171,669
Change in properties developed for re-sale	16,364	-
Share Capital Written Off	(5)	(4)
(Increase) in Debtors	(433,993)	(51,583)
Loss on Disposal of Other Fixed Assets	-	342
Change in Creditors	55,043	250,801
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	<u>1,001,515</u>	<u>1,135,856</u>

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

	2011 £	2010 £
(Decrease)/Increase in Cash in the period	(1,699,475)	761,363
Cash flow from change in debt	(2,061,364)	(3,724,412)
	<hr/>	<hr/>
Movement in net debt during year	(3,760,839)	(2,963,049)
Net Debt at April 2010	(12,686,991)	(10,538,470)
	<hr/>	<hr/>
Net Debt at 31 March 2011	<u>(16,447,830)</u>	<u>(13,501,519)</u>

25. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2010 £	Cash Flows & Other Changes £	At 31 March 2011 £
Cash in hand, at bank	3,673,296	(1,699,475)	1,973,821
Debt due within 1 year	(307,710)	(101,425)	(409,135)
Debt due after 1 year	(16,052,578)	(1,959,939)	(18,012,516)
	<hr/>	<hr/>	<hr/>
Net Debt	<u>(12,686,991)</u>	<u>(3,760,839)</u>	<u>(16,447,830)</u>

EAST LoTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

26. ACCOMMODATION IN MANAGEMENT

	At 1 April 2010	Additions	Disposals	At 31 March 2011
General Needs – LSVT & New Build	1,094	53	(1)	1,146
General Needs – Rehabilitation	15	-	-	15
Shared Ownership property	57	-	-	57
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>1,166</u>	<u>53</u>	<u>(1)</u>	<u>1,218</u>

27. ACCOMMODATION MANAGED BY OTHERS

At 1 April 2010	Additions	Transfer to General Needs	Disposals	At 31 March 2011
12	1	-	-	13

Properties are managed on the Association's behalf by East Lothian Council and Blue Triangle Housing Association. No funding is payable to the managers by the Association.

28. COMMITMENTS UNDER OPERATING LEASES

	2011 £	2010 £
At the year end, the annual commitments under operating leases were as follows:-		
Other		
Expiring less than one year	409	-
Expiring between one and two years	1,971	7,270
Expiring between two and five years	1,224	1,930
Expiring in over five years	-	1,198
	<hr/>	<hr/>
Total	<u>3,604</u>	<u>10,398</u>

29. GAIN ON DISPOSAL OF FIXED ASSETS

	2011 £	2010 £
Net proceeds from disposal of housing accommodation	26,285	100,270
Cost of Sales	<u>10,341</u>	<u>35,464</u>
Gain on disposal of housing accommodation sold in the year	<u>15,944</u>	<u>64,806</u>

During the year one of the stock transfer properties was sold under the protected Right to Buy Legislation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

30. RETIREMENT BENEFITS

The Association participates in the Scottish Housing Associations' Pension Scheme (the "Scheme"). The Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The Scheme offers five benefit structures to employers, namely:

- a. Final salary with a 1/60th accrual rate.
- b. Career average revalued earnings with a 1/60th accrual rate.
- c. Career average revalued earnings with a 1/70th accrual rate.
- d. Career average revalued earnings with a 1/80th accrual rate
- e. Career average revalued earnings with a 1/120th accrual rate, contracted in

An employer can elect to operate different structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one in which new entrants are able to join. East Lothian Housing Association has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008 and a final salary with a 1/60th accrual rate benefit structure for new entrants from 1 April 2008. The Trustees commission an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the future contributions required so that the Scheme can meet its obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pensions benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Association paid contributions at the rate of 15.4% of pensionable salaries. Member contributions were 7.7%.

As at the balance sheet date there were 31 active members of the Scheme employed by the Association. The annual pensionable payroll in respect of these members was £971,953. The Association continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify the share of the underlying assets and liabilities belonging to individual participating employers as the Scheme is a multi-employer arrangement where the scheme assets are co-mingled for investment purposes, benefits are paid from the total scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme at 30 September 2009 are:

EAST LOTHIAN HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

30. RETIREMENT BENEFITS (continued)

2009 Valuation Assumptions	%pa
Investment return pre retirement	7.4
Investment return post retirement- Non pensioners	4.6
Investment return post retirement- Pensioners	4.8
Rate of salary increases	4.5
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.9
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	3.0

Mortality Tables	
Non- pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum involvement
Pensioners	SAPS (S1PA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum involvement

Contribution Rates for Future Service (payable from 1 April 2011)	%
Final salary 1/ 60ths	19.2
Career average revalued earnings 1/60ths	17.1
Career average revalued earnings 1/ 70ths	14.9
Career average revalued earnings 1/ 80ths	13.2
Career average revalued earnings 1/120ths	9.4
Additional rate for deficit contributions*	10.4

(Expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increase assumptions. Earnings as at 30 September 2009 are used as the reference point for calculating the additional contributions.)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amount of debt therefore can be volatile over time.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2010. As of this date the estimated employer debt for the Association was £3.4m

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

31. EXCEPTIONAL ITEM

During the year the Scottish Ministers and the Management Committee agreed to terminate the terms of the Sale and Purchase Agreement for the stock transfer properties. As a consequence of this, the liability for sums due in respect of the RTB excess has been cancelled. The balance on the Scottish Ministers RTB Excess creditor has therefore been transferred to the Income and Expenditure Account as an exceptional item.