EILDON HOUSING ASSOCIATION LIMITED

New Development: Selby Close, Denholm

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

Co-operative and Community Benefit Society 1757R(S)
Scottish Charity No SCO15026
The Scottish Housing Regulator No HEP107
Website www.eildon.org.uk

Contents

Board, Executive Officers and Appointees

Board Members

Name	EHA Parent	EEL Subsidiary
Mr T W Burrows, BA (Hons), MBA, RIAS (Ret), RTPI (Ret)	**Chairman**	**Director**
Professor D L Brydon, BSc, PhD, CChem, FRSC	(R – Sep 2016)	
Mrs C E Lang, DCE, DPSE		**Director**
Mrs M S Turnbull, MBE	(R – Jan 2017)	
Mr Ewen Swinton, ACIBS		
Mr W Wilkie, MBE, BSc, MRICS		**Director**
Mr David Killean, BSc, TQFE		
Mr David Alexander, MA, MSc Sci, Dip Hse, Dip MAN	**Vice Chairman**	**Chairman**
Mr Chad Dawtry, DMS, CMS		
Mr Allan Lundmark, BSc (Hons), Dip TP, RTPI (1976 - 2014)		**Director**
Ms Kathleen Henderson, MSc, Dip COT		
Mr Martyn Clark	(A – Sep 2016)	
Mr Ron Beardsley, MSc, FFB	(A – Dec 2016)	
Mrs Lesley Summerhill, RGN, ONC, DN, MBA	(A – Feb 2017)	

(A) = Appointed in the year.
(R) = Resigned in the year.

Executive Officers

Name	EHA Parent	EEL Subsidiary
Mr N J Istephan, BA (Hons), MPhil, CIHCM **Secretary and Chief Executive**	✓	✓
Mr A A Brown, FCMA, AGMA **Assistant Secretary and Director of Finance & Corporate Services**	✓	
Mr J Duncan, BA (Hons), Dip HA, Dip SM, CIHCM **Director of Property Assets**	✓	
Mrs A Miller, FCIH **Director of Housing and Care Services**	✓	

Registered Particulars

Registered Office	Registered No's
Eildon Housing Association Ltd - EHA Eildon Enterprise Ltd - EEL The Weaving Shed Dunsdale Road Selkirk TD7 5EB	**EHA – Parent** Co-operative and Community Benefit Society - 1757R(S) Scottish Charity - SCO15026 The Scottish Housing Regulator - HEP107 **EEL – Subsidiary** Company Registration Number - SC273461

Appointed Banker, Solicitor and Auditors

	EHA Parent	EEL Subsidiary
Banker Bank of Scotland 3 Channel Street Galashiels TD1 1BE	✓	✓
Solicitor Pike & Chapman 36 Bank Street Galashiels TD1 1ER	✓	✓
Auditor (External) Chiene + Tait LLP Chartered Accountants and Statutory Auditors 61 Dublin Street Edinburgh EH3 6NL	✓	✓
Auditor (Internal) Findlay & Co. Chartered Accountants 11 Dudhope Terrace Dundee DD3 6TS	✓	

OPERATING AND FINANCIAL REVIEW AND BOARD OF MANAGEMENT REPORT

A - CONTEXT - STRUCTURE, ACTIVITIES, GOVERNANCE AND MANAGEMENT

1. STRUCTURE

Eildon Housing Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Scottish Charity with a Board of Management (hereinafter referred to as the Board) as governing body. It is the parent to a subsidiary, Eildon Enterprise Limited. The legal relationship between these companies is that the Board of Eildon Housing Association make up the Eildon Enterprise Board.

Eildon Enterprise Limited is incorporated as a company limited by guarantee and as per the articles is treated as a subsidiary of the housing association. Consolidation has been carried out using the full consolidation method.

The Eildon Trust also exists. The Trustees hold the positions of Chairman, Vice Chairman, Secretary and Assistant Secretary of Eildon Housing Association. The Eildon Trust has not been included in the consolidated financial statements as it is dormant.

Eildon Housing Association Limited is a Public Benefit Entity.

2. PRINCIPAL ACTIVITIES

Parent – Eildon Housing Association

The principal activities of Eildon Housing Association are:

- Management and maintenance of its housing property.
- Development of housing projects, at affordable rents, for people in need and low cost home ownership initiatives.
- The provision of care and support services for vulnerable client groups.
- Operating the Care and Repair programme contract as Agents for Scottish Borders Council.
- The provision of corporate, administrative, IT and financial services for all members of the Eildon Group.

Subsidiary – Eildon Enterprise Limited

Eildon Enterprise Limited's principal activities are:

- Involvement in wider action activity and working with Key New Ways Partners.
- Provision of consultancy services to other organisations and private developers.
- Provision of houses at intermediate rents.

3. STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the registered social landlord and of the surplus or deficit for that period. In preparing those financial statements the Board are 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 them on a 'going concern' basis unless it is inappropriate to presume that the Association will continue in business;
- Prepare a Statement on Internal Financial Control.

The Board is also responsible for:

- Keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Association and the Group.
- Ensuring that the financial statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing Scotland Act 2010 and the Determination of the Accounting Requirements December 2014.
- Maintaining a satisfactory system of control over accounting records and transactions, and for safeguarding all assets of the Association and, hence, take reasonable steps to prevent and detect fraud and other irregularities.

4. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Board is aware, there is no relevant audit information of which the Association's auditors are unaware, and each member of the Board has taken all the steps that they ought to have taken, as a member of that body, in order to make themselves aware of any relevant audit information and to establish that auditors are aware of this information.

5. CORPORATE RULES AND THE REGULATOR

The governing document of the Association is the Rules, which are based on the 2013 SFHA standard set of Charitable Rules and adapted through time by properly constituted meetings of the members of the Association. The Rules are the equivalent of a company's Articles and Memorandum of Association. A copy of the Rules can be obtained on request to the Registered Office.

As part of its monitoring process the Association's regulating body, The Scottish Housing Regulator, monitors the activities of the Association, to ensure that they are in line with the Rules. The Association has never been found to be in breach of its Rules.

6. MEMBERSHIP OF THE ASSOCIATION

Paragraphs 6 to 12 in the Rules lay out, in detail, the criteria for being a member of the Association.

The Board may, at their discretion, admit to membership any individual persons (including the nominees of unincorporated bodies), societies, companies and local authorities (being bodies incorporated). Every member on the register holds one share in the Association.

Shares cost £1 but do not entitle the holder to any interest, dividend or bonus. In the event of the withdrawal, death or expulsion of the member, the £1 becomes the property of the Association.

There are 91 Members and currently none are Body Corporate Members.

7. MEMBERSHIP OF THE BOARD

Paragraphs 37 to 44 in the Rules lay out, in detail, the recruitment and appointment of the Board of the Association. The pertinent points are:

- There has to be a minimum of 7 Board Members and a maximum (including 3 co-optees) of 15.
- Only Shareholders over the age of 18 of the Association can become Board Members.
- An employee of the Association or a close relative of an employee may not be a Board Member.
- Board Members are voted on at General Meetings.
- There are two tenant Board Members.

Each year, one third of each constituency of Board Members must retire and stand for re-election if they wish to remain on the Board.

The present Board Members and the Executive Officers of the Association are set out in page 2.

Board Members are drawn from a wide background bringing together professional, commercial and local experience and are unpaid.

The Executive Officers are the Chief Executive and the other members of the Executive Team and are all employed by the Association. The Executive Officers hold no interest in the Association's shares and act as executives within the authority delegated by the Board. Executive Officers are employed on the same terms as other staff, however their notice period is three months.

8. BOARD TRAINING

Prior to formally joining the Board, prospective members are invited to attend meetings to familiarise themselves with the way in which business is conducted. Following appointment to the Board, there is an opportunity to participate in an initial induction training programme for new members, carried out by Executive Officers, which includes the following:

- What is a Housing Association?
- The Role of a Board Member.
- Eildon's 5 Year Strategic Plan.
- Key Issues for Eildon.
- Site Visits.

Board Members are encouraged to take the Governance Standards Initiative qualification for Board Members.

The process is ongoing whereby internal and external training sessions are delivered by senior staff and invited guest speakers as part of an annual schedule of meetings and events.

Annually the Board carry out a review of the skills, training needs, succession planning and recruitment needs of the governing body.

9. DELEGATION, MEETINGS AND PERFORMANCE MONITORING

Through their election by the Shareholders at a General Meeting, the Board are delegated via Standing Orders (updated March 2015) to:

- Appoint a Chairman.
- Appoint Sub-Committees and Working Groups.
- Formulate and implement policies and strategies.
- Delegate to the Executive Officers.
- Make decisions based on the information received from the Executive Officers.

The Board gives delegated authority to the Audit and Risk Sub-Committee who meet to monitor all audit, risk and compliance issues of the Association and the impact that these issues have on each other. Internal Audit Reports and Care Inspectorate Reports, which provide an independent view on the organisation's efficiency, effectiveness and performance, are received by this Sub-Committee.

Delegated Authority has also been given to the Remunerations Sub-Committee on the remuneration of staff, the pension provision, the appraisal of the CEO and the Board's appraisal.

The Board has the authority to set up single task Working Parties to address specific issues that are usually time limited and make specific recommendations back to the Board for consideration. These Working Parties have the ability to second specialists to assist them or, with Board approval, recruit consultants to assist them in a particular piece of work.

The Standing Orders also detail the level of delegated powers that can be given to the Executive Officers.

The Board meets 9 times annually, the Audit & Risk Sub-Committee 4 times and the Remunerations Sub-committee at least once. At these meetings the Executive Officers present papers from which decisions are made by the Board. The Executive Officers also present performance papers, such as Management Accounts, Key Performance Indicators and other relevant papers relating to performance issues.

The Board account for their actions and decisions in the year by presenting to the members the Annual Financial Statements and the Annual Report at the AGM.

10. STRATEGIC MANAGEMENT

The Board are responsible for agreeing the strategic objectives of the organisation, the policies required to achieve those objectives and the monitoring mechanisms required to ensure targets and programmes are being met.

Each year the Board Members and Executive Officers have a two day event to look at the strategic objectives of the organisation and to consider what events and objectives are likely to affect our overall business performance and activities. This year the Board concentrated on environmental factors that involved reviewing the:

- Current strategy and objectives
- Scottish housing and well being
- Value for money
- Governance
- Board appraisals, succession, training and recruitment

From this exercise the new five year strategy evolved which was then quantified and stress tested and presented to the Regulator.

11. ACCOUNTING POLICIES

The group's principal accounting policies are set out in pages 21 to 26 of the financial statements. These financial statements are prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" (FRS 102).

12. CREDIT PAYMENT POLICY

The Group's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within 30 days (2016: 30 days).

13. EMPLOYEE INVOLVEMENT AND HEALTH AND SAFETY

The Association takes seriously its responsibilities to employees and, as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult, where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests.

The Health and Safety Working Group worked with a consultant to develop a Health & Environmental Management System (HEMS). HEMS brings a more structured approach to the management of health & safety which clearly establishes roles & responsibilities and defines the areas of significant risk that are controlled by safe systems of work and procedures.

An intranet site has been developed to manage HEMS documentation and information.

14. DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

15. BOARD AND EXECUTIVE OFFICERS' INSURANCE

The Group has purchased and maintains insurance to cover its Board and Executive Officers against liabilities in relation to their duties on behalf of the Association and its subsidiaries, as authorised by the Association's Rules.

16. AGM

The annual general meeting will be held on Wednesday 6 September 2017, at the Weaving Shed, Dunsdale Road, Selkirk.

B – YEAR'S BUSINESS AND PERFORMANCE REVIEW

1. CORPORATE VALUES

- **Caring** - We care about what we do, the people we work with and the customers we serve.
- **Committed** - We all work together to provide affordable, high quality homes, care and support services.
- **Connected** - We are part of the communities we serve and believe we can make a real difference.
- **Creative** - We are ready to meet the challenges of the future with enthusiasm and new ideas.

2. OBJECTIVES & STRATEGY

The Group's five year strategy is reviewed and approved by the Board each year. The Strategic Objectives in the update for 2017/18 to 2021/22 are the following; the Eildon Group will:

- Ensure the highest standards of governance and partnership working are adhered to, including compliance with our regulatory frameworks.
- Ensure it operates within a sound financial framework, protecting our long term viability whilst prudently utilising the inherent financial strength of the organisation in order to meet existing commitments and potential new opportunities.
- Ensure the delivery of high quality, responsive and affordable housing and support services.
- Ensure the delivery of high quality, responsive and affordable care services.
- Ensure the delivery of high quality new homes and property asset management services.
- Further develop its organisational capacity by reviewing existing practices and investing in its people and the technical infrastructure.

3. RISKS AND UNCERTAINTIES

Like all businesses, the Association faces a wide variety of business related risks. During the year 2015/16 the Risk Management process was audited by the outsourced internal auditors. The process was given substantial assurance. The impact of the Welfare Reforms on the business has been reflected in both the operational and strategic risks. In both exercises there were no residual risks that were severe. Those that were Inherent Severe and Residual Major can be summarised thus:

Business Area	Summarised Risks	Summarised Action to Mitigate Risks
Strategic	Component replacement planning, lack of clarity for the sector going forward, activities of other organisations and customer aspirations. Welfare benefit reform and the pension liability. Regulator expectations on rent levels.	Property Management Strategy Pay & Conditions Review Customer Profiling Scope Planning & Strategy Testing Proactive Internal Communication External Communication & Lobbying
Corporate Services	Inter systems dependency, confidential issues, resource planning, skills gap to meet ever changing needs and inappropriate staff conditions.	Use of external expertise Audit tracking system and project planning Staff training and policies & procedures Staff consultation process External scrutiny and auditing
Finance	Unsustainable losses, unexpected interest rises, external & internal fraud and inability to react to changing environment.	Financial planning system Financial reporting system Internal control system Treasury Management and Hedging Agreed change plan External scrutiny and auditing
Housing and Care & Support	Arrears, voids and anti-social complaints increase, tenancy sustainment issues, impact of the welfare reforms, lack of revenue to meet support needs and inability to compete on care tenders.	Preventative monitoring & profiling Needs identification, use of the financial inclusion teams and a multi-agency approach Training and clear procedures Tenancy Support intervention and pre tenancy work Flexible service delivery
Housing Development	Cost of development becomes unaffordable, funding regime is uncertain and agency contracts problematic.	Financial planning system Programme Management Review Assess other funding models Project Management Treasury Management Engagement with the Regulator

4. FINANCE

The Association made a surplus of £4,605k during the year and the Net Assets base rose to £17.6m.

The Group made a surplus of £4,606k, after tax, during the year and the Net Assets base rose to £17.6m.

The financial performance over the past three years is analysed in Table 1, on page 13.

Rent loss from voids
The target for the year was to keep voids below 1.07% of rental income receivable, and the actual is 0.98% (2016 – 0.87%).

Rent loss from bad debts
The target for the year was to keep bad debts below 1.1% of rental income receivable, and the actual is 0.34% (2016 – 0.37%).

Overall rent collection
Net arrears (arrears less prepayments) at 31 March 2017 have decreased by £259k since 31 March 2016. When combined with the variances from the above, produces a rent collected in the year of 97.69% which is slightly below the target of 101.34%. Outstanding net arrears at the year-end represents 2.4% of the total rent roll (2016 – 5.4%).

5. HOUSING PROPERTIES

At 31 March 2017, the Association owned 2,337 housing units. The properties are carried at the historic cost of £177m (2016 - £167m) which nets off to £51m (2016 - £48m) after depreciation and capital grants. Housing units are funded by Social Housing Grant, loans and working capital.

In the year 2014/15 a valuation for 296 units was carried out for the purpose of securing loan finance. When this professional valuation is extrapolated across the whole stock, a value in use of £72m is indicated (market value £249m). A similar valuation over 235 units in 2013/14, gave an extrapolated value in use of £70m (market value £246m).

6. CAPITAL STRUCTURE AND TREASURY POLICY

In March 2017 the Association secured a further ten year £5m loan of a £25m facility fixed interest bullet point loan from Allia through a scheme backed by the Scottish Government. During the year the Association paid back £6.9m worth of bullet point loans to Santander and The Housing Finance Corporation. At 31 March 2017 the Association still had undrawn £3m of a £5m five year revolving loan with the RBS.

The Association borrows from banks and building societies in accordance with the Treasury Policy approved by the Board. MURJA Structured Finance & Risk Management is used to ensure that all the products in the market are considered and to assist in the torturous administration process of securing loans. In this way Eildon manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held.

The Association, as a matter of policy, does not enter into transactions of a speculative nature and fixes rates of interest through embedded rates within loans and swaps using an ISDA MTM instrument. At 31 March 2017, the mix of variable and fixed ratio was 24%:76% which is out of kilter with what traditionally is thought to be the good Treasury Management practice of 50%:50%. In the current market the best opportunities for long term finance is in the bond market which has fixed rates.

7. CASH FLOWS

Cash inflows and outflows during the year are shown in the Consolidated Cash Flow Statement (page 20).

The group cash inflow from operating activities increased this year to £4,406k (2016 - £3,581k), a net £3,925k (2016 - £2,721k) was spent acquiring assets. There was an outflow from repaying loans of £7,715k (2016 - £783k); inflow from borrowings was £5,000k (2016 - £12,000k). The cost of financing was £1,347k (2016 - £1,422k) and the net debt moved from £43,161k in 2016, to £40,822k in 2017.

8. DONATIONS

The Group donated £1k (2016 - £1k) to the Lintel Trust and made no political donations.

9. DEVELOPMENT AND SALE OF PROPERTIES

During the reporting year the Association spent £8.7m (2016 - £5.4m) on building houses, (Note 12), of which £6.5m (2016 – £2.6m) was funded by grants received from the Housing Investment Division East of the Scottish Government. At the reporting date there are no Shared Equity units remaining unsold.

The Association sold 0 Shared Ownership properties and bought back 2 Shared Equity properties and 6 Shared Ownership properties.

In the year ending 31 March 2018, it is expected that the Association will spend £22.8m on the development of new properties funded by £17.2m HAG. This represents 26 units coming into management, 197 starting on site and preparatory works for a further 220 units.

10. ASSET MANAGEMENT (PROPERTY MAINTENANCE)

The Association seeks to maintain its properties to the highest standard. To this end it carries out repairs in three distinct time frames:

- Routine Maintenance, which is carried out within 5 days of notification, expenditure in the year was £695k (2016 - £615k).
- A programme of Planned Repairs carried out in the medium term to deal with the gradual and predictable deterioration of building attributes. Expenditure in the year was £462k (2016 - £540k).
- A long-term programme of major repairs for the replacement components which have come to the end of their economic lives. Direct expenditure capitalised in the year was £1,388k (2016 - £1,512k).

The reactive maintenance completed first time was 85.75% (2016 - 90.4%) and customer satisfaction returns gave a 90.1% (2016 - 90.1%) expression of satisfaction.

The Board is confident that the necessary funds will be available in the future to cover the Association's commitments under the Scottish Housing Quality Standards and the Energy Efficiency in Scocial Housing program.

11. CUSTOMER SERVICES

Housing

The Association's Rent Policy is a points system based on the size, type and facilities of the accommodation which ensures that the rent structure is easy to administer and covers the wide variations within the properties. This policy follows the generally accepted practice/principles of the Housing Movement. Through time, driven by the building regulations, the variations within the properties has increased and is going to increase further in the near future. As such it was time to reflect these characteristic changes in the rent setting. The new characteristics are:

- Flats with their own individual access
- Shower areas with a shower in addition to a bathroom
- An additional W.C.
- A separate dining room
- Driveway parking
- Lifts
- The lack of external drying facilities
- Sunspaces
- Homes covered by the 2010 building regulations
- Homes covered by the 2013 building regulations
- Homes covered by the 2016 building regulations

Work continues in keeping the period of time taken to re-let or let new properties as low as possible to ensure that we maximise our effectiveness in housing people in need and reduce our costs. The average time taken to re-let properties this year has increased to 31 days (2016 – 29 days).

Tenant involvement plays an important part in formulating and agreeing the Association's aims and objectives. Eildon Tenants' Organisation (ETO), the representative body for all our tenants, is recognised by our Board and The Scottish Housing Regulator. Through our Customer Engagment Officer, local groups of tenants are encouraged to become Registered Tenant Organisations.

In 2014/15 the Tenant Scrutiny Panel of volunteer tenants was set up and along with members of staff and Board members the panel attended training on scrutiny and how it would impact on the organisation. During the year the Panel reported to the Board on their findings on estate management.

Tenants' general views are obtained through regular internal surveys carried out to gain feedback on the services they receive and the houses they live in. Overall, the results from our surveys show high levels of tenant satisfaction and where there are criticisms we identify them and draw up an action plan to improve our service for all of our customers.

During the year the Association starting a rolling independent tenants satisfaction survey.

All tenants receive a regular newsletter called Connect. This gives them details of the activities carried out by the Association that are of most relevance to them. During the year a new website was lauched which can be accessed through mobile devices. In addition the use of social media has been harnessed, in particular Facebook and Twitter.

Wider & Agency Services

During the year the Group has provided:

- Modernisation services to Scottish Borders HA.
- An adaptations service to the Borders Housing Network.

As agents for the Scottish Borders Council, the Group has run a comprehensive Care & Repair Service.

12. STAFF PERFORMANCE MANAGEMENT

High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chief Executive Officer. Service delivery is underpinned by staff performance and continues to be a high priority.

In the past year the following education achievements have been made by members of staff:

- Four achieved SVQ 3 Health & Social Care
- One achieved SVQ 4 in Leadership

Specific training sessions were held on a wide variety of subjects associated with changing legislation and standards, and with wider professional development. Examples of the former are Anti-Social Behaviour, Child Protection, and Dignity & Respect in the Workplace and the latter included EFQM accreditation, working with difficult, dangerous and evasive families and factoring.

Training associated with mandatory requirements included:

- Adult Protection
- Asbestos Awareness
- Autism Awareness
- Coping with Challenging Behaviour
- De-escalation of Violence and Physical Intervention
- Dementia Awareness
- Diabetes Awareness
- Emergency First Aid
- Epilepsy
- Feeding Techniques
- Fire Safety Awareness

- Food Hygiene
- Infection Control
- Lone Working
- Manual Handling
- Medication Awareness & Administration
- Mental Health Awareness/First Aid
- Moving & Handling People
- Oral Care
- Person-Centred Care
- Professional Boundaries
- Values and Recording
- Working at Heights

Overall staff attended training 342 times at a cost of approximately £18k.

In the main, staff are consulted through the medium of the Staff Association, although for specific issues questionnaires are used.

The staff attendance target is 97% and actual attendance for the year is 95.2% (2016 – 96.7%).

As of 1 April 2013, the Association ceased to offer a defined benefits option within the Scottish Housing Associations Pension Scheme (SHAPS) and now offers a defined contribution option through SHAPS.

Table 1 – Group Highlights – Four Year Historical Summary

For the Year Ended 31 March	2017 £'000	2016 £'000	(Restated) 2015* £'000	(Restated) 2014* £'000
Statement of Comprehensive Income				
Total Turnover	12,756	12,260	12,129	11,941
Social Lettings Income	11,349	10,939	10,338	9,849
Operating Surplus	3,480	3,091	2,143	2,415
Surplus/(Deficit) for the year after tax	**4,606**	**1,349**	**(439)**	**798**
Statement of Financial Position				
Net Housing Properties	144,726	138,042	133,791	127,856
Other Fixed Assets	4,093	4,201	4,332	4,724
Fixed Assets	148,819	142,243	138,123	132,580
Net Current Assets	6,081	2,852	(827)	4,145
Total Assets less current liabilities	154,900	145,095	137,296	136,725
Long Term Liabilities	(43,539)	(42,346)	(38,459)	(39,067)
Deferred Income	(93,719)	(89,713)	(87,150)	(85,532)
Net Assets	**17,642**	**13,036**	**11,687**	**12,126**
Reserves	**17,642**	**13,036**	**11,687**	**12,126**
Housing Stock (units)	**2,337**	**2,302**	**2,274**	**2,219**
Statistics				
Surplus for year as % of turnover	36.1%	11.1%	(3.6%)	6.7%
Surplus for year as % of Social Lettings income	40.6%	12.5%	(4.2%)	8.1%
Rent loss from Voids in the year	0.98%	0.87%	1.13%	1.16%
Rent Collected in terms of rent collectable in the year	97.6%	98.8%	98.4%	97.4%
Liquidity (current assets/current liabilities)	3.3/1	1.3/1	1.3/1	2.7/1
Gearing (total loans as % of capital grants plus reserves)	35.9%	34.6%	25.6%	27.3%

* Years 2014 and 2015 contain the bookkeeping entries that would have occurred if FRS 102 had been implemented. However it must be recognised that if FRS 102 had been live in this year the business decisions taken may have been different and, subsequently, the results. The table is restricted to four years due to the introduction of FRS 102.

C - STATEMENT OF GOING CONCERN

Through the Executive Officers the Board has reviewed and discussed the various aspects of the Association as a Going Concern and its liquidity. The review covered the following items:

- The Annual Budget including Cashflow to 31 March 2018
- The 5 Year Viability Plan including Cashflow to 31 March 2022 that is scrutinised by the Regulator
- The 60 Year Plan including Cashflow to 2077

Based on these documents and the following facts:

- There is no sign of impairment of the housing stock through increased voids,
- 89% of the turnover is rent related,
- 5% of the turnover is Care or Support income from the Local Authority,
- 2% of the turnover is Grants from the Scottish Ministers,
- There is a development programme backed by the Scottish Government,
- The Association does not trade abroad,
- The loan portfolio is more than 76% fixed mostly at favourable rates,
- The Association has, at the 31 March 2017, 843 unencumbered properties,
- The Association has at the 31 March 2017 £8.2m in cash,
- The Reserves of the Association are over £17.6m.

In 2017/18 the Association will use the large cash balance to fund the development programme.

The Board has no reason to believe that the Association will not still be a Going Concern well beyond 12 months from the signing date of these Annual Financial Statements.

D - STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

- Reliability of financial information used within the Group or for publication.
- Maintenance of proper accounting records.
- Safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material, financial mis-statement or loss. Key elements include ensuring that:

- The Association's range of internal control activities comply with requirements contained in the Scottish Housing Regulator's Guidance.
- Formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff to take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance.
- Forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term. Regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through relevant Sub-Committees.
- The Board reviews reports from Management, from the internal auditors and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.

Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has reviewed the effectiveness of the system of internal financial controls that exist in the Association for the year ended 31 March 2017 and until the date of signing of the financial statements. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

E – AUDITOR

During the year the Group tendered for external audit services; the tender being conducted in line with Scottish Public Contracts Regulations 2015. Chiene + Tait LLP were appointed on a five year contract subject to annual reappointment at the Annual General Meeting. Chiene + Tait LLP has indictated their willingness to continue in office. A resolution proposing their appointment for 2017/18 will be submitted to the Annual General Meeting.

By order of the Board

.... 14 June 2017
Mr N J Istephan **Date**
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EILDON HOUSING ASSOCIATION LIMITED

We have audited the consolidated financial statements of Eildon Housing Association Limited for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Consolidated statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 4, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's and the Group's affairs as at 31 March 2017 and of the Association's and the Group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the 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 – December 2014.

Matters on which we are required to report by exception

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations necessary for the purposes of our audit.

Chiene + Tait

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

22 / 6 / 2017

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

In addition to our audit of the Group Financial Statements, we have reviewed your statement on page 15 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements 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 reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 15 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Group Financial Statements.

Through enquiry of certain members of the Board of Management and Officers of the Association and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

Chiene + Tait

CHIENE + TAIT LLP
Chartered Accountants and Statutory Auditors
61 Dublin Street
Edinburgh
EH3 6NL

22 / 6 / 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

GROUP

	Notes	2017 £'000	2016 £'000
Turnover	2	12,756	12,260
Less: Operating expenditure	2	(9,276)	(9,169)
Operating Surplus		3,480	3,091
Loss on disposal of property, plant & equipment	7	(29)	(97)
Interest receivable	8	9	5
Interest and financing costs	9	(1,808)	(1,646)
Movement in fair value of financial instruments	18	(64)	(3)
Surplus before Tax		1,588	1,350
Taxation	10	(1)	(1)
Surplus for the Year	6	1,587	1,349
Re-measurement caused by actuarial valuation	19	3,019	-
Total Comprehensive Income for the Year		4,606	1,349

ASSOCIATION

	Notes	2017 £'000	2016 £'000
Turnover	2	12,751	12,247
Less: Operating expenditure	2	(9,273)	(9,166)
Operating Surplus		3,478	3,081
Loss on disposal of property, plant & equipment	7	(29)	(97)
Interest receivable	8	9	5
Interest and financing costs	9	(1,808)	(1,646)
Movement in fair value of financial instruments	18	(64)	(3)
Surplus for the Year	6	1,586	1,340
Re-measurement caused by actuarial valuation	19	3,019	-
Total Comprehensive Income for the Year		4,605	1,340

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Notes	GROUP 2017 £'000	GROUP 2016 £'000	ASSOCIATION 2017 £'000	ASSOCIATION 2016 £'000
Fixed Assets					
Housing properties	12	**144,726**	138,042	**144,726**	138,042
Other fixed assets	13	**3,374**	3,482	**3,374**	3,482
Fixed asset investments	14	**719**	719	**719**	719
		148,819	142,243	**148,819**	142,243
Current Assets					
Trade and other debtors	15	**449**	682	**449**	683
Cash and cash equivalents		**8,174**	11,755	**8,108**	11,689
		8,623	12,437	**8,557**	12,372
Current Liabilities					
Creditors amounts falling due within one year	16	**(2,542)**	(9,585)	**(2,539)**	(9,582)
		(2,542)	(9,586)	**(2,539)**	(9,582)
Net Current Assets/(Liabilities)		**6,081**	2,852	**6,018**	2,790
Total Assets Less Current Liabilities		**154,900**	145,095	**154,837**	145,033
Creditors: Amounts Falling Due More Than One Year					
Pension creditor	17	**(2,047)**	(5,474)	**(2,047)**	(5,474)
Other creditors	17	**(41,492)**	(36,872)	**(41,492)**	(36,872)
	17	**(43,539)**	(42,346)	**(43,539)**	(42,346)
Deferred Income					
Social housing grants	20	**(93,596)**	(89,575)	**(93,596)**	(89,575)
Other grants	20	**(123)**	(138)	**(123)**	(138)
		(93,719)	(89,713)	**(93,719)**	(89,713)
Total Net Assets		**17,642**	13,036	**17,579**	12,974
Capital and Reserves					
Share capital	25	**0**	0	**0**	0
Revenue reserves		**17,642**	13,036	**17,579**	12,974
Total reserves		**17,642**	13,036	**17,579**	12,974

The financial statements on pages 17 to 39 were approved by the Board of Management and authorised for issue and were signed on its behalf by:

Mr T W Burrows T W Burrows **(Chairman)**

Mr E Swinton Ewen Swinton **(Director)**

Mr N J Istephan .... **(Secretary)**

14 June 2017 **(Date)**

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	GROUP		ASSOCIATION	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Balance at 1 April 2016	**13,036**	11,687	**12,974**	11,634
Other comprehensive income for the year	**4,606**	1,349	**4,605**	1,340
Balance at 31 March 2017	**17,642**	13,036	**17,579**	12,974

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	GROUP 2017 £'000	GROUP 2016 £'000	ASSOCIATION 2017 £'000	ASSOCIATION 2016 £'000
Net cash inflow from operating activities	A	**4,406**	3,581	**4,406**	3,591
Investing activities					
Acquisition and construction of properties		**(10,424)**	(6,474)	**(10,424)**	(6,474)
Purchase of tangible fixed assets		**(29)**	(29)	**(29)**	(29)
Social housing grant received		**6,520**	3,685	**6,520**	3,685
Social housing grant repaid		**-**	-	**-**	-
Proceeds on disposal of properties		**(1)**	92	**(1)**	92
Interest received on cash and cash equivalents		**9**	5	**9**	5
Net cash outflow from investing activities		**(3,925)**	(2,721)	**(3,925)**	(2,721)
Financing activities					
New secured loans		**5,000**	12,000	**5,000**	12,000
Interest paid on loans		**(1,347)**	(1,422)	**(1,347)**	(1,422)
Loan principal repayments		**(7,715)**	(783)	**7,715**	(783)
Share capital issued		**-**	0	**-**	0
Net cash inflow/(outflow) from financing		**(4,062)**	9,795	**(4,062)**	9,795
Increase/(decrease) in cash		**(3,581)**	10,655	**(3,581)**	10,665
Opening cash and cash equivalents		**11,755**	1,100	**11,689**	1,024
Closing cash and cash equivalents		**8,174**	11,755	**8,108**	11,689

A. Net Cash Inflow from Operating Activities

	GROUP 2017 £'000	GROUP 2016 £'000	ASSOCIATION 2017 £'000	ASSOCIATION 2016 £'000
Surplus for the year	**4,606**	1,349	**4,605**	1,340
Depreciation of tangible fixed assets	**2,790**	2,588	**2,790**	2,588
Amortisation of capital grants	**(1,663)**	(1,556)	**(1,663)**	(1,556)
Change in debtors	**202**	(111)	**206**	(91)
Change in creditors	**92**	49	**90**	49
Unwinding of discount on pension liability	**(495)**	(480)	**(495)**	(480)
Taxation	**1**	1	**-**	-
Loss on disposal of property, plant & equipment	**29**	97	**29**	97
Interest paid	**1,808**	1,646	**1,808**	1,646
Interest received	**(9)**	(5)	**(9)**	(5)
Movement in fair value financial instrument	**64**	3	**64**	3
Actuarial gain in respect of pension scheme	**(3,019)**	-	**(3,019)**	-
Balance as at 1 April	**4,406**	3,581	**4,406**	3,591

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

1. Principal Accounting Policies 2017

i) Legal Status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010.

The address of the Company's registered office and principal place of business is The Weaving Shed, Dunsdale Road, Selkirk, TD7 5EB.

The Association's principal activities and the nature of the Association's operations are detailed on page 4.

ii) Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and they comply with the Determination of Accounting Requirements 2015, and under the historical cost convention, modified to include certain financial instruments and investment properties at fair value.

The financial statements are prepared in Sterling (£).

iii) Estimation Uncertainty

Preparation of the financial statements requires the board to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below:

- Valuation of housing property – see x) Tangible Fixed Assets
- Valuation of investment property– see x) Tangible Fixed Assets
- Useful lives of housing property – see xiv) Depreciation and Impairment
- Components of housing properties – see xiv) Depreciation and Impairment
- Allocation of costs for mixed tenure developments – see x) Tangible Fixed Assets
- Allocation of costs for shared ownership - see x) Tangible Fixed Assets
- The measurement of the recoverable amount of assets for impairment reviews – see xiv) Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors – see xvii) Financial Instruments
- Pension provision – see xviii) Pension

iv) Going Concern

Based on the statement of going concern set out on page 14 of the financial statements and after reviewing detailed cash flow projections and taking account of bank facilities and making such further enquiries as they consider appropriate, the board are satisfied the Association has adequate resources to continue to operate within its facilities for the foreseeable future until new funding is obtained. The board have no reason to doubt this will be available. For this reason, it continues to adopt the going concern basis in preparing the financial statements.

v) Basis of Consolidation

The group financial statements consolidate the financial statements of Eildon Housing Association Ltd, and its subsidiary company Eildon Enterprise Ltd using acquisition accounting.

vi) Turnover and Revenue Recognition

Turnover comprises rental and service charge income receivable in the period, income from shared ownership first tranche sales, sale of properties built for sale, other services provided at the invoice value (excluding VAT) and revenue grants receivable in the period.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the transaction.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

vii) Other Income

Interest and investment income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Investment income is recognised on an accruals basis.

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

viii) Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

ix) Private Finance

Private finance loans are advanced by private lenders and local authorities under the terms of individual mortgage deeds in respect of each property. Advances are available only in respect of those developments which have been given approval for Social Housing Grant (SHG) by The Scottish Housing Regulator.

All borrowing costs are expensed as incurred.

x) Tangible Fixed Assets - Housing Properties (Note 12)

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent and shared ownership.

Housing properties for let are stated at historic cost less accumulated depreciation and impairment losses. The development costs of housing properties funded with traditional SHG or under earlier funding arrangements include the following:

- Cost of acquiring land and buildings.
- Development expenditure including accruals for retentions, fees and other appropriate costs.

Allocation of costs for mixed tenure developments is done on a pro-rata basis.

Expenditure on schemes which are subsequently aborted is written off in the year in which it is recognised that the schemes will not be developed to completion.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; or
- A significant extension to the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown below in the depreciation section.

An annual impairment exercise takes places on housing properties which involves estimating the value in use of each cash generating unit sub divided into geographical areas. This estimate is carried out using a discounted cash flow model to determine the NPV of the assets over a 30 year period.

Shared ownership properties are split proportionally between fixed assets and current assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

The remaining element is classed as a fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Where the first tranche has been sold prior to the acquisition of the properties, these are included in fixed assets only.

xi) Other Fixed Assets (Note 12)

Other fixed assets are capitalised at the point of purchase when the cost of the items is £250 or above; is reckoned to have a useful economic life at or greater than the relevant depreciation rate and it has second had resale value.

xii) Donated Land (Note 12)

Land or other assets which have been donated by a government source is added to cost of assets at the fair value of the land at the time of the donation. The difference between the fair value of the asset donated and the consideration paid is treated as a non-monetary government grant and included within the Statement of Financial Position as a liability. The terms of the donation are considered to be performance related conditions. Where the donation is not from a public source, the value of the donations less the consideration is included in income.

xiii) Social Housing Grant (SHG) (Note 20)

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

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

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation.

xiv) Other Grants (Note 20)

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

xv) Depreciation and Impairment (Notes 12 and 13)

Housing properties are deemed to consist of several components each with different life spans and therefore different rates of depreciation. Depreciation is charged so as to write down the cost to net realisable value (net of social housing and other grants) residual value on a straight line basis over their expected useful economic lives. Freehold land is not depreciated. The life spans and rates per component are:

Housing Property Assets (Components)	Life in Years	Rate as a %
Building	80	1.25%
Roofs	80	1.25%
Windows	40	2.50%
Wiring	60	1.67%
Bathrooms	30	3.33%
Heating systems	30	3.33%
External doors	30	3.33%
Kitchens	20	5.00%
Heating boilers / electric heating	20	5.00%

During the year the Association reviewed the useful economic lives of all component categories. As a result of this review the decision was taken that a useful economic life of 40 years for windows was more appropriate than 60 years. This has resulted in an additional depreciation charge of £37,326.

It is expected that, from experience gained, in future years there may be a range of lifespans and rates for makes and types of components e.g. boilers.

The Association charges depreciation on its commercial property so as to write down the costs other than freehold land to their estimated residual value on a straight line basis over their expected economic lives at a rate of 2% per annum.

For the Association's registered office the basic building is written down at 2%. However, for certain components the economic lives are believed to be less than 50 years and for these the following straight line rates are used:

Registered Office Components	Life in Years	Rate as a %
Building	50	2.00%
Lift	30	3.33%
Electrical fittings	20	5.00%
Boilers and chillers	20	5.00%
Carpets	15	6.66%

Other fixed assets are depreciated over their estimated useful lives, using the following straight line rates:

Other Fixed Assets	Life in Years	Rate as a %
Furniture & fittings	10	10.00%
Other equipment	5	20.00%
Information technology	4	25.00%
Motor vehicles	4	25.00%

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

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

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the income and expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

xvi) Investment Property (Note 14)

Investment properties (including properties held under an operating lease) consist of commercial properties and properties not held for social benefit. These properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in income and expenditure.

The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in FRS 102. The board consider that, because investment properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view.

If this departure from the Companies Act 2006 had not been made in order to give a true and fair view, the surplus/deficit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount relating to the depreciation of the property cannot be separately identified.

xvii) Sale of Housing Properties (Notes 12 and 14)

Properties are disposed of under the appropriate legislation and guidance. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

xviii) Financial Instruments (Note 18)

The Association has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.
A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

A provision for doubtful debts is made against all former tenant rent arrears and the arrears balances of all current tenants that have arrears over 3 months.

Financial assets and liabilities

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

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

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using

the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Debt instruments that do not meet the conditions in FRS 102, paragraph 11.9, are subsequently measured at fair value through income and expenditure.

Commitments to receive a loan are measured at cost less impairment

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is a cash flow hedge.

To qualify for hedge accounting, the Association documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

The Association elects to adopt hedge accounting for interest rate swaps where:

- the interest rate swap is a qualifying hedging instrument with an external party that hedges interest rate risk on a loan, part of the nominal amount of a loan, or a group of loans managed together that share the same risk and that qualify as a hedged item;
- the hedging relationship between the interest rate swap and the interest rate risk on the loan is consistent with the risk management objectives for undertaking hedges (i.e. to manage the risk that fixed interest rates become unfavourable in comparison to current market rates or the variability in cash flows arising from variable interest rates); and
- the change in the fair value of the interest rate swap is expected to move inversely to the change in the fair value of the interest rate risk on the loan.

Fair value hedge - hedge of fixed interest rate risk

Where an interest rate swap that converts fixed rate debt into variable rate debt qualifies for hedge accounting, it is accounted for as a fair value hedge and changes in the fair value of the interest rate swap are recorded in income and expenditure. The change in the fair value of the fixed rate debt that is attributable to the fixed interest rate risk is also recorded in income and expenditure and adjusts the carrying amount of the fixed rate debt. Net cash settlements on the interest rate swap are recognised in income and expenditure in the period(s) when the net settlements accrue.

When a fixed to floating interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Association documents its election to discontinue hedge accounting, any cumulative fair value gains or losses adjusted against the carrying amount of the fixed rate debt are amortised to income and expenditure using the effective interest method.

Cash flow hedge - hedge of variable interest rate risk

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in income and expenditure. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in income and expenditure in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to income and expenditure when the variable rate interest is recognised in income and expenditure.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Association documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to income and expenditure, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

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

xix) Pensions (Note 23)

Obligations under a defined benefit pension scheme

The rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £2,595k for the next 5 years has been discounted at a rate of 1.06% amounting to a net present value of £2,529k at 31 March 2017.

Defined contribution plans

For defined contribution schemes the amount charged to income and expenditure is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Defined benefit plans

The Association participates in a funded multi-employer defined benefit scheme, the Scottish Housing Association Pension Scheme (SHAPS).

The SHAPS contributions are recognised in income and expenditure in the period to which they relate as there is insufficient information available to use defined benefit accounting. A liability is recognised for contributions arising from an agreement with the multi-employer plan that determines how the RSL will fund a deficit. Contributions are discounted when they are not expected to be settled wholly within 12 months of the period end.

xx) Leasing

Rentals paid and received under operating leases are charged and credited respectively to income and expenditure on a straight line basis over the term of the lease.

xxi) VAT

The Association is VAT registered. However a large proportion of the income, namely rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT. There is a group VAT registration scheme.

xxii) Subsidiary

Eildon Enterprise Limited is incorporated as a company limited by guarantee.

xxiii) Taxation (Note 10)

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

The Group incurs liability to pay corporation tax through its subsidiary Eildon Enterprise Ltd.

xxiv) Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to five days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the RSL is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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

2. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit

GROUP

		2017			2016
		Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	Notes	£'000	£'000	£'000	£'000
Affordable letting activities	3	11,349	7,190	4,159	4,054
Other activities	4	1,407	2,086	(679)	(963)
Total 2017		12,756	9,276	3,480	3,091
Total 2016		12,260	9,169	3,091	

ASSOCIATION

		2017			2016
		Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	Notes	£'000	£'000	£'000	£'000
Affordable letting activities	3	11,344	7,187	4,157	4,043
Other activities	4	1,407	2,086	(679)	(962)
Total 2017		12,751	9,273	3,478	3,081
Total 2016		12,247	9,166	3,081	

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

3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities

GROUP

	General Needs Social Housing £'000	Supported Social Housing Accom £'000	Shared Ownership Accom £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of service charges	8,680	460	235	9,375	8,728
Service charges	175	217	5	397	653
Gross income from rents and service charges	8,855	677	240	9,772	9,381
Less voids	84	8	6	98	75
Net income from rents and service charges	8,771	669	234	9,674	9,306
Amortised grant	1,505	97	46	1,648	1,542
Grants from the Scottish Ministers	12	1	-	13	13
Other revenue grants	1	-	-	1	14
Other	13	0	-	13	64
Non-rental income	1,531	98	46	1,675	1,633
Total turnover from affordable letting activities	10,302	767	280	11,349	10,939
Management and maintenance administration costs	2,443	181	53	2,677	2,678
Service costs	431	189	19	639	601
Planned & cyclical maintenance including major repairs	386	76	-	462	540
Reactive maintenance costs	644	51	0	695	616
Bad debts – rents and service charges	78	0	-	78	23
Depreciation of affordable let properties	2,383	199	57	2,639	2,427
Operating costs for affordable letting activities	6,365	696	129	7,190	6,885
Operating surplus for affordable letting activities	3,937	71	151	4,159	4,054
Operating surplus for affordable letting activities for 2016	3,815	70	169	4,054	

ASSOCIATION

	General Needs Social Housing £'000	Supported Social Housing Accom £'000	Shared Ownership Accom £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of service charges	8,608	460	235	9,303	8,660
Service charges	175	217	5	397	653
Gross income from rents and service charges	8,783	677	240	9,700	9,313
Less voids	81	8	6	95	75
Net income from rents and service charges	8,702	669	234	9,605	9,238
Amortised grant	1,505	97	46	1,648	1,542
Grants from the Scottish Ministers	12	1	-	13	13
Other revenue grants	1	-	-	1	15
Other	77	0	-	77	118
Non-rental income	1,595	98	46	1,739	1,688
Total turnover from affordable letting activities	10,297	767	280	11,344	10,926
Management and maintenance administration costs	2,440	181	53	2,674	2,676
Service costs	431	189	19	639	601
Planned & cyclical maintenance including major repairs	386	76	-	462	540
Reactive maintenance costs	644	51	0	695	616
Bad debts – rents and service charges	78	0	-	78	23
Depreciation of affordable let properties	2,383	199	57	2,639	2,427
Operating costs for affordable letting activities	6,362	696	129	7,187	6,883
Operating surplus for affordable letting activities	3,935	71	151	4,157	4,043
Operating surplus for affordable letting activities for 2016	3,804	70	169	4,043	

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

4. Particulars Of Turnover, Operating Costs and Operating Surplus or Deficit from Other Activities

GROUP & ASSOCIATION

	2017							2016
	Grants from Scottish Ministers £'000	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	Operating Surplus/ (Deficit) £'000	Total £'000
Wider role activities to support the community								
Care & Repair	229	-	-	41	270	253	17	(2)
Factoring	-	-	-	19	19	16	3	(0)
Development and construction of property activities	-	-	-	-	-	316	(316)	(281)
Support activities	-	-	202	639	841	1,302	(461)	(369)
Care activities	-	-	-	-	-	-	-	(250)
Agency management services for RSLs	26	-	-	70	96	119	(23)	(53)
Other activities	4	-	-	177	181	80	101	(8)
Total from other activities	259	-	202	946	1,407	2,086	(679)	(963)
Total from other activities for 2016	254	-	208	859	1,321	2,284	(963)	

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

5. Accommodation in Management

GROUP & ASSOCIATION

	2017 (Units)	2016 (Units)
The number of units of accommodation in management at the year end was:		
General needs housing	**2,118**	2,077
Shared ownership	**77**	83
Supported housing	**142**	142
Total units in management	**2,337**	2,302

6. Surplus/(Deficit) for the Year

	GROUP		ASSOCIATION	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Surplus is stated after charging:				
Depreciation of housing properties	**2,638**	2,427	**2,638**	2,427
Depreciation of other tangible fixed assets	**152**	161	**152**	161
Surplus on disposal of tangible fixed assets	**(29)**	(97)	**(29)**	(97)
Fees payable to Chiene & Tait and its associates in respect of both audit and non-audit services are as follows:				
Audit related assurance services	**20**	19	**18**	18
Taxation compliance services	**1**	3	**-**	2
Other assurance services	**-**	2	**-**	1
	21	24	**18**	21

7. Loss on Disposal of Plant & Equipment

GROUP & ASSOCIATION

	2017 Total £'000	2016 Total £'000
Housing properties		
Net proceeds	**(1)**	94
Less asset cost and recycled grant	**(28)**	(194)
Accumulated depreciation	**-**	3
	(29)	(97)

8. Interest Receivable

GROUP & ASSOCIATION

	2017 £'000	2016 £'000
Bank deposit interest	**9**	5

9. Interest and Financing Costs

GROUP & ASSOCIATION

	2017 £'000	2016 £'000
Loan interest		
Interest payable	**1,607**	1,546
Release of premium	**-**	(9)
	1,607	1,537
Pension deficit movement		
Unwinding of discount factor	**127**	132
Remeasurement – impact of change of assumptions	**74**	(23)
	201	109
	1,808	1,646

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

10. Taxation

ASSOCIATION

The Association is recognised by the Inland Revenue as a charity for taxation purposes. This results in no liability to corporation tax in the year.

GROUP

Analysis of the tax charge
The tax charge on the profit on ordinary activities for the year was as follows:

	2017	2016
	£'000	£'000
Tax charge in the year	1	1
Current tax credit	-	-
Tax credit on profit on ordinary activities	1	1

In common with many other businesses of our size and nature we use a firm related to our auditors, Chiene & Tait, to prepare and submit returns to the tax authorities.

11. Employees

GROUP & ASSOCIATION

Officers' emoluments	**2017**	2016
	£'000	£'000
Aggregate emoluments (excluding pension contributions) for all directors employed during the year (four) as detailed on page 2.	**312**	282
The emoluments of the Chief Executive (excluding pension emoluments)	**92**	91
Aggregate pension contributions in relation to the above key management personnel	**25**	21

No payments or fees or other remuneration was made to the board members during the year.

The number of directors whose emoluments (excluding pension contribution) paid were:

	No.	No.
£90k - £100k	**1**	1
£80k - £90k	**-**	-
£70k - £80k	**3**	2

Four directors were in post at the reporting date.

GROUP & ASSOCIATION

	2017	2016
	£'000	£'000
Staffing costs:		
Salaries	**2,842**	2,996
Social security costs	**248**	257
Defined contribution pension costs	**203**	211
Agency staffing cost	**110**	59
	3,403	3,523

	No.	No.
Average monthly number of employees (full time equivalent)		
Office based	**72**	68
Project based	**36**	47
Total	**108**	115

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

12. Tangible Fixed Assets – Housing Properties

GROUP & ASSOCIATION

	Completed Properties		Under Construction	
	Held for Let	Shared Ownership	Held for Let	Total
	£'000	£'000	£'000	£'000
COST				
At 1 April 2016	159,655	3,451	3,988	167,094
Additions – new & existing stock	**29**	**-**	**8,757**	**8,786**
Additions – component replacement	**1,388**	**-**	**-**	**1,388**
Transfers	**5,242**	**(279)**	**(4,963)**	**-**
Disposal - existing stock	**-**	**-**	**-**	**-**
Disposal – component replacement	**(334)**	**-**	**-**	**(334)**
At 31 March 2017	**165,980**	**3,172**	**7,782**	**176,934**
DEPRECIATION				
At 1 April 2016	28,828	1,047	-	29,875
Charge	**2,581**	**57**	**-**	**2,638**
Disposal – existing stock	**82**	**(82)**	**-**	**-**
Disposal – component replacement	**(305)**	**-**	**-**	**(305)**
At 31 March 2017	**31,186**	**1,022**	**-**	**32,208**
Net book value at 31 March 2017	**134,794**	**2,150**	**7,782**	**144,726**
Net book value at 31 March 2016	130,827	3,227	3,988	138,042

During the year the amount of works to existing properties that were capitalised was £1,388k (2016 - £1,512k), out of total spend of £2,545k (2016 - £2,607k).

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

13. Tangible Fixed Assets – Other Fixed Assets

GROUP & ASSOCIATION

	Furniture & Fittings £'000	Other Equipment £'000	Information Technology £'000	Motor Vehicles £'000	Heritable Property £'000	Let Property Furnishing £'000	Total £'000
Cost							
At 1 April 2016	219	28	909	119	3,491	17	4,783
Additions	-	22	22	-	-	-	44
Disposal	-	-	(474)	-	-	-	(474)
At 31 March 2017	**219**	**50**	**457**	**119**	**3,491**	**17**	**4,353**
Depreciation							
At 1 April 2016	167	10	841	91	175	17	1,301
Charge for year	18	10	39	14	71	-	152
Disposal	-	-	(474)	-	-	-	(474)
At 31 March 2017	**185**	**20**	**406**	**105**	**246**	**17**	**979**
Net book value at 31 March 2017	**34**	**30**	**51**	**14**	**3,245**	**0**	**3,374**
Net book value at 31 March 2016	52	18	68	28	3,316	0	3,482

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

14. Fixed Asset Investments

GROUP & ASSOCIATION

	2017 £'000	2016 £'000
Heritable investment property	**719**	719

In 2012/13 the investment property in Melrose was valued by Mr K Hughes MRICS of Allied Surveyors Scotland plc. The market value was estimated to be £395k for existing use (office accommodation) and £500k for sale as private accommodation. Therefore the carrying value prior to the transfer to the investment property category of £444k was taken as the market value. We do not believe this valuation has altered materially.

In 2013/14 the three commercial properties; one in Galashiels, one in Peebles and one in Denholm were valued by Mr C Highton FRICS of Allied Surveyors Scotland plc. The market value was estimated to be £275k for existing use as office accommodation or shops. The carrying value prior to the transfer to the investment property category was £373k and therefore an impairment charge of £98k was charged to the income and expenditure account in 2013/14. We do not believe this valuation has altered materially.

Mr C Highton FRICS of Allied Surveyors Scotland plc has reported that little or no movement has taken place in the local market in 12 months.

15. Debtors

	GROUP		ASSOCIATION	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Amounts falling due within one year:				
Rental debtors	**457**	606	**457**	606
Provision for bad debts	**(300)**	(254)	**(300)**	(254)
	157	352	**157**	352
SHG Receivable	**173**	251	**173**	251
Other debtors	**88**	60	**87**	60
Owed by group undertakings	**-**	-	**1**	1
Prepayments and accrued income	**31**	19	**31**	19
	449	682	**449**	683

16. Creditors – Amounts Falling Due Within One Year

	GROUP		ASSOCIATION	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Housing loans (Note 17)	**832**	7,710	**832**	7,710
Rent & services charged in advance	**214**	104	**214**	104
Trade creditors	**346**	601	**346**	601
Other taxation & social security costs	**79**	82	**79**	80
Unpaid contributions for retirement benefits	**482**	367	**482**	367
Other creditors	**133**	136	**133**	136
Deferred income – non-liquid creditors	**122**	122	**122**	122
Owed to group undertakings	**-**	-	**1**	-
Accruals and deferred income	**334**	463	**330**	462
	2,542	9,585	**2,539**	9,582

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

17. Creditors – Amounts Falling Due After More Than One Year

GROUP & ASSOCIATION

	Notes	2017 £'000	2016 £'000
Bank and building society loans		**39,796**	35,257
Local authority and other loans		**194**	194
		39,990	35,451
Other creditors			
Development retentions		**89**	72
Future pension liability	**19**	**2,047**	5,474
Financial instruments (SWAP)	**18**	**1,413**	1,349
		3,549	6,895
		43,539	42,346

Other Creditors

Development retentions due for properties currently under construction.

Loans

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest (2016/17 average 4.43%), in instalments due as follows:

GROUP & ASSOCIATION

	2017 £'000	2016 £'000
Due within 1 year: (Note 16)		
Bank and building society loans	**831**	7,709
Local authority and other loans	**1**	1
	832	7,710
Due within 1 to 2 years:		
Bank and building society loans	**916**	818
Local authority and other loans	**1**	1
	917	819
Due within 2 to 5 years:		
Bank and building society loans	**4,775**	4,515
Local authority and other loans	**4**	4
	4,779	4,519
Due after 5 years:		
Bank and building society loans	**34,107**	29,924
Local authority and other loans	**187**	189
	34,294	30,113
	40,822	43,161

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

17. Creditors – Amounts Falling Due After More Than One Year (cont)

Financial Instruments

Due to the nature of the Association's business, the only financial risk the board consider relevant to the Association is credit, cash flow, interest rate and liquidity risk. The credit and cash flow risks are not considered significant.

Interest Rate Risk

The financial risk management objectives of the Association are to ensure that financial risks are mitigated by the use of financial instruments where they cannot be addressed by means of contractual provisions. The Association uses interest rate swaps to reduce its exposure to interest rate movements. Financial instruments are not used for speculative purposes.

Liquidity Risk

The Association's liquidity risk is principally managed through financing the Association by means of long term borrowings.

18. Financial Instruments

	2017		2016	
	Carrying Amount £'000	**Fair Value £'000**	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Long term borrowing	**3,000**	**1,465**	3,000	1,529
Interest rate SWAP	**-**	**1,535**	-	1,471
	3,000	**3,000**	3,000	3,000

	2017 £'000
Due within 1 year	**122**
Due more than 5 years (Note 17)	**1,413**
	1,535

The fair values of the fixed rate borrowing and the interest rate swap have been calculated by discounting the fixed cash flows at the prevailing interest rates at the year end.

19. Future Pension Liability (Provisions)

	2017 SHAPS Pension £'000
Pension	
1 April 2016	**5,841**
Deficit contribution paid	**(495)**
Unwinding of discount factor	**128**
Change in discount rate	**74**
Remeasurement	**(3,019)**
31 March 2017	**2,529**

	2017 £'000
Due within 1 year	**482**
Due more than 5 years (Note 17)	**2,047**
	2,529

The SHAPS provision represents the net present value of the commitment to the multi employee pension scheme in respect of past deficits.

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

20. Deferred Income

	2017	2016
	£'000	£'000
Social housing grants		
Balance as at 1 April 2016	**88,752**	88,510
Additions	**6,492**	2,607
Amortisation in year	**(1,648)**	(1,542)
Balance as at 31 March 2017	**93,596**	89,575
Other grants		
Balance as at 1 April 2016	**138**	153
Amortisation in year	**(15)**	(15)
Balance as at 31 March 2017	**123**	138

21. Client Bank Account

Funds held and managed on behalf of Care & Repair clients.

	2017	2016
	£	£
Balance as at 1 April 2016	**55,698**	51,286
Payment to contractors	**(534,162)**	(648,454)
Income*	**539,356**	653,554
Bank Charges	**(781)**	(688)
Balance as at 31 March 2017	**60,111**	55,698

*Income received by and on behalf of Care and Repair

22. Commitments

GROUP & ASSOCIATION

	2017	2016
	£'000	£'000
Capital commitments		
Capital expenditure authorised but not contracted for	**23,604**	13,296
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**16,563**	2,352

The amount contracted for at 31 March 2017 will be funded from grants approved by The Scottish Housing Regulator, financed from private loans or met from the Association's reserves.

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

23. Pensions

Scottish Housing Associations' Pension Scheme

Eildon Housing Association Limited participates in the Scottish Housing Associations' Pension Scheme ('the scheme'), a multi-employer scheme which provides benefits to over 150 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out at 30 September 2012. This actuarial valuation showed assets of £394m, liabilities of £698m and a deficit of £304m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions
From 1 April 2014 to 30 September 2027:
£26.3m per annum (payable monthly and increasing by 3% each 1 April)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £814m and a deficit of £198m.

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

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

Assumptions	**2017**	**2016**
Rate of discount – % per annum	1.06	2.29

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The total Scheme pension cost for the Association was £699,212 (2016: £690,473). Retirement benefits are accruing under this scheme in respect of one Director. Best estimate of contributions to be paid to the scheme in the next accounting period are ordinary contributions of £192,788 and additional contributions for past service deficit of £3,513,451. There is a provision for future payments of £2,529k (Note 19).

Contingent Liability if Eildon ceases to participate in the Scheme

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 buyout 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 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 amounts of debt can therefore be volatile over time.

Eildon Housing Association Ltd 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 2016. As of this date the estimated employer debt for Eildon Housing Association Ltd was £19,515k. This includes past service deficit noted above.

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

24. Legislative Provisions

Eildon Housing Association was incorporated in 1974 under the Industrial and Provident Societies Act and is currently incorporated under the Co-operative and Community Benefit Society. Eildon Enterprise Ltd is a company limited by guarantee incorporated under the Companies Act 1985.

25. Called Up Share Capital

	GROUP		ASSOCIATION	
	2017	2016	**2017**	2016
	£	£	**£**	£
Allotted, Issued and Fully Paid: Shares of £1 each				
At 1 April	**91**	104	**91**	104
Issued in year at par	**7**	8	**7**	8
Cancelled in year	**(7)**	(21)	**(7)**	(21)
At 31 March	**91**	91	**91**	91

The shares were allotted to individuals wishing to become members.

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distribution in the event of 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 the members' meetings.

26. Related Party Transactions

Eildon Enterprise Limited

Eildon Enterprise Limited (EEL) is a subsidiary of Eildon Housing Association (EHA). All shares of EEL are held by EHA and the board members of EHA make up the majority of the EEL Board.

Mr Nile Istephan, the Secretary and Chief Executive of EHA is also Secretary of EEL.

During the year the following transactions took place between EHA and EEL:

	2017	2016
	£'000	£'000
Consultancy services provided to EEL	**64**	55
Amount due from EEL at the year end	-	1
Amount due to EEL at the year end	**1**	-

Tenant board members:

	2017	**2016**
	£	**£**
Payments to EHA Board Members who are tenants	**4,129**	-
Amount due from EHA at the year end (paid in advance)	**688**	-

The EEL Balance Sheet and Profit & Loss Account, along with Eildon Housing Association make up the Group accounts financial statements (pages 18 - 21).