EILDON GROUP

Caring, Committed, Connected, Creative

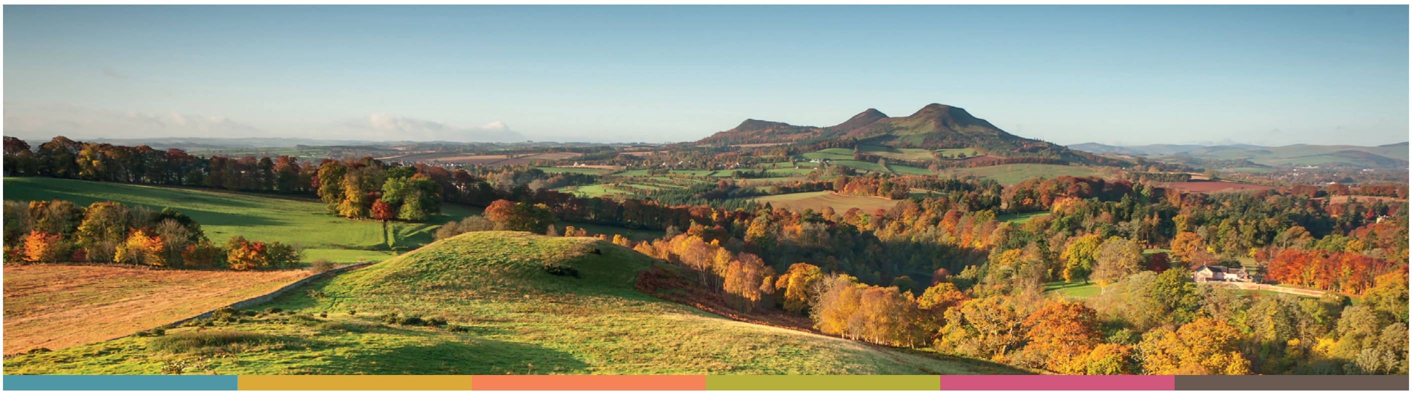
EILDON HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

for the year ended 31 March 2018

Co-operative and Community Benefit Society 1757R(S).
Scottish Charity No SC015026. The Scottish Housing Regulator No HEP107.

www.eildon.org.uk



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SCOTTISH HOME AWARDS 2018 WINNER

SCOTTISH HOME AWARDS 2018 HIGHLY COMMENDED

EFQM Recognised for Excellence 4 Star - 2018

HOMES FOR SCOTLAND AWARDS 2018 COMMENDED

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
Mrs C E Lang, DCE, DPSE	(R - Aug 2017)	Director (R - Aug 2017)
Mr Ewen Swinton, ACIBS	Chairman (Audit & Risk Committee)	
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		
Mr Ron Beardsley, MSc, FFB		
Mrs Lesley Summerhill, RGN, ONC, DN, MBA		
Mrs Alison Ballantyne	(A - Dec 2017)	
Miss Camilla Younger	(A - Dec 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 Nos
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 - SC015026 The Scottish Housing Regulator - HEP107
	EEL – Subsidiary Company Registration Number - SC273461

Appointed Banker and Auditors

	EHA Parent	EEL Subsidiary
Banker Bank of Scotland 3 Channel Street Galashiels TD1 1BE	✓	✓
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 Ltd 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 Ltd. The legal relationship between these companies is that the Board of Eildon Housing Association Ltd make up the Eildon Enterprise Ltd Board (with the potential for a minority of 'independent' members to be added to this).

Eildon Enterprise Ltd 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 Ltd. The Eildon Trust has not been included in the consolidated financial statements as it is dormant.

Eildon Housing Association Ltd is a Public Benefit Entity.

2. PRINCIPAL ACTIVITIES

Parent – Eildon Housing Association Ltd

The principal activities of Eildon Housing Association Ltd 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 & 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 Ltd

Eildon Enterprise Ltd's principal activities are:

- Involvement in wider action activity and working with Community Planning Partners
- Provision of consultancy services to other organisations and private developers
- Provision of houses at intermediate and market 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 89 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 of the Association over the age of 18 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

Each year, one third 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 3.

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 undertake a range of training opportunities to assist them in discharging their responsibilities. New Board members are also assigned a more experienced colleague to act as a mentor in their first year.

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, and the appraisal of the CEO.

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 nine times annually, the Audit & Risk Sub-Committee four 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, which include a summary of key activities undertaken during that year, at the annual general meeting (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 29 to 38 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 (2017: 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 AGM will be held on Wednesday 5 September 2018, 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 AND STRATEGY

The Group’s Five Year Strategy is reviewed and approved by the Board each year. The strategic objectives in the update for 2018/19 to 2022/23 are, 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 £2,017k during the year and the Net Assets base rose to £19.6m.
The Group made a surplus of £2,027k, after tax, during the year and the Net Assets base rose to £19.6m.
The financial performance over the past four years is analysed in Table 1, on page 18.

Rent loss from voids

The target for the year was to keep voids below 1.18% of rental income receivable, and the actual is 1.05% (2017 – 0.98%).

Rent loss from bad debts

The target for the year was to keep bad debts below 1.21% of rental & service income receivable, and the actual is 0.62% (2017 – 0.34%).

Overall rent collection

Net arrears (arrears less prepayments) at 31 March 2018 have increased by £71k since 31 March 2017. When combined with the variances from the above, produces a rent collected in the year of 97.66% which is slightly above the target of 97.61%. Outstanding net arrears at the year end represents 3.07% of the total rent roll (2017 – 2.48%).

5. HOUSING PROPERTIES

At 31 March 2018, the Association owned 2,421 housing units. The properties are carried at the historic cost of £197m (2017 - £177m) which nets off to £58m (2017 - £51m) after depreciation and capital grants. Housing units are funded by Social Housing Grant, loans and working capital.

In the reporting year 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 £85m is indicated (market value £257m). A similar valuation over 248 units in 2013/14 gave an extrapolated value in use of £72m (market value £249m).

6. CAPITAL STRUCTURE AND TREASURY POLICY

During the year the Association drew £1m from a five year revolving £6m loan with The Royal Bank of Scotland (RBS). At 31 March 2018, £3m of that loan is still undrawn. In April 2018 a £5m ten year facility has been agreed with Santander.

The Association borrows from banks and building societies in accordance with the Treasury Policy approved by the Board. Where necessary, Aquila Treasury and Financial Solutions (ATFS) is used to ensure that all the products in the market are considered and to assist in the detailed administration process of securing loans. In this way the Association 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 2018, the mix of variable and fixed ratio was 27%:63% 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 28).

The Group cash inflow from operating activities increased this year to £4,122k (2017 - £4,406k), a net £6,475k (2017 - £3,925k) was spent acquiring assets. There was an outflow from repaying loans of £261k (2017 - £7,715k); inflow from borrowings was £1,000k (2017 - £5,000k). The cost of financing was £1,561k (2017 - £1,347k) and the net debt moved from £40,822k in 2017 to £41,565k in 2018.

8. DONATIONS

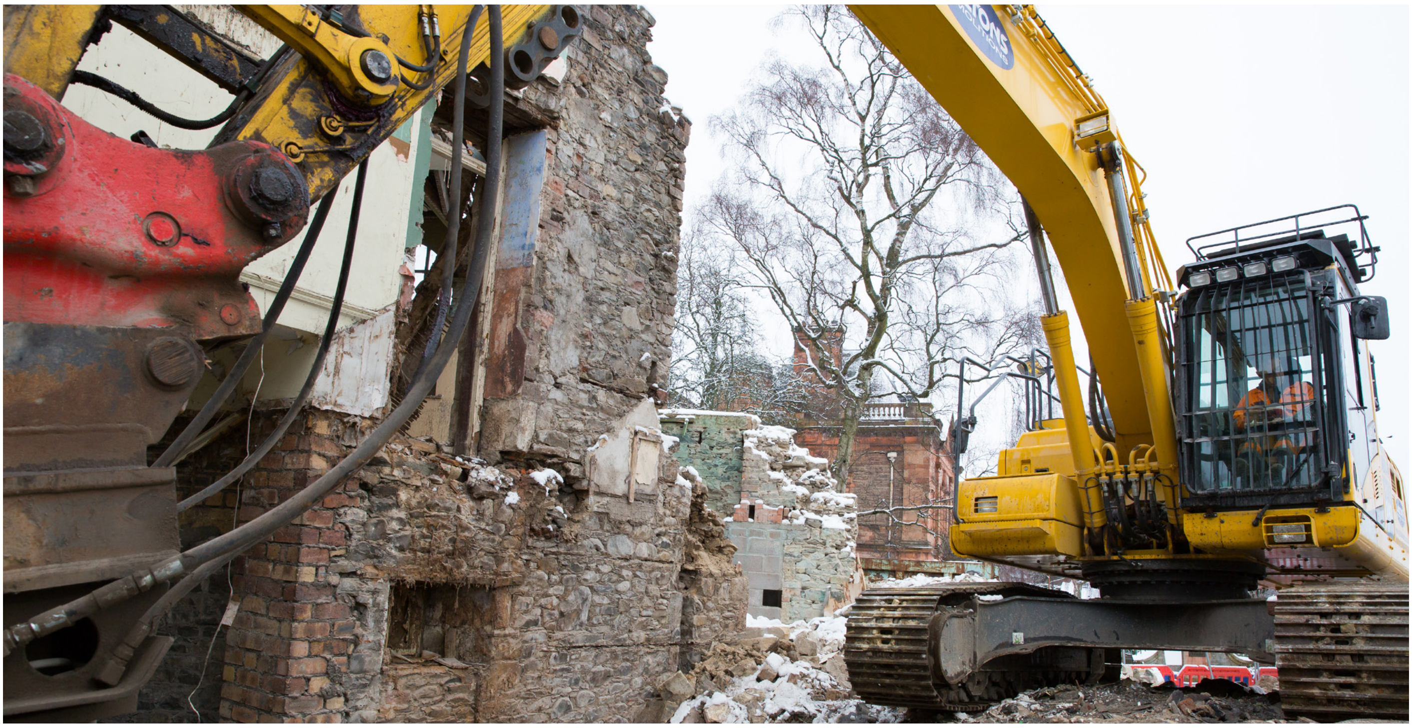
The Group donated £2k (2017 - £1k) to charitable activities that included: the Lintel Trust, Social Bite, Adult Learning Award and the Adult Volunteer Awards; and made no political donations.

9. DEVELOPMENT AND SALE OF PROPERTIES

During the reporting year the Association spent £19.6m (2017 - £8.7m) on building and purchasing houses (Note 12) of which £12.5m (2017 – £6.5m) was funded by grants received from the More Homes Division (East) of the Scottish Government. At the reporting date there are no Shared Equity units unsold.

The Association sold two Shared Ownership properties and one Right to Buy property. In the year the Association bought back four Shared Ownership properties and purchased 38 National Housing Trust (NHT) properties.

In the year ending 31 March 2019, it is expected that the Association will spend £19.6m on the development of new properties funded by £13.7m Housing Association Grant (HAG). This represents 100 units coming into management, 214 starting on-site and preparatory works for a further 405 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 five days of notification - expenditure in the year was £862k (2017 - £695k)
- 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 £472k (2017 - £462k)
- A long-term programme of major repairs for the replacement of components which have come to the end of their economic lives - direct expenditure capitalised in the year was £527k (2017 - £1,388k)

The reactive maintenance completed first time was 83.12% (2017 – 85.75%) and customer satisfaction returns gave a 94.1% (2017 - 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 Social Housing programme.

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. The rent reflective characteristics are:

- Flats with their own individual access
- Shower areas with a shower in addition to a bathroom
- An additional WC
- 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 decreased to 30 days (2017 – 31 days).

Tenant involvement plays an important part in formulating and agreeing the Association's aims and objectives. The Customer Panel, 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.

The Association operates a three-year 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 Housing Association
- An adaptations service to the Borders Housing Network

As agents for Scottish Borders Council, the Group runs 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.

During the year 2017/18 The Association supported the professional development of staff to achieve:
- One Postgraduate Diploma in Housing
- One SVQ4 in Leadership
- Three SVQ3 Health & Social Care
- One AAT Level 2
- Successful completion of one Modern Apprenticeship in Business Admin
- One NEBOSH Fire Safety

A range of training interventions including:
- Leadership Development - G8 Academy for senior managers
- Leadership Development - Scottish Enterprise's Managing People for Growth course
- Legislative changes and GDPR – specific for new D&IO as well as senior managers through TC Young at SFHA
- Benchmarking through HouseMark
- Contract Management
- SPSO - Dealing with Difficult Behaviour
- EFQM Assessor training
- Process Mapping

A range of Health & Safety courses to support mandatory training requirements:
- First Aid
- Moving & Handling
- Physical Intervention
- Adult Support & Protection

During the year the the Association's Learning Management Sytem (LMS) was introduced allowing staff to undertake courses online. Three courses were set during the year:
- Mental Health Awareness
- Fire Safety
- Data Protection

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

The staff attendance target is 97.0% and actual attendance for the year is 95.5% (2017 – 95.2%).

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	2018 £'000	2017 £'000	2016 £'000	(Restated) 2015* £'000
Statement of Comprehensive Income				
Total turnover	13,356	12,756	12,260	12,129
Social lettings income	11,941	11,349	10,939	10,338
Operating surplus	3,258	3,480	3,091	2,143
Surplus/(deficit) for the year after tax	**2,027**	**4,606**	**1,349**	**(439)**
Statement of Financial Position				
Net housing properties	161,933	144,726	138,042	133,791
Other fixed assets	4,046	4,093	4,201	4,332
Fixed assets	165,979	148,819	142,243	138,123
Net current assets	1,912	6,081	2,852	(827)
Total assets less current liabilities	167,891	154,900	145,095	137,296
Long term liabilities	(43,742)	(43,539)	(42,346)	(38,459)
Deferred income	(104,480)	(93,719)	(89,713)	(87,150)
Net Assets	**19,669**	**17,642**	**13,036**	**11,687**
Reserves	**19,669**	**17,642**	**13,036**	**11,687**
Housing Stock (units)	**2,421**	**2,337**	**2,302**	**2,274**
Statistics				
Surplus for year as % of turnover	15.2%	36.1%	11.1%	(3.6%)
Surplus for year as % of social lettings income	16.9%	40.6%	12.5%	(4.2%)
Rent loss from voids in the year	1.05%	0.98%	0.87%	1.13%
Rent collected in terms of rent collectable in the year	97.6%	97.6%	98.8%	98.4%
Liquidity (Current Assets/Current Liabilities)	1.5/1	3.3/1	1.3/1	1.3/1
Gearing (Total Loans as % of Capital Grants plus Reserves)	33.5%	35.9%	34.6%	25.6%

**Year 2015 contains 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 2019
- The 5 Year Viability Plan including Cashflow to 31 March 2023 that is scrutinised by the Regulator
- The 60 Year Plan including Cashflow to 2078

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 63% fixed mostly at favourable rates
- The Association has, at 31 March 2018, 1,105 unencumbered properties
- The Association has, at 31 March 2018, £5m in cash
- The Reserves of the Association are over £19.6m

In 2018/19 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 2018 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 auditor's report on the financial statements.

E
Auditor

Chiene + Tait were appointed on a five year contract subject to annual reappointment at the AGM on 5 September 2018. Chiene + Tait has indicated their willingness to continue in office. A resolution proposing their appointment for 2018/19 will be submitted to the AGM.

By order of the Board

[redacted] [redacted]

..

Mr N J Istephan **Date**

Secretary

Independent Auditor's Report to the Members of Eildon Housing Association Ltd

Opinion

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

In our opinion the financial statements:

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

Basis for Opinion

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

Who we are Reporting To

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.

Conclusions Relating to Going Concern

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

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

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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
- The Association has not kept proper accounting records
- The financial statements are not in agreement with the books of account of the Association
- We have not received all the information and explanations necessary for the purposes of our audit

Responsibilities of the Board

As explained more fully in the Statement of the Board's Responsibilities set out on page 6, the Board members (who are also the Trustees of the Association for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

[redacted]

[redacted] 2018

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

Report by the Auditors to the Members of Eildon Housing Association Ltd on Corporate Governance Matters

In addition to our audit of the Group financial statements, we have reviewed your statement on page 20 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 20 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.

[redacted]

[redacted] **2018**

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Notes	2018 £'000	2017 £'000
Turnover	2	**13,356**	12,756
Less: operating expenditure	2	**(10,098)**	(9,276)
Operating Surplus		**3,258**	3,480
Donation from subsidiary		**-**	-
Gain on disposal of property, plant & equipment	7	**120**	(29)
Interest receivable	8	**8**	9
Interest and financing costs	9	**(1,587)**	(1,808)
Movement in fair value of financial instruments	18	**230**	(64)
Surplus before Tax		**2,029**	1,588
Taxation	10	**(2)**	(1)
Surplus for the Year	6	**2,027**	1,587
Re-measurement caused by actuarial valuation	19	**-**	3,019
Total Comprehensive Income for the Year		**2,027**	4,606

ASSOCIATION	Notes	2018 £'000	2017 £'000
Turnover	2	**13,310**	12,751
Less: operating expenditure	2	**(10,094)**	(9,273)
Operating Surplus		**3,216**	3,478
Donation from subsidiary		**30**	-
Loss on disposal of property, plant & equipment	7	**120**	(29)
Interest receivable	8	**8**	9
Interest and financing costs	9	**(1,587)**	(1,808)
Movement in fair value of financial instruments	18	**230**	(64)
Surplus for the Year	6	**2,017**	1,586
Re-measurement caused by actuarial valuation	19	**-**	3,019
Total Comprehensive Income for the Year		**2,017**	4,605

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Fixed Assets					
Housing properties	12	**161,933**	144,726	**161,933**	144,726
Other fixed assets	13	**3,327**	3,374	**3,327**	3,374
Fixed asset investments	14	**719**	719	**719**	719
		165,979	148,819	**165,979**	148,819
Current Assets					
Trade and other debtors	15	**684**	449	**736**	449
Cash and cash equivalents		**4,999**	8,174	**4,869**	8,108
		5,683	8,623	**5,605**	8,557
Current Liabilities					
Creditors amounts falling due within one year	16	**(3,771)**	(2,542)	**(3,766)**	(2,539)
		(3,771)	(2,542)	**(3,766)**	(2,539)
Net Current Assets		**1,912**	6,081	**1,839**	6,018
Total Assets Less Current Liabilities		**167,891**	154,900	**167,818**	154,837
Creditors: Amounts Falling Due More Than One Year					
Pension creditor	17	**(1,523)**	(2,047)	**(1,523)**	(2,047)
Other creditors	17	**(42,219)**	(41,492)	**(42,219)**	(41,492)
	17	**(43,742)**	(43,539)	**(43,742)**	(43,539)
Deferred Income					
Social housing grants	20	**(104,372)**	(93,596)	**(104,372)**	(93,596)
Other grants	20	**(108)**	(123)	**(108)**	(123)
		(104,480)	(93,719)	**(104,480)**	(93,719)
Total Net Assets		**19,669**	17,642	**19,596**	17,579
Capital and Reserves					
Share capital	25	**0**	0	**0**	0
Revenue reserves		**19,669**	17,642	**19,596**	17,579
Total reserves		**19,669**	17,642	**19,596**	17,579

The financial statements on pages 25 to 55 were approved by the Board of Management and authorised for issue and were signed on its behalf by:

Mr T W Burrows [redacted]......... (Chairman)

Mr D Alexander .... (Vice Chairman)

Mr N J Istephan .... (Secretary)

.... (Date)

EILDON GROUP
Caring, Committed, Connected, Creative

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	GROUP		ASSOCIATION	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Balance at 1 April 2017	**17,642**	13,036	**17,579**	12,974
Other comprehensive income for the year	**2,027**	4,606	**2,017**	4,605
Balance at 31 March 2018	**19,669**	17,642	**19,596**	17,579

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Notes	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Net cash inflow from operating activities	A	**4,122**	4,406	**4,058**	4,406
Investing activities					
Acquisition and construction of properties		**(18,823)**	(10,424)	**(18,823)**	(10,424)
Purchase of tangible fixed assets		**(132)**	(29)	**(132)**	(29)
Social housing grant received		**12,352**	6,520	**12,352**	6,520
Social housing grant repaid		**-**	-	**-**	-
Proceeds on disposal of properties		**120**	(1)	**120**	(1)
Interest received on cash and cash equivalents		**8**	9	**8**	9
Net cash outflow from investing activities		**(6,475)**	(3,925)	**(6,475)**	(3,925)
Financing activities					
New secured loans		**1,000**	5,000	**1,000**	5,000
Interest paid on loans		**(1,561)**	(1,347)	**(1,561)**	(1,347)
Loan principal repayments		**(261)**	(7,715)	**(261)**	(7,715)
Share capital issued		**-**	-	**-**	-
Net cash (outflow) from financing		**(822)**	(4,062)	**(822)**	(4,062)
(Decrease) in cash		**(3,175)**	(3,581)	**(3,239)**	(3,581)
Opening cash and cash equivalents		**8,174**	11,755	**8,108**	11,689
Closing cash and cash equivalents		**4,999**	8,174	**4,869**	8,108

A. Net Cash Inflow from Operating Activities

	GROUP 2018 £'000	GROUP 2017 £'000	ASSOCIATION 2018 £'000	ASSOCIATION 2017 £'000
Surplus for the year	**2,027**	4,606	**2,017**	4,605
Depreciation of tangible fixed assets	**3,056**	2,790	**3,056**	2,790
Amortisation of capital grants	**(1,756)**	(1,663)	**(1,756)**	(1,663)
Change in debtors	**(95)**	202	**(147)**	206
Change in creditors	**157**	92	**157**	90
Unwinding of discount on pension liability	**(498)**	(495)	**(498)**	(495)
Taxation	**2**	1	**-**	-
Loss on disposal of property, plant & equipment	**(120)**	29	**(120)**	29
Interest paid	**1,587**	1,808	**1,587**	1,808
Interest received	**(8)**	(9)	**(8)**	(9)
Movement in fair value financial instrument	**(230)**	64	**(230)**	64
Actuarial gain in respect of pension scheme	**-**	(3,019)	**-**	(3,019)
Balance as at 1 April	**4,122**	4,406	**4,058**	4,406

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

1. Principal Accounting Policies 2018

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 5.

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 xv) Depreciation and Impairment
- Components of housing properties – see xv) 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 xv) Depreciation and Impairment
- Recoverable amount of rent arrears and other debtors – see xviii) Financial Instruments
- Pension provision – see xix) Pensions

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

iv) Going Concern

Based on the statement of going concern set out on page 19 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.

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.

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

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
- 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 Net Present Value (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.

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

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 13)

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

xii) Donated Land (Note 12)

Land or other assets which have been donated by a government source is added to the 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.

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.

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

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%

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, eg 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%

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

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.

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.

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

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.

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.

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

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 (ie 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)
- 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.

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

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.

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 1.51% amounting to a net present value of £2,037k at 31 March 2018.

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 Associations' 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.

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

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 Ltd 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 2018

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

GROUP

	Notes	Turnover £'000	2018 Operating Costs £'000	Operating Surplus/ (Deficit) £'000	2017 Operating Surplus/ (Deficit) £'000
Affordable letting activities	3	11,941	7,733	4,208	4,159
Other activities	4	1,415	2,365	(950)	(679)
Total 2018		13,356	10,098	3,258	3,480
Total 2017		12,756	9,276	3,480	

ASSOCIATION

	Notes	Turnover £'000	2018 Operating Costs £'000	Operating Surplus/ (Deficit) £'000	2017 Operating Surplus/ (Deficit) £'000
Affordable letting activities	3	11,895	7,729	4,166	4,157
Other activities	4	1,415	2,365	(950)	(679)
Total 2018		13,310	10,094	3,216	3,478
Total 2017		12,751	9,273	3,478	

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

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	2018 Total £'000	2017 Total £'000
Rent receivable net of service charges	9,130	473	225	9,828	9,375
Service charges	171	210	5	386	397
Gross income from rents and service charges	9,301	683	230	10,214	9,772
Less voids	90	13	4	107	98
Net income from rents and service charges	9,211	670	226	10,107	9,674
Amortised grant	1,599	97	46	1,742	1,648
Grants from the Scottish Ministers	2	-	-	2	13
Other revenue grants	2	-	-	2	1
Other	86	2	-	88	13
Non-rental income	1,689	99	46	1,834	1,675
Total turnover from affordable letting activities	10,900	769	272	11,941	11,349
Management and maintenance administration costs	2,468	111	48	2,627	2,677
Service costs	345	413	7	765	639
Planned & cyclical maintenance including major repairs	423	49	-	472	462
Reactive maintenance costs	797	51	14	862	695
Bad debts – rents and service charges	130	-	-	130	78
Depreciation of affordable let properties	2,684	140	53	2,877	2,639
Operating costs for affordable letting activities	6,847	764	122	7,733	7,190
Operating surplus for affordable letting activities	4,053	5	150	4,208	4,159
Operating surplus for affordable letting activities for 2017	3,937	71	151	4,159	

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

3. Particulars of Turnover, Operating Costs and Operating Surplus or Deficit from Affordable Letting Activities (cont'd)

ASSOCIATION				2018	2017
	General Needs Social Housing	Supported Social Housing Accom	Shared Ownership Accom	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of service charges	8,980	473	225	9,678	9,303
Service charges	171	210	5	386	397
Gross income from rents and service charges	9,151	683	230	10,064	9,700
Less voids	90	13	4	107	95
Net income from rents and service charges	9,061	670	226	9,957	9,605
Amortised grant	1,599	97	46	1,742	1,648
Grants from the Scottish Ministers	2	-	-	2	13
Other revenue grants	2	-	-	2	1
Other	190	2	-	192	77
Non-rental income	1,793	99	46	1,938	1,739
Total turnover from affordable letting activities	10,854	769	272	11,895	11,344
Management and maintenance administration costs	2,464	111	48	2,623	2,674
Service costs	345	413	7	765	639
Planned & cyclical maintenance including major repairs	423	49	-	472	462
Reactive maintenance costs	797	51	14	862	695
Bad debts – rents and service charges	130	-	-	130	78
Depreciation of affordable let properties	2,684	140	53	2,877	2,639
Operating costs for affordable letting activities	6,843	764	122	7,729	7,187
Operating surplus for affordable letting activities	4,011	5	150	4,166	4,157
Operating surplus for affordable letting activities for 2017	3,935	71	151	4,157	

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

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

GROUP & ASSOCIATION				2018				2017
	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	246	-	-	37	283	283	0	17
Factoring	-	-	-	12	12	12	0	3
Development and construction of property activities	-	-	-	-	-	396	(396)	(316)
Support activities	-	-	202	665	867	1,428	(561)	(461)
Agency management services for RSLs	34	-	-	55	89	136	(47)	(23)
Other activities	3	-	-	161	164	110	54	101
Total from other activities	**283**	**-**	**202**	**930**	**1,415**	**2,365**	**(950)**	(679)
Total from other activities for 2017	259	-	202	946	1,407	2,086	(679)	

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

5. Accommodation in Management

GROUP & ASSOCIATION	2018 (Units)	2017 (Units)
The number of units of accommodation in management at the year end was:		
General needs housing	2,208	2,118
Shared ownership	71	77
Supported housing	142	142
Total units in management	2,421	2,337

6. Surplus/(Deficit) for the Year

	GROUP		ASSOCIATION	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus is stated after charging:				
Depreciation of housing properties	2,877	2,638	2,877	2,638
Depreciation of other tangible fixed assets	179	152	179	152
Surplus on disposal of tangible fixed assets	120	(29)	120	(29)
Fees payable to Chiene + Tait and its associates in respect of both audit and non-audit services are as follows:				
Audit related assurance services	17	20	15	18
Taxation compliance services	1	1	-	-
Other assurance services	-	-	-	-
	18	21	15	18

7. Gain on Disposal of Plant & Equipment

GROUP & ASSOCIATION	2018 Total £'000	2017 Total £'000
Housing properties		
Net proceeds	224	(1)
Less asset cost and recycled grant	(138)	(28)
Accumulated depreciation	34	-
	120	(29)

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

8. Interest Receivable

GROUP & ASSOCIATION	2018 £'000	2017 £'000
Bank deposit interest	8	9

9. Interest and Financing Costs

GROUP & ASSOCIATION	2018 £'000	2017 £'000
Loan interest		
Interest payable	1,581	1,607
Release of premium	-	-
	1,581	1,607
Pension deficit movement		
Unwinding of discount factor	24	127
Remeasurement – impact of change of assumptions	(18)	74
	6	201
	1,587	1,808

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:	2018 £'000	2017 £'000
Tax charge in the year	2	1
Current tax credit	-	-
Tax credit on profit on ordinary activities	2	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.

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

11. Employees

GROUP & ASSOCIATION

Officers' emoluments	**2018 £'000**	2017 £'000
Aggregate emoluments (excluding pension contributions) for all directors employed during the year (four) as detailed on page 3.	**360**	350
The emoluments of the Chief Executive (excluding pension emoluments)	**105**	104
Aggregate pension contributions in relation to the above key management personnel	**32**	25

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**	3

Four directors were in post at the reporting date.

GROUP & ASSOCIATION

	2018 £'000	2017 £'000
Staffing costs:		
Salaries	**2,969**	2,842
Social security costs	**261**	248
Defined contribution pension costs	**241**	203
Agency staffing cost	**88**	110
	3,559	3,403
	No.	No.
Average monthly number of employees (full time equivalent)		
Office based	**71**	72
Project based	**35**	36
Total	**106**	108

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

12. Tangible Fixed Assets – Housing Properties

GROUP & ASSOCIATION

	Completed Properties		Under Construction	
	Held for Let £'000	Shared Ownership £'000	Held for Let £'000	Total £'000
COST				
At 1 April 2017	165,980	3,172	7,782	176,934
Additions – new & existing stock	**116**	-	**19,521**	**19,637**
Additions – component replacement	**527**	-	-	**527**
Transfers	**14,931**	**(147)**	**(14,784)**	-
Disposal - existing stock	**(30)**	**(84)**	-	**(114)**
Disposal – component replacement	**(64)**	-	-	**(64)**
At 31 March 2018	**181,460**	**2,941**	**12,519**	**196,920**
DEPRECIATION				
At 1 April 2017	31,186	1,022	-	32,208
Charge	**2,824**	**53**	-	**2,877**
Additions/Adjustments	-	-		-
Disposal – existing stock	**(6)**	**(28)**	-	**(34)**
Disposal – component replacement	**(64)**	-	-	**(64)**
At 31 March 2018	**33,940**	**1,047**	-	**34,987**
Net book value at 31 March 2018	**147,520**	**1,894**	**12,519**	**161,933**
Net book value at 31 March 2017	134,794	2,150	7,782	144,726

During the year the amount of works to existing properties that were capitalised was £527k (2017 - £1,388k), out of total spend of £1,861k (2017 - £2,545k).

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

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 2017	219	49	458	119	3,491	17	4,353
Additions	-	-	**132**	-	-	-	**132**
Disposal	-	-	-	(34)	-	-	(34)
At 31 March 2018	**219**	**49**	**590**	**85**	**3,491**	**17**	**4,451**
Depreciation							
At 1 April 2017	185	19	406	105	247	17	979
Charge for year	**18**	**10**	**66**	**14**	**71**	-	**179**
Disposal	-	-	-	(34)	-	-	(34)
At 31 March 2018	**203**	**29**	**472**	**85**	**318**	**17**	**1,124**
Net book value at 31 March 2018	**16**	**20**	**118**	**(0)**	**3,173**	-	**3,327**
Net book value at 31 March 2017	34	30	51	14	3,245	0	3,374

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

14. Fixed Asset Investments

GROUP & ASSOCIATION

	2018 £'000	2017 £'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	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Amounts falling due within one year:				
Rental debtors	**527**	457	**517**	457
Provision for bad debts	**(366)**	(300)	**(366)**	(300)
	161	157	**151**	157
SHG Receivable	**317**	173	**317**	173
Other debtors	**128**	88	**128**	87
Owed by group undertakings	**-**	-	**62**	1
Prepayments and accrued income	**78**	31	**78**	31
	684	449	**736**	449

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

16. Creditors – Amounts Falling Due Within One Year

	GROUP		ASSOCIATION	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Housing loans (Note 17)	**828**	832	**828**	832
Rent & services charged in advance	**213**	214	**213**	214
Trade creditors	**624**	346	**624**	346
Other taxation & social security costs	**87**	79	**85**	79
Unpaid contributions for retirement benefits	**513**	482	**513**	482
Other creditors	**948**	133	**948**	133
Deferred income – non-liquid creditors	**122**	122	**122**	122
Owed to group undertakings	**-**	-	**-**	1
Accruals and deferred income	**436**	334	**433**	330
	3,771	2,542	**3,766**	2,539

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

GROUP & ASSOCIATION

	Notes	2018 £'000	2017 £'000
Bank and building society loans		**40,546**	39,796
Local authority and other loans		**191**	194
		40,737	39,990
Other creditors			
Development retentions		**299**	89
Future pension liability	**19**	**1,523**	2,047
Financial instruments (SWAP)	**18**	**1,183**	1,413
		3,005	3,549
		43,742	43,539

Other Creditors

Development retentions due for properties currently under construction.

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

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

Loans

Loans are secured by specific charges on the Association's properties and are repayable at varying rates of interest (2017/18 average 2.99%), in instalments due as follows:

GROUP & ASSOCIATION

	2018 £'000	2017 £'000
Due within 1 year: (Note 16)		
Bank and building society loans	**827**	831
Local authority and other loans	**1**	1
	828	832
Due within 1 to 2 years:		
Bank and building society loans	**3,933**	916
Local authority and other loans	**1**	1
	3,934	917
Due within 2 to 5 years:		
Bank and building society loans	**2,502**	4,775
Local authority and other loans	**4**	4
	2,506	4,779
Due after 5 years:		
Bank and building society loans	**34,111**	34,107
Local authority and other loans	**186**	187
	34,297	34,294
	41,565	40,822

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.

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

18. Financial Instruments

	2018		2017	
	Carrying Amount £'000	**Fair Value £'000**	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Long term borrowing	**3,000**	**1,695**	3,000	1,465
Interest rate SWAP	**-**	**1,305**	-	1,535
	3,000	**3,000**	3,000	3,000

	2018 £'000
Due within 1 year	**122**
Due more than 5 years (Note 17)	**1,183**
	1,305

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)

	2018 SHAPS Pension £'000
Pension	
1 April 2017	**2,529**
Deficit contribution paid	**(498)**
Unwinding of discount factor	**23**
Change in discount rate	**(18)**
Remeasurement	**-**
31 March 2018	**2,036**

	2018 £'000
Due within 1 year	**513**
Due more than 5 years (Note 17)	**1,523**
	2,036

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 2018

20. Deferred Income

	2018 £'000	2017 £'000
Social housing grants		
Balance as at 1 April 2017	**93,596**	88,752
Additions	**12,496**	6,492
Amortisation in year	**(1,720)**	(1,648)
Balance as at 31 March 2018	**104,372**	93,596
Other grants		
Balance as at 1 April 2017	**123**	138
Amortisation in year	**(15)**	(15)
Balance as at 31 March 2018	**108**	123

21. Client Bank Account

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

	2018 £	2017 £
Balance as at 1 April 2017	**60,111**	55,698
Payment to contractors	**(719,239)**	(534,162)
Income*	**714,723**	539,356
Bank Charges	**(767)**	(781)
Balance as at 31 March 2018	**54,828**	60,111

*Income received by and on behalf of Care and Repair

22. Commitments

GROUP & ASSOCIATION

	2018 £'000	2017 £'000
Capital commitments		
Capital expenditure authorised but not contracted for	**67,708**	23,604
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**8,295**	16,563

The amount contracted for at 31 March 2018 will be funded from grants approved by The Scottish Housing Regulator, financed from private loans or met from the Association's reserves.

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

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	**2018**	**2017**
Rate of discount – % per annum	**1.51%**	1.06%

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.

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

The total Scheme pension cost for the Association was £738,329 (2017: £699,212). 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 £253,366 and additional contributions for past service deficit of £528,378. There is a provision for future payments of £2,037k (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 buy-out basis ie 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 £14,738k. This includes past service deficit noted above.

24. Legislative Provisions

Eildon Housing Association Ltd 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.

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

25. Called Up Share Capital

	GROUP		ASSOCIATION	
	2018	2017	**2018**	2017
	£	£	**£**	£
Allotted, Issued and Fully Paid: Shares of £1 each				
At 1 April	**91**	91	**91**	91
Issued in year at par	**10**	7	**10**	7
Cancelled in year	**(12)**	(7)	**(12)**	(7)
At 31 March	**89**	91	**89**	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 Ltd

Eildon Enterprise Ld (EEL) is a subsidiary of Eildon Housing Association Ltd (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:

	2018	2017
	£'000	£'000
Consultancy services provided to EEL	**104**	64
Amount due from EEL at the year end	**62**	-
Amount due to EEL at the year end	**-**	1

Tenant board members:

	2018	2017
	£	£
Payments to EHA Board Members who are tenants	**192**	4,129
Amount due from EHA at the year end (paid in advance)	**0**	688

The EEL Balance Sheet and Profit & Loss Account, along with Eildon Housing Association make up the Group accounts financial statements (pages 26 - 28).

EILDON GROUP

Caring, Committed, Connected, Creative

EILDON HOUSING ASSOCIATION

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