

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	24 March 2026
BY:	Companies Manager
REPORT TITLE:	East Lothian Investments Ltd 2024/25
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd (ELI) during 2024/2025 and to provide an update on recent governance changes, including the modernisation of the Articles of Association.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the contents of this report.

3 BACKGROUND

- 3.1 East Lothian Investments Ltd (ELI), formerly East Lothian Economic Development Company (SC187674), was formed in April 2001 by East Lothian Council (ELC) following the disaggregation of the Lothian Enterprise Board (LEB).
- 3.2 The disaggregation resulted in the transfer of equity stakes in five East Lothian companies which, under local authority governance rules, ELC could not hold directly. ELI was therefore established to take ownership of these shareholdings.
- 3.3 ELI subsequently developed and implemented exit strategies for these investments, using the funds generated to support the development of the East Lothian business base. This support has taken the form of interest free loans to start ups and businesses based within the county.

The loan ceiling for 2024/2025 was £25,000, although higher awards may be approved where economic benefits or job creation justify it. Loans are repayable over up to 60 months, with an arrangement fee of 7.5% applied to cover company overheads.

- 3.4 The company has a Board of five directors comprising the Leader of the Council, the Economic Development spokesperson, and three private sector representatives. All Board members act on a pro bono basis.

Governance

- 3.5 ELI is fully authorised and regulated by the Financial Conduct Authority (FCA). A Compliance Monitoring Document (CMD), regulatory business plan, and a suite of policies are maintained and reviewed regularly.
- 3.6 During 2024/2025, the Companies Manager, Lisa Deegan, acted as the FCA Approved Person and Senior Manager under the FCA Certification Regime. The Companies Manager is supported by the Economic Development Business Development Assistant.
- 3.7 The Companies Manager also acts as Company Secretary.
- 3.8 Board meetings are held regularly, aligned to the volume of loan applications. The CMD and relevant policies are reviewed and updated at each meeting in line with FCA requirements. Loan award decisions, including value and repayment terms, are taken by majority vote, with the Chair holding a casting vote.
- 3.9 Minutes of Board meetings are taken and approved at the subsequent meeting.
- 3.10 ELI has historically been audited by Greaves West & Ayre. End of year accounts are approved by the Board and provided to ELC. The company uses Xero cloud based accounting software.
- 3.11 As required by the FCA, ELI reports annually on complaints, financial data, lenders, lending volumes, and organisational structure.
- 3.12 The company holds an interest bearing account and two chequing accounts with the Royal Bank of Scotland. Legal advice is provided by Addleshaw Goddard, Edinburgh.

Governance Update

- 3.13 Modernisation of Articles of Association, Removal of External Audit Requirement, and Strengthening of Governance Arrangements
- 3.14 Following the 2024/2025 year end, and ahead of the preparation of this report for the Audit & Governance Committee, a review of East Lothian Investments Ltd.'s governance arrangements and Articles of Association was undertaken. This review focused on ensuring that the company's governance, financial oversight, and operational resilience remain proportionate, efficient, and sustainable.

- 3.15 Historically, ELI has always qualified for the small companies audit exemption under the Companies Act 2006, and there has never been a statutory requirement for the company to appoint external auditors. The requirement for an annual external audit existed solely within ELI's original Articles of Association. In the interests of cost efficiency and proportionality and recognising that the external audit requirement was not legally necessary, the Articles were updated to remove this historic provision. Under the revised Articles, ELI is now required to appoint auditors only where mandated by law.
- 3.16 The removal of the external audit requirement also enables ELI to access an enhanced accounting support service from its accounting firm (previously the external auditor). This provides a more comprehensive and continuous level of financial support, reduces reliance on the Companies Manager for technical accounting matters, and strengthens the overall financial control environment. This change also aligns ELI more closely with internal ELC governance structures, which are being reviewed in parallel.
- 3.17 Given that the loan fund naturally diminishes over time as repayments are recycled and new loans are issued, a review of the long term financial sustainability and longevity of the fund is underway. This includes assessing how the fund can be managed as efficiently as possible to ensure it continues to support East Lothian businesses and wider economic development for as long as possible.
- 3.18 In parallel, preparatory work is being undertaken to review the operational resource model, with a focus on reducing single person dependency, strengthening contingency arrangements, and supporting succession planning both operationally and at Board level.
- 3.19 Senior Officers across ELC Finance and Legal have been fully engaged throughout this process and have confirmed their agreement with the modernisation of the Articles, the removal of the external audit requirement, and the wider governance improvements. Audit Scotland has also been consulted on the proposed approach.
- 3.20 To ensure continued assurance and transparency, ELC Finance is developing an enhanced oversight and reporting framework for ELI. This will provide ongoing monitoring of financial performance, regulatory compliance, and governance arrangements going forward.

Overall Lending

- 3.21 Since its formation, East Lothian Investments (ELI) has awarded and paid 407 loans, with a total loan value of £3,867,104. This lending has leveraged £21.0 million in private investment, supported the creation of 907 jobs, protected a further 1,899 jobs, and resulted in a cumulative bad-debt write-off rate of 2.99% for loans issued since 2009.

2024/25 Lending Activity

3.22 Against the backdrop of an additional £150,000 allocation from the UK Shared Prosperity Fund (UKSPF), lending activity increased significantly during 2024/25. Over the period, 16 new loans were awarded, totalling £281,500, supporting a diverse range of sectors across the East Lothian economy.

Sector distribution of loans awarded:

Construction – 3

Hospitality / Food & Drink – 6

Technology – 1

Retail – 1

Research & Development – 1

Healthcare & Education – 3

Professional Services – 1

3.23 As at March 2025, the loan book comprised 31 active loans, reflecting continued demand for the fund and the ongoing repayment performance of existing borrowers.

4 POLICY IMPLICATIONS

4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance: None

5.2 Human Resources: None

5.3 Other (e.g. Legal/IT): None

5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the



environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 East Lothian Investments Ltd. Annual Report and Financial Statements for the Year Ended 31 March 2025

8 BACKGROUND PAPERS

- 8.1 NA

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Lisa Deegan
Designation	Company Manager
Tel/Email	Tel 07854 191597 ldeeган@eastlothian.gov.uk
Date	12/03/2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive Resources and Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	17 March 2026

Company registration number SC187674 (Scotland)

EAST LOTHIAN INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

EAST LoTHIAN INVESTMENTS LIMITED

COMPANY INFORMATION

Directors Dr L C Elder
Mr N Hampshire
Mr J Harper
Mr J McMillan
Mr R Shearer

Secretary Mrs L Deegan

Company number SC187674

Registered office John Muir House Room 2.19
Brewery Park
Haddington
East Lothian
EH41 3HA

Auditor Greaves West & Ayre (Haddington)
8 St Ann's Place
Haddington
East Lothian
EH41 4BS

Business address John Muir House Room 2.19
Brewery Park
Haddington
East Lothian
EH41 3HA

Bankers The Royal Bank of Scotland
Haddington Branch
32 Court Street
Haddington
EH41 3NS

Solicitors Addleshaw Goddard LLP
Exchange Tower
19 Canning Street
Edinburgh
United Kingdom
EH3 8EH

EAST LOTHIAN INVESTMENTS LIMITED

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EAST LOTHIAN INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2025

The directors present their annual report and financial statements for the year ended 31 March 2025.

Principal activities

The principal activity of the company continued to be that of granting interest free loans to businesses in East Lothian with the aim of encouraging commercial activity and enterprise in the area.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr L C Elder
Mr N Hampshire
Mr J Harper
Mr J McMillan
Mr R Shearer

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

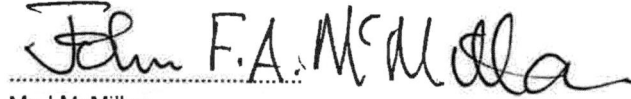
This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

EAST LOTHIAN INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

On behalf of the board



Mr J McMillan

Director

Date: ^{8th} October 2025

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED

Opinion

We have audited the financial statements of East Lothian Investments Limited (the 'company') for the year ended 31 March 2025 which comprise the statement of comprehensive income, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 Section 1A *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 company's affairs as at 31 March 2025 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 company 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 the provisions available for small entities, in the circumstances set out in note 11 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the financial services sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including legislation such as the Companies Act 2006, taxation legislation and employment legislation and FCA Regulations;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, contacting the entity's solicitor for any details of non-compliance and inspecting current year legal expenditure; and
- Identified laws and regulations of particular relevance were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, including any fraud associated with revenue recognition, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias;
- traced a sample of loan arrangement transactions from source documentation to nominal ledgers; and
- evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims against the company;
- reviewing correspondence with HMRC and the company's legal advisors; and
- reviewed correspondence with Financial Conduct Authority;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member 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 company and the company's member, for our audit work, for this report, or for the opinions we have formed.

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED (CONTINUED)



Stuart Millar CA (Senior Statutory Auditor)

For and on behalf of Greaves West & Ayre (Haddington), Statutory Auditor

Chartered Accountants

8 St Ann's Place

Haddington

East Lothian

EH41 4BS

Date: 13/10/2025

EAST LOTHIAN INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £	2024 £
Turnover		8,302	23,708
Administrative expenses		(12,620)	(62,885)
Other operating income		15,000	-
Operating surplus/(deficit)		<u>10,682</u>	<u>(39,177)</u>
Interest receivable and similar income		2,555	1,673
Surplus/(deficit) before taxation		<u>13,237</u>	<u>(37,504)</u>
Tax on surplus/(deficit)		(736)	-
Surplus/(deficit) for the financial year		<u><u>12,501</u></u>	<u><u>(37,504)</u></u>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

EAST LOTHIAN INVESTMENTS LIMITED

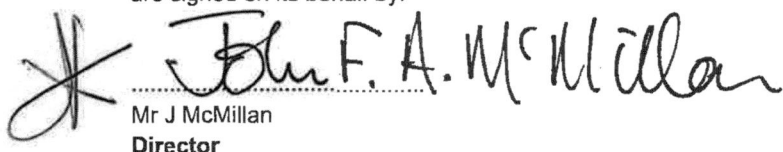
BALANCE SHEET

AS AT 31 MARCH 2025

	Notes	2025		2024	
		£	£	£	£
Fixed assets					
Investment property	4		10,000		10,000
Current assets					
Debtors	5	512,901		292,315	
Cash at bank and in hand		163,199		226,774	
		<u>676,100</u>		<u>519,089</u>	
Creditors: amounts falling due within one year	6	<u>(58,943)</u>		<u>(29,117)</u>	
Net current assets			<u>617,157</u>		<u>489,972</u>
Total assets less current liabilities			<u>627,157</u>		<u>499,972</u>
Creditors: amounts falling due after more than one year	7		(117,370)		(3,422)
Provisions for liabilities			<u>(736)</u>		<u>-</u>
Net assets			<u><u>509,051</u></u>		<u><u>496,550</u></u>
Reserves					
Non-distributable profits reserve	9		2,208		2,944
Income and expenditure account			506,843		493,606
Total members' funds			<u><u>509,051</u></u>		<u><u>496,550</u></u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on and are signed on its behalf by:



 Mr J McMillan
 Director

Company registration number SC187674 (Scotland)

8th October 2025

EAST LoTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Company information

East Lothian Investments Limited is a private company limited by guarantee incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, EH41 3HA.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties. The principal accounting policies adopted are set out below.

1.2 Turnover

Turnover represents income released on unspent gift cards.

Turnover also represents loan arrangement fee income. This is received when a loan is taken out and held as deferred income to be recognised in turnover on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.4 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.5 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

(Continued)

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.6 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.7 Government grants

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 relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Investment Property valuation

Investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss account. The Board of Directors determine the fair value of investment property using the assistance of an independent expert, DM Hall LLP. DM Hall LLP is an independent firm of Chartered Surveyors and property experts. Their valuation is prepared in accordance with RICS Valuation - Professional. The valuation methodology considers the area, selling price and comparable sales of similar properties in order to derive the Fair Value of the subject property.

Provision for Doubtful Debts

Provision for doubtful debt relates to the loan facilities provided to customers that may not be recovered. There remains a material loan balance within the financial statements which is assessed yearly under FRS 102 guidelines by management.

The assessment by management considers individual customers who fall behind on loan repayments or ask for special assistance. Any customers that pose a significant credit risk within the next 12-months will be included within the provision and the relevant amount of the loan deemed irrecoverable provided for.

Effective interest rate calculation

The effective interest rate calculation relates to the income recognised from the loan arrangement fees. The treatment of the loans provided follow FRS 102 guidelines and in accordance to section 11 apply the amortised cost method using the effective interest rate.

As a result of this loan arrangement fees are spread across the length of the loan with income recognised as interest received with the deferred element of interest income recognised on the balance sheet. The effective interest rate schedules are maintained and reviewed yearly by management to ensure they are materially accurate.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2025 Number	2024 Number
Total	-	-

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

4 Investment property

	2025 £
Fair value	
At 1 April 2024 and 31 March 2025	10,000

Investment property comprises a small parcel of land owned by the company. The fair value of the investment property has been arrived at on the basis of a valuation carried out in 2023 by DM Hall Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties. The Directors consider this value to accurately reflect the market value of the property as at 31 March 2025.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	2025 £	2024 £
Cost	7,056	7,056
Accumulated depreciation	-	-
Carrying amount	7,056	7,056

5 Debtors

	2025 £	2024 £
Amounts falling due within one year:		
Loans receivable	121,074	92,906
Other debtors	363	-
	121,437	92,906

	2025 £	2024 £
Amounts falling due after more than one year:		
Loans receivable	391,464	199,409
Total debtors	512,901	292,315

6 Creditors: amounts falling due within one year

	2025 £	2024 £
Other creditors	58,943	29,117

EAST LoTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2025

7 Creditors: amounts falling due after more than one year

	2025	2024
	£	£
Other creditors	117,370	3,422

8 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

9 Non-distributable profits reserve

	2025	2024
	£	£
At the beginning of the year	2,944	2,944
Non distributable profits in the year	(736)	-
At the end of the year	2,208	2,944

Non-distributable reserves relate to fair value gains in the remeasurement of investment property in excess of the asset's historical cost.

10 Related party transactions

During the year, the company benefitted from the provision of IT & employee services from an associated entity, East Lothian Council. The provision of IT infrastructure and remuneration in respect of the entity's "Companies Manager" and her assistant have been provided to the company for a charge of £6,000. In the prior year, this charge was £10,000 for both East Lothian Investments Limited and East Lothian Land Limited, this was paid wholly by East Lothian Land Limited.

11 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

EAST LOTHIAN INVESTMENTS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2025

	2025		2024
	£	£	£
Turnover			
Loan Arrangement fees	8,298		5,821
Gift card income - breakage fees	4		17,886
	<u>8,302</u>		<u>23,707</u>
Administrative Expenses			
Gift card management costs	-	741	
Management charge	6,000	-	
Subscriptions	483	51	
Professional fees	2,943	1,811	
Accountancy	3,355	3,606	
Audit fees	12,794	8,550	
Prize money	1,500	-	
Bank charges	287	911	
Bad and doubtful debts	(14,790)	47,215	
General administration expenses	48	-	
	<u>(12,620)</u>	<u>(62,885)</u>	
Other Operating Income			
Government grants receivable and released	15,000		-
	<u>10,682</u>		<u>(39,177)</u>
Other Income			
Bank interest received	2,555		1,673
	<u>13,237</u>		<u>(37,504)</u>
