

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2010

Registered Housing Association No: HAL279

Financial Services Authority No: 2463R(S)

A Registered Scottish Charity No: SC033749

BAKER TILLY UK AUDIT LLP

Chartered Accountants

Glasgow

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

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 Registration particulars:	
Financial Services Authority	Industrial & Provident Societies Act 1965 Registered Number: 2463R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2001 Registered Number: HAL279
Scottish Charity	Charity and Trustee Investment Act (Scotland) 2005 Scottish Charity Number SC033749

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

The Management Committee present their report and audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of East Kilbride & District Housing Association is to improve the quality of life and serve the needs of local people in East Kilbride and the surrounding area of South Lanarkshire by providing high quality social housing and related services and by assisting them in sustaining and strengthening their communities.

East Kilbride & District Housing Association is registered with the Financial Services Authority as a Friendly Society, The Office of the Scottish Charities Regulator (OSCR) as a charity and Communities Scotland as a Registered Social Landlord

The table below shows the property we own:

	2010	2009
Managed Property Numbers		
Tenanted Property	460	434
Managed on behalf of others		-
Shared Ownership Properties		-
Total	460	434
Developing Property Numbers		
Tenanted Property		-
Shared Ownership Properties		-
Homestake		14

Business Review

East Kilbride & District Housing Association made a surplus of £501,356 during the year. The surplus was made by East Kilbride & District Housing Association after investment in 38 replacement kitchens and 44 front doors. East Kilbride and District Housing Association is in a strong financial position with £1.2 million deposited as cash funds, and has revolving loan facilities available to it on demand which the Association plans to use to meet its SHQS commitment. East Kilbride & District Housing Association continues to have a substantial major repair investment programme with further replacement kitchens, doors and gas central heating proposed within the next financial year along with continuation of the cyclical painting contract. We have set aside substantial funds over the next five years to meet our commitments under the Scottish Housing Quality Standards. Cash surpluses will continue to be made, subject to our planned major repair programme over the next few years.

Surplus for the year

The financial results of East Kilbride & District Housing Association are as follows: -

	2010	2009
	£	£
Surplus for the year	501,356	260,546
Transfer (to) designated reserves – major repairs	(200,000)	(120,000)
Transfer (to) designated reserves – cyclical repairs	(200,000)	(120,000)
Revenue Reserves	101,356	20,546

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

(continued)

Members of Committee of Management

The members of the Committee of the Association during the year to 31 March 2010 were as follows:

Susan Bakr	Chairperson
Jean McDonald	Secretary
Kathleen Dredge	Member
Douglas Taylor	Member
Leslie Patrick	Member
Evelyn Gilroy	Treasurer
Peter Henshaw	Vice-Chairperson
Stuart McLean	Member
Peggy Wallace	Member

EXECUTIVE OFFICERS

M Brown	Director
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Each member of the Committee of Management holds one fully paid share of £1 in East Kilbride & District Housing Association. The executive officers of East Kilbride & District Housing Association hold no interest in East Kilbride & District Housing Association share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Committee.

The Association's Strategic Aims

1. To meet housing need by working in partnership with other agencies to increase the provision of social housing affordable to those on low incomes.
2. To maintain and improve the provision of a caring, efficient and high quality housing management and maintenance service which ensures the safety, comfort and well being of current and future tenants.
3. To secure the financial viability and long term future of the Association by operating efficient and accountable financial management.
4. To continually upgrade our housing stock and assist tenants with special needs in making improvements which support independent living.
5. To maintain a broad membership base and encourage, support and maintain tenant and community involvement in the management of the Association.
6. To pursue opportunities to develop and expand activities which support the Association's aim and which are compatible with its rules.
7. To ensure that the work of the Association is managed by a Committee and undertaken by staff with the necessary up-to-date skills, experience and knowledge of housing issues.
8. To raise awareness and understanding of the work of the Association and the wider social housing movement.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

Operational Review

This report details issues which have arisen during the year relating to the main activities undertaken

1. Governance

East Kilbride & District Housing Association has a Committee of Management elected by the members of the Association. It is the responsibility of the Committee to decide on the future direction of the Association and undertake the development, monitoring and review of appropriate strategies and policies. The Committee also monitors the operational activities of the Association. The members of the Committee of Management are unpaid. East Kilbride & District Housing Association also has an active Tenants group.

2 Corporate Activity

East Kilbride & District Housing Association carries out a continuous comprehensive self- assessment programme and review programme of its policies and activities.

3 Development

East Kilbride & District Housing Association has completed the development of 61 new homes at Spruce Grove, Greenhills. Of this total 20 were sold through the Scottish Government's New Supply Shared Equity Scheme with 41 units providing new affordable homes for rent. During the course of the year the Association joined with Clyde Valley and West Of Scotland Housing Association in a development consortium to build a total of 151 new homes on three sites in East Kilbride. The 52 new homes to be owned by East Kilbride & District Housing Association are anticipated as being completed in the fourth quarter of 2010-2011.

4 Housing

East Kilbride & District Housing Association has continued to further develop and expand the use of the SDM Housing Management Software. Staff are continuing to review policies and procedures to accompany the system.

The average time to relet void properties was 10 calendar days which is 2 below the 12 day target. The percentage of total income lost during the year due to voids were 0.06% which is 0.9% below target of 0.7%).

5 Property Maintenance

East Kilbride & District Housing Association has implemented and refined its planned and cyclical maintenance programme in line with the SHQS Delivery Plan. A Stock Condition Survey was completed to 33% of the housing stock with a view to completing 100% surveys over the next 3 years. Amber Gas Group was appointed as Gas Consultants for the association to oversee the work of the approved gas contractor. 100 gas boilers were replaced as a matter of urgency because of health and safety issues beyond the association's control.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

6 Finance and IT

East Kilbride & District Housing Association continued to refine its long term financial plans during the financial year and extended its use of sensitivity analysis.

7 Other Areas

Credit Payment Policy

East Kilbride & District Housing Association's policy concerning the payment of its trade creditors complies with the Confederation of British Industry guidelines. The average payment period is within thirty days.

Maintenance Policies

East Kilbride & District Housing Association seeks to maintain its properties to the highest standard. To this end, programmes of cyclical repairs are carried out in the medium term to deal with the gradual and predictable deterioration of building components. It is expected that the cost of all these repairs will be charged to the Income and Expenditure Account.

In addition, East Kilbride & District Housing Association has a long term programme of major repairs to cover for work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The costs of these repairs would be charged to the Income and Expenditure Account, unless it was agreed they could be capitalised within the terms outlined in the Statement of Recommended Practice for Registered Social Landlords.

Budgetary Process

Each year the Committee of Management approves the annual budget and rolling three-year strategic plan. Key risk areas are identified. Performance is monitored and relevant action taken throughout the year through quarterly reporting to the Committee of Management of variances from the budget, updated forecasts for the year together with information on the key risk areas. Approval procedures are in place in respect of major areas of risk such as major contract tenders, expenditure and treasury management.

Risk Management

The Association has developed a detailed Risk Management Strategy. This is reviewed on an annual basis with individual Risk Assessments being carried out for new areas of activity. An annually reviewed Business Continuity Plan is also in operation

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

Treasury Management

East Kilbride & District Housing Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Committee of Management. In this way East Kilbride & District Housing 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.

East Kilbride & District Housing Association, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2010, East Kilbride & District Housing Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

Quality and Integrity of Personnel

Committee Members are required to abide by the Committee Members Code of Conduct. Annual Skills and Training Audits are implemented with corporate and individual training plans drawn up dependent on training requirements. The integrity and competence of staff is ensured through high recruitment standards and subsequent training courses. Staff are required to adhere to a Staff Code of Conduct. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chairperson, in respect of Committee and the Director in respect of staff.

Employee Involvement and Health and Safety

East Kilbride & District Housing 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 Association also has a comprehensive Health and Safety Policy the implementation of which is independently audited on a regular basis.

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.

Committee Members and Officers' Insurance

East Kilbride & District Housing Association has purchased and maintains insurance to cover its Committee and officers against liabilities in relation to their duties on behalf of East Kilbride & District Housing Association, as authorised by the Association's rules.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2010

Future developments

The Association will continue with its policy of improving the quality of housing and housing services within its area of activity working with its existing and new partners.

Auditors

Baker Tilly UK Audit LLP have indicated their willingness to continue acting as auditor to the Association.

On behalf of the Committee of Management

Susan Bawn
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Date :22.5.10.....

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2010

Under the legislation relating to Industrial and Provident Societies we are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association of that year. In preparing those financial statements we are required to:

- Select suitable accounting policies and apply them consistently;
- Make reasonable and prudent judgements and estimates;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

We are also responsible for:

- Keeping proper accounting records;
- Safeguarding the Association's assets;
- Taking reasonable steps for the prevention and detection of fraud.

As far as the Committee members are aware there is no relevant audit information of which the auditors are unaware and the Committee members have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to ensure that the auditors are aware of any such information.

By order of the Committee of Management

Susan Bakw
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Date:22.5.10.....

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2010

The Committee of Management acknowledge their ultimate responsibility for ensuring that the Association 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:

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

It is the Committee of Management'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;

- 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 take responsibility for important business functions; annual appraisal procedures have been established to maintain standards of performance.
- Forecasts and budgets are prepared regularly which allow the Committee of Management and staff 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 comprising Committee of Management members and others.
- The Committee of Management review reports from management, from directors, staff and from the external and internal 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 Committee of Management have continued to review the system of internal financial control in the Association during the year ended 31 March 2010. No weaknesses were found in the internal financial controls, which could result in material losses, contingencies, or uncertainties, which require disclosure in the financial statements, or in the auditors' report on the financial statements.

By order of the Committee of Management

Susan Bak

Date:22.5.10.....

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

AUDITORS' REPORT ON CORPORATE GOVERNANCE MATTERS

Corporate Governance


In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on page 8 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing".

Basis of Opinion

We carried out our review having regard to Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication "Raising Standards in Housing" and is consistent with the information which came to our attention as a result of our audit work on the financial statements.



Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date:23.5.10.....

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

We have audited the financial statements on pages 11 to 27, which have been prepared under the historical cost convention and the accounting policies set out on pages 14 to 16.

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

Respective responsibilities of the Management Committee and Auditors

The Management Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Management Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

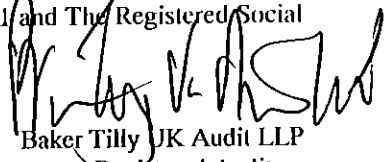
Basis of Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its income and expenditure and cash flow for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.


Baker Tilly UK Audit LLP
Registered Auditors
Chartered Accountants
Glasgow

Date: 23.9.10

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2009 £
Turnover	2	3,594,131	1,877,487
Operating costs	2	<u>(2,947,520)</u>	<u>(1,428,889)</u>
Operating surplus	2	646,611	448,598
Interest receivable	2	10,692	61,497
Interest payable	2	<u>(155,949)</u>	<u>(249,549)</u>
Surplus on ordinary activities before tax		501,354	260,546
Corporation tax on surplus on ordinary activities	4	<u>-</u>	<u>-</u>
Surplus for year		<u>501,354</u>	<u>260,546</u>

There are no recognised gains and losses in the above periods other than the surplus for the year.

None of the Association's activities were acquired or discontinued during the above two financial years.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

BALANCE SHEET

AS AT 31 MARCH 2010

	Notes	2010	2009
		£	£
Tangible Fixed Assets			
Housing Properties			
- Gross cost less depreciation	6	14,946,685	13,887,419
Less: Housing Association Grant	6	<u>(7,540,818)</u>	<u>(6,856,141)</u>
		7,405,867	7,031,278
Other fixed assets	7	<u>8,169</u>	<u>14,402</u>
		7,414,036	<u>7,045,680</u>
Current assets			
Stock	8	-	259,984
Debtors	9	285,379	2,367,900
Cash in bank and on hand		<u>1,409,630</u>	<u>1,323,060</u>
		1,695,009	3,965,944
Creditors: Amount falling due within one year	10	<u>(690,482)</u>	<u>(3,489,342)</u>
Net current assets		<u>1,004,527</u>	<u>461,602</u>
		8,418,563	7,507,282
Creditors: Amounts falling due after more than one year	11	<u>(5,467,302)</u>	<u>(5,058,373)</u>
Capital and reserves		2,951,261	2,448,909
Share capital	12	132	134
Designated reserves	5	2,483,051	2,082,051
Revenue reserves	5	468,078	366,724
Total funds		<u>2,951,261</u>	<u>2,448,909</u>

These financial statements on pages 11 to 27 were approved by the Committee of Management on 22 September 2010 and signed on their behalf by:

Secretary:

Jean McDonald

Committee member:

Susan Barr

Committee member:

M Wallace

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2010

	Notes	2010	2009
		£	£
Net cash inflow/(outflow) from operating activities	14	1,047,826	<u>(401,780)</u>
Returns on investments and servicing of finance			
Interest received		10,692	61,497
Interest paid		<u>(155,949)</u>	<u>(249,549)</u>
		(145,257)	<u>(188,052)</u>
Investing activities			
Cash paid for construction and purchases		(1,193,341)	(3,827,344)
Housing association grant received		684,677	1,834,530
Purchase of other fixed assets		<u>(6,636)</u>	<u>(2,874)</u>
Net cash (outflow) from investing activities		<u>(515,300)</u>	<u>(1,995,688)</u>
Net cash (outflow) before financing		387,269	<u>(2,040,966)</u>
Financing			
Loan received		1,100,710	2,309,534
Loan principal repayments		<u>(1,402,336)</u>	<u>(439,247)</u>
Increase in share capital		4	3
Net cash inflow from financing		<u>(301,622)</u>	<u>1,870,290</u>
Increase in cash and cash equivalents		85,647	88,330
		<u> </u>	<u> </u>

Further details are given in note 15.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. Principal accounting policies

Basis of Accounting

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services Authority. The accounts have been prepared under the historical cost convention, and in compliance with The Registered Social Landlords Accounting Requirements (Scotland) Order 2007 and The Statement of Recommended Practice (SORP), "Accounting by Registered Social Landlords" and applicable Accounting Standards.

Turnover

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants from Communities Scotland, local authorities and other organisations.

Housing Association Grants

Housing Association Grants (HAG) are made by a grant awarding body and are utilised to reduce the amount of mortgage loans in respect of an approved scheme to the amount, which it is estimated can be serviced by the net annual income of the scheme. The amount of HAG is calculated on the qualifying cost of the scheme in accordance with instructions issued from time to time by the grant awarding body.

HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to net proceeds of sale.

Housing Association Grants – Acquisition and Development Allowances receivable

Acquisition and Development Allowances are determined by the grant awarding body and are advanced as grants. They are intended to finance certain internal administration costs relating to the acquisition of schemes. Development allowances become available in instalments according to the progress of work on the scheme. Amounts equal to these allowances are credited to development costs when they are receivable.

Impairment of fixed assets

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income-generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units.

Impairment of assets would be recognised in the income and expenditure account.

Finance

The financial statements have been prepared on the basis that capital expenditure will be grant aided, funded by loans, met out of reserves or from proceeds of sales.

Mortgages

Mortgage loans are advanced by private lenders under the terms of the individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for HAG by the grant awarding body.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. Principal accounting policies (cont.)

Fixed assets - Housing land and buildings cost

Housing land and buildings are stated at cost. The development cost of housing properties funded with HAG includes the following:-

- Cost of acquiring land and buildings.
- Development expenditure.
- Interest charged on the loans during the development period of the scheme.

Housing land and buildings – depreciation

Housing Properties are stated at cost, less social housing and other public grants and less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the properties at annual rates of 2%. No depreciation is charged on the cost of land.

Other fixed assets – depreciation

Depreciation is charged by equal annual instalments at rates estimated to write off costs less any residual value over expected useful lives as follows:

- Computers 33.3%
- Office equipment 33.3%

Designated reserves

Cyclical repairs and maintenance reserve

The Association does have a costed programme of cyclical maintenance. The reserve represents amounts set aside in respect of an estimate of future costs and will be released to the Income and Expenditure Account as required.

Major repairs

Accrued major repair expenditure, being the Association's commitment to undertake major repairs to its properties is set aside in a designated reserve to the extent that it is not met from HAG.

Apportionment of management expenses

Direct employee administration and operating costs have been apportioned to the income and expenditure account on the basis that they are directly engaged in each of the operations dealt with in those accounts.

Pensions

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

The expected cost to the association of pensions is charged to the Income and Expenditure Account so as to spread the cost of the pensions over the service lives of the employees in the scheme taken as a whole.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

1. Principal accounting policies (cont.)

Lease obligations

Rentals paid under operating leases are charged to the income and expenditure account as they are incurred.

Sale of housing properties

Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale.

Improvements

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:

- an increase in rental income, or
- a material reduction in future maintenance costs, or
- a significant extension to the life of the property.

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

Value added tax

The Association is not VAT registered. Expenditure as a result is shown inclusive of VAT

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

2. Particulars of turnover, operating costs and operating surplus and surplus before taxation by class of business

	Turnover	Operating	Operating	Operating
	£	Costs	Surplus/ (Deficit)	Surplus/(Deficit)
		£	£	2009
				£
Social lettings	1,537,376	(871,474)	665,902	490,467
Other activities	2,056,755	(2,076,046)	(19,291)	(41,869)
Total	<u>3,594,131</u>	<u>(2,947,520)</u>	<u>646,611</u>	<u>448,598</u>
2009	<u>1,877,487</u>	<u>(1,428,888)</u>	<u>448,598</u>	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

3. Particulars of turnover, operating costs and operating surplus or deficit from social letting activities

	General Needs Housing £	Shared Ownership £	Supported Ownership £	2010 Total £	2009 Total £
Rent receivable net of service charges	1,541,158	-	-	1,541,158	1,346,884
Service charges	-	-	-	-	-
Gross income from rents and service charges	1,541,158	-	-	1,541,158	1,346,884
Less: voids	(3,782)	-	-	(3,782)	(13,848)
Net income from rents and service charges	1,537,376	-	-	1,537,376	1,343,036
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	1,537,376	-	-	1,537,376	1,343,036
Management and maintenance administration costs	510,971	-	-	510,971	542,332
Service costs	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	90,795	-	-	90,795	82,567
Reactive maintenance costs	120,869	-	-	120,869	119,657
Bad debts – rents and service charges	3,012	-	-	3,012	356
Depreciation of social housing	145,827	-	-	145,827	107,657
Operating costs for social letting activities	871,474	-	-	871,474	852,569
Operating Surplus for social lettings	665,902	-	-	665,902	490,467
2009	490,467	-	-	490,467	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2008 - £Nil).

The total major repairs in the year was £636,515. These major repairs were capitalised.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

3b – Particulars of turnover, operating costs and operating surplus or deficit from other activities

	Grants from Scottish Ministers	Other revenue grants	Supporting people income	Other income	Total Turnover	Operating costs – bad debts	Other operating costs	Operating surplus or deficit	Operating surplus or deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	42,490	-	-	-	42,490	-	(61,781)	(19,291)	(42,743)
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Agency/management services for registered social landlords	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to non registered social landlords	-	-	-	-	-	-	-	-	-
Other activities	-	9,925	-	2,004,340	2,004,340	-	(2,004,340)	-	-
Total from other activities	42,490	9,925	-	2,004,340	2,056,755	-	(2,076,046)	(19,291)	(41,869)
2009	-	-	-	534,451	534,451	-	(576,320)	(41,869)	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

4. Taxation

The Association became a charity on 29 October 2002 and is no longer taxable on its exempt activities.

5. Reserves

(a) Designated Reserves

	As at 1 April 2009	Transfer	As at 31 March 2010
	£	£	£
Cyclical maintenance reserve	681,541	200,000	881,541
Major repairs reserve	<u>1,401,510</u>	<u>200,000</u>	<u>1,601,510</u>
	<u>2,083,051</u>	<u>400,000</u>	<u>2,483,051</u>

No restrictions are placed upon these reserves, but the Committee have designated their use for specific purposes.

(b) Revenue reserve

	2010	2009
	£	£
Opening balance at 1 April 2009	366,724	346,178
Surplus for year	501,354	260,546
Transfer to designated reserves	<u>(400,000)</u>	<u>(240,000)</u>
Closing balance at 31 March 2010	<u>468,078</u>	<u>366,724</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

**6. Tangible fixed assets
Housing properties**

	Housing Properties Under Construction £	Housing Properties Held for Letting £	Total £
As at 1 April 2009	5,455,991	9,177,021	14,633,012
Additions	556,826	636,515	1,193,341
Transfer	<u>(5,558,785)</u>	<u>5,558,785</u>	-
As at 31 March 2010	<u>454,032</u>	<u>15,372,321</u>	<u>15,826,353</u>
Depreciation			
As at 1 April 2009	-	745,593	745,593
Charge for year	-	<u>134,075</u>	<u>134,075</u>
As at 31 March 2010	<u>-</u>	<u>879,668</u>	<u>879,668</u>
Housing Association Grant and Other Grants			
As at 1 April 2009	4,406,825	2,449,316	6,856,141
Additions	650,607	34,070	684,677
Transfer	<u>(4,656,346)</u>	<u>4,656,346</u>	-
As at 31 March 2010	<u>401,086</u>	<u>7,139,732</u>	<u>7,540,818</u>
Net Book Value			
31 March 2010	<u>52,946</u>	<u>7,352,921</u>	<u>7,405,867</u>
31 March 2009	<u>1,099,166</u>	<u>5,982,112</u>	<u>7,031,278</u>

Development administration costs capitalised amount to £Nil (2009 - £nil) for which £Nil (2009 - £nil) Housing Association Grant was received and £Nil (2009 - £nil) NHP funding was received.

No land or buildings are held under a lease.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

**7. Tangible fixed assets
Other Fixed Assets**

	Computers	Equipment	Total
	£	£	£
Cost			
As at 1 April 2009	67,990	14,134	82,124
Additions	5,602	1,034	6,636
As at 31 March 2010	<u>73,592</u>	<u>15,168</u>	<u>88,760</u>
Depreciation			
As at 1 April 2009	54,101	13,543	67,644
Charge for year	12,473	474	12,947
As at 31 March 2010	<u>66,574</u>	<u>14,017</u>	<u>80,591</u>
Net Book Value			
31 March 2010	<u>7,018</u>	<u>1,151</u>	<u>8,169</u>
31 March 2009	<u>13,811</u>	<u>513</u>	<u>14,402</u>

8. Stock

	2010	2009
	£	£
Cost of developing properties	-	800,366
Grants received to develop properties	-	<u>(540,382)</u>
	-	<u>259,984</u>

9. Debtors

	2010	2009
	£	£
Gross rents in arrears	74,661	59,480
Less: bad debt provision	<u>(32,212)</u>	<u>(23,334)</u>
	42,449	36,146
Prepayments and accrued income	22,347	33,881
Other debtors	<u>220,583</u>	<u>2,297,873</u>
	<u>285,379</u>	<u>2,367,900</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

10. Creditors due within one year

	2010	2009
	£	£
Trade creditors	284,853	76,614
Other creditors	77,263	2,329,448
Accruals and deferred income	16,011	76,173
Rents in advance	60,585	56,433
Other taxation and social security	22,133	10,482
Bank loans	229,637	940,192
	<u>690,482</u>	<u>3,489,342</u>

11. Creditors due outwith one year

	2010	2009
	£	£
Loans	5,467,302	5,058,373
	<u>5,467,302</u>	<u>5,058,373</u>

Loans are secured by specific charges on the Association's properties. All loans relate to housing properties. Loans are repayable at rates of interest of 0.78% to 5.85% (2009 – 1.25% to 6.26%) in instalments due as follows:

	2010	2009
	£	£
In one year or less	229,637	940,192
Between two and five years	852,726	351,938
In five years or more	4,614,576	4,706,435
	<u>5,696,939</u>	<u>5,998,565</u>

12. Share Capital

	2010	2009
	£	£
Shares of £1 fully paid and issued at 1 April 2009	134	196
Shares issued during year	4	3
Shares cancelled during the year	(6)	(65)
	<u>132</u>	<u>134</u>
Shares issued at 31 March 2010	132	134

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

13. Auditors' Remuneration

	2010 £	2009 £
The remuneration of the auditors (including expenses and including VAT for the year)	5,194	5,926
Remuneration of the auditors in respect of services other than those of auditors	<u>-</u>	<u>-</u>
	<u>5,194</u>	<u>5,926</u>

14. Employees

	2010 £	2009 £
Staff costs during year		
Wages and salaries	287,858	267,760
Social security costs	24,167	21,331
Other pension costs	<u>38,934</u>	<u>36,228</u>
	<u>350,959</u>	<u>325,319</u>
	No	No

The average full time equivalent number of persons employed by the Association during the year were as follows:

<u>11</u>	<u>9</u>
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The Directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Directors or the Management Committee whose total emoluments including pension contributions exceed £60,000 per year (2009 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	<u>63,726</u>	<u>61,618</u>
Emoluments payable to Highest Paid Director (excluding pension contributions)	<u>54,820</u>	<u>53,165</u>

The Association's contributions for the Director in the year amounted to £7,608 (2009 - £7,499).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2009 £60,000).

No member of the Committee of Management received any emoluments in respect of their services to the Association.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

15. Notes to the Cash Flow Statement	2010	2009
(a) Reconciliation of surplus to net cash inflow from operating activities		
Surplus for year	501,354	260,546
Net interest payable	<u>145,257</u>	<u>188,052</u>
Operating surplus for the year excluding interest and tax payable	646,611	448,598
Depreciation	147,022	120,574
Cancellation of share Capital	(6)	(62)
Decrease/(Increase) in debtors	2,082,521	(2,269,622)
Decrease/(increase) in stock	259,983	(259,983)
(Decrease)/increase in creditors	<u>(2,088,305)</u>	<u>2,362,275</u>
	<u>1,047,826</u>	<u>401,780</u>
(b) Reconciliation of cash flow to movement in net debt		
Increase in cash for the year	86,570	88,330
Loans received	(1,100,710)	(2,309,535)
Loan repayments	<u>1,402,336</u>	<u>439,247</u>
Change in net debt	388,196	(1,781,958)
Net debt as at 1 April 2009	<u>(4,675,505)</u>	<u>(2,893,547)</u>
Net debt as at 31 March 2010	<u>(4,287,309)</u>	<u>(4,675,505)</u>

Analysis of Changes in net debt

	As at 31 March 2009 £	Cash Flow £	Other Changes £	As at 31 March 2010 £
Cash at bank and in hand	1,323,060	86,570	-	1,409,630
Overdraft	-	-	-	-
Debt due within one year	(940,192)	710,555	-	(229,637)
Debt due after one year	<u>(5,058,373)</u>	<u>(408,929)</u>	-	<u>(5,467,302)</u>
	<u>(4,675,505)</u>	<u>388,196</u>	-	<u>(4,287,309)</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

16. Capital Commitments

	2010 £	2009 £
Expenditure authorised by the Committee of Management contracted less certified.	246,664	1,150,993

Of the amount contracted for at 31 March 2010 £246,664 (2009: £1,150,993) has received grant approval from Glasgow City Council.

17. Pension Fund General

East Kilbride & District Housing Association Limited participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in the Autumn 2010.

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

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

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

17. Pension Fund (cont.)

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.

East Kilbride & District Housing Association Limited has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for East Kilbride & District Housing Association Limited was £1,012,552.

The SFHA Scheme is a multi-employer defined benefit scheme. The Scheme offers three benefit structures to employers, namely:

- Final Salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any given time. An open benefit structure is one which new entrants are able to join.

East Kilbride & District Housing Association Limited has elected to continue to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 1 April 2009 and the same benefit structure for any new entrants.

During the accounting period East Kilbride & District Housing Association Limited paid contributions at the rate of 14.0% of pensionable salaries. Member contributions were 7.0%.

As at the balance sheet date there were six active members of the Scheme employed by East Kilbride & District Housing Association Limited. East Kilbride & District Housing Association Limited continues to offer membership of the Scheme to its employees.

The key valuation assumptions used to determine the assets and liabilities of the SFHA Pension Scheme are:

2006 Valuation Assumptions	% p.a.
Investment return pre retirement	7.2
Investment return post retirement	4.9
Rate of salary increases	4.6
Rate of pension increases	
- pension accrued pre 6 April 2005	2.6
- pension accrued from 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	2.2
Rate of price inflation	2.6

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2010

17. Pension Fund (cont.)

Mortality Tables	
Non-pensioners	PA92C2025 short
Pensioners	PA92C2013 short

Contribution Rates for Future Service	%
Final Salary 1/60ths	17.8
Career average revalued earnings 1/60ths	14.6
Career average revalued earnings 1/70ths	12.6
Additional rate for deficit contributions	5.3

18. Housing Stock

	2010	2009
	£	£
The number of units in Management at 31 March was as follows:		
General needs	460	434
Support Housing	-	-
	<hr/>	<hr/>

19. Contingent Liabilities

Pensions

East Kilbride & District Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for East Kilbride & District Housing Association was £1,012,552. The Association has no current plans to withdraw from the scheme.

At 31 March 2010 the Association had no other contingent liabilities (2009 - £Nil).

20. Related parties

Various members of the Committee and their relatives are tenants of the Association. All of these transactions have been carried out on the terms applicable to all tenants.