

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2011

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 2011

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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 2011

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

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:

	2011	2010
Managed Property Numbers		
Tenanted Property	466	460
Managed on behalf of others	-	-
Shared Ownership Properties	-	-
Total	466	460
Developing Property Numbers		
Tenanted Property	-	-
Shared Ownership Properties	-	-
Homestake	-	-

Business Review

East Kilbride & District Housing Association made a surplus of £309,648 during the year. The surplus was made by East Kilbride & District Housing Association after investment in 56 replacement kitchens and 22 bathroom suites, along with 35 replacement external doors. East Kilbride and District Housing Association is in a strong financial position with £3.5 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: -

	2011	2010
	£	£
Surplus for the year	309,648	501,356
Transfer (to) designated reserves – major repairs	(100,000)	(200,000)
Transfer (to) designated reserves – cyclical repairs	(100,000)	(200,000)
Revenue Reserves	109,648	101,356

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2011

(continued)

Members of Committee of Management

The members of the Committee of the Association during the year to 31 March 2011 were as follows:

Susan Bakr	Member
Jean McDonald	Secretary
Kathleen Dredge	Member
Douglas Taylor	Member
Leslie Patrick	Vice-Chair
Margaret Anderson	Member
Peter Henshaw	Chairperson
Susan Kelbie	Member
Peggy Wallace	Treasurer

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 2011

Operational Review

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

1. Governance

East Kilbride & District Housing is governed by a voluntary and unpaid 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 which support the chosen direction. The Committee also monitors the operational activities of the Association quarterly and regularly undertakes relevant training and self assessment.

2 Corporate Activity

East Kilbride & District Housing Association carries out a continuous comprehensive self- assessment programme and review programme of its policies and activities to ensure they are appropriate to the agreed strategy, in line with good practice and compliant legislation. During the course of the year the Association purchased a property in East Kilbride for the purpose of new office accommodation. Following conversion it is planned that the Association will relocate its offices in the middle of 2011-2012.

3 Development

During the course of the year the joint development agreement between East Kilbride & District Housing Association, Clyde Valley Housing Association and West of Scotland Housing Association was finalised. Development of the overall total of 151 units commenced in April 2010 with 52 units to be owned and managed by the Association to be completed early 2011-2012. The Association also completed a house extension to an existing property to provide specially adapted accommodation for a tenant with particular needs.

4 Housing

East Kilbride & District Housing Association continues to expand the use of SDM Housing Management Software. Staff continue to review policies and procedures to accompany the system. Staff are working towards joining the South Lanarkshire Common Housing Register. The average time to relet void properties was 16 calendar days, which is 6 above target. This increase was due to delays caused by South Lanarkshire Council referring homeless applicants (in quarter 4 the average time to relet was 0 days). The percentage of total income lost during the year due to voids was 0.22%, which is 1.28% below target. Arrears performance continues to look good despite to economic climate we are operating in (sequestrations are on the increase). Average percentage is total rental income lost during the year due to non technical arrears 2.54% which is below the 2.75% target.

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. 56 Kitchens and 22 bathroom suites along with 35 doors were replaced during the financial year. The Association completed the SHQS midpoint report.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2011

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. Over the past year the East Kilbride & District Housing Association has successfully obtained funding for the new build properties and the new office.

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 2011

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 2011, 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. Staffs 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.

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It, therefore, has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2011

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

Jean McDonald

Date : 15/6/11

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2011

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



Date: 15/6/11.....

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2011

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 2011. 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

Jean McDonald
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Date: 15/6/11

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
Statutory Auditors
Chartered Accountants
Glasgow

Date: 19th September 2011

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 of East Kilbride & District Housing Association Limited for the year ended 31 March 2011 on pages 11 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with 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 or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 7, the Committee are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Date: *19th September 2011*

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2011

	Notes	2011 £	2010 £
Turnover	2	1,600,174	3,594,131
Operating costs	2	<u>(1,147,486)</u>	<u>(2,947,520)</u>
Operating surplus	2	452,688	646,611
Interest receivable	2	17,862	10,692
Interest payable	4	<u>(160,902)</u>	<u>(155,949)</u>
Surplus on ordinary activities before tax		309,648	501,354
Corporation tax on surplus on ordinary activities	5	<u>-</u>	<u>-</u>
Surplus for year		<u>309,648</u>	<u>501,354</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 2011

	Notes	2011	2010
		£	£
Tangible Fixed Assets			
Housing Properties			
- Gross cost less depreciation	7	15,497,325	14,946,685
Less: Housing Association Grant	6	<u>(7,696,502)</u>	<u>(7,540,818)</u>
		7,800,823	7,405,867
Other fixed assets	8	<u>408,531</u>	<u>8,169</u>
		8,209,354	<u>7,414,036</u>
Current assets			
Debtors	9	222,750	-
Cash in bank and on hand		<u>3,869,898</u>	<u>285,379</u>
		4,092,648	1,409,630
			1,695,009
Creditors: Amount falling due within one year	10	<u>(474,394)</u>	<u>(690,482)</u>
Net current assets		<u>3,618,254</u>	<u>1,004,527</u>
		11,827,608	8,418,563
Creditors: Amounts falling due after more than one year	11	<u>(8,566,698)</u>	<u>(5,467,302)</u>
Capital and reserves		3,260,910	2,951,261
Share capital	12	133	132
Designated reserves	6	2,683,051	2,483,051
Revenue reserves	6	577,726	468,078
Total funds		<u>3,260,910</u>	<u>2,951,261</u>

These financial statements on pages 11 to 28 were approved by the Committee of Management on 15/6/11 and signed on their behalf by:

Secretary:

Jean McDonald

Committee member:

M. Wauchope

Committee member:

F. Deuchar

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2011

	Notes	2011	2010
		£	£
Net cash inflow from operating activities	15	460,748	<u>1,047,826</u>
Returns on investments and servicing of finance			
Interest received		17,862	10,692
Interest paid		<u>(160,902)</u>	<u>(155,949)</u>
		(143,040)	<u>(145,257)</u>
Investing activities			
Cash paid for construction and purchases		(764,235)	(1,193,341)
Housing association grant received		556,770	684,677
HAG repayments		(401,086)	
Purchase of other fixed assets		<u>(406,345)</u>	<u>(6,636)</u>
Net cash (outflow) from investing activities		<u>(1,014,896)</u>	<u>(515,300)</u>
Net cash (outflow)/inflow before financing		(697,188)	<u>387,269</u>
Financing			
Loan received		3,350,000	1,100,710
Loan principal repayments		(192,547)	(1,402,336)
Increase in share capital		<u>(3)</u>	<u>4</u>
Net cash inflow/(outflow) from financing		<u>3,157,456</u>	<u>(301,622)</u>
Increase in cash and cash equivalents		<u>2,460,268</u>	<u>85,647</u>

Further details are given in note 15.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

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" 2008 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 2011

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%
- Office premises 2%

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 2011

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 2011

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

	Turnover £	Operating Costs £	Operating Surplus/ (Deficit) £	Operating Surplus/(Deficit) 2010 £
Social lettings	1,598,512	(1,043,675)	554,837	665,902
Other activities	1,662	(103,811)	(102,149)	(19,291)
Total	<u>1,600,174</u>	<u>(1,147,486)</u>	<u>452,688</u>	<u>646,611</u>
2010	<u>3,594,131</u>	<u>(2,947,520)</u>	<u>646,611</u>	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

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

	General Needs Housing £	Shared Ownership £	Supported Ownership £	2011 Total £	2010 Total £
Rent receivable net of service charges	1,600,023	-	-	1,600,023	1,541,158
Service charges	-	-	-	-	-
Gross income from rents and service charges	1,600,023	-	-	1,600,023	1,541,158
Less: voids	(1,511)	-	-	(1,511)	(3,782)
Net income from rents and service charges	1,598,512	-	-	1,598,512	1,537,376
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	1,598,512	-	-	1,598,512	1,537,376
Management and maintenance administration costs	613,401	-	-	613,401	510,971
Service costs	-	-	-	-	-
Planned and cyclical maintenance including major repairs costs	102,625	-	-	102,625	90,795
Reactive maintenance costs	97,489	-	-	97,489	120,869
Bad debts – rents and service charges	10,583	-	-	10,583	3,012
Depreciation of social housing	219,577	-	-	219,577	145,827
Operating costs for social letting activities	1,043,675	-	-	1,043,675	871,474
Operating Surplus for social lettings	554,837	-	-	554,837	665,902
2010	665,902	-	-	665,902	

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2010 - £Nil).

The total major repairs in the year were £304,809. These major repairs were capitalised.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

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/ (deficit)	Operating deficit for previous period of account
	£	£	£	£	£	£	£	£	£
Wider action/wider role	-	-	-	-	-	-	-	-	-
Care and repair of property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Development and construction of property activities	-	-	-	-	-	-	(103,811)	(103,811)	(19,291)
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	1,662	-	-	-	1,662	-	-	1,662	-
Total from other activities	1,662	-	-	-	1,662	-	(103,811)	(102,149)	(19,291)
2010	42,490	9,925	-	2,004,340	2,056,755	-	(2,076,046)	(19,291)	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

4. Interest Payable

	2011 £	2010 £
Loans	160,902	155,949

5. Taxation

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

6. Reserves

(a) Designated Reserves

	As at 1 April 2010 £	Transfer £	As at 31 March 2011 £
Cyclical maintenance reserve	881,541	100,000	981,541
Major repairs reserve	1,601,510	100,000	1,701,510
	2,483,051	200,000	2,683,051

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

(b) Revenue reserve

	2011 £	2010 £
Opening balance at 1 April 2010	468,078	366,724
Surplus for year	309,648	501,354
Transfer to designated reserves	(200,000)	(400,000)
Closing balance at 31 March 2011	577,726	468,078

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

6. Tangible fixed assets
Housing properties

	Housing Properties Under Construction £	Housing Properties Held for Letting £	Total £
As at 1 April 2010	454,032	15,372,321	15,826,353
Additions	-	1,218,266	1,218,266
Disposals	(454,032)	-	(454,032)
As at 31 March 2011	-	16,107,817	16,590,587
Depreciation			
As at 1 April 2010	-	879,668	879,668
Charge for year	-	213,594	213,594
As at 31 March 2011	-	1,093,262	1,093,262
Housing Association Grant and Other Grants			
As at 1 April 2010	401,086	7,139,732	7,540,818
Additions	-	556,770	74,000
Disposals	(401,086)	-	(401,086)
As at 31 March 2011	401,086	7,696,502	7,696,502
Net Book Value			
31 March 2011	-	7,800,823	7,800,823
31 March 2010	52,946	7,352,921	7,405,867

Development administration costs capitalised amount to nil (2010 - £nil) for which nil (2010 - £nil) Housing Association Grant was received and nil (2010 - 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 2011

7. Tangible fixed assets
Other Fixed Assets

	Computers & Equipment £	Office premises £	Total £
Cost			
As at 1 April 2010	88,760	-	88,760
Additions	1,496	404,849	406,345
As at 31 March 2011	90,256	404,849	495,105
Depreciation			
As at 1 April 2010	80,591	-	80,591
Charge for year	3,716	2,267	5,983
As at 31 March 2011	84,307	2,267	86,574
Net Book Value			
31 March 2011	5,949	402,582	408,531
31 March 2010	8,169	-	8,169

8. Debtors

	2011 £	2010 £
Gross rents in arrears	64,998	74,661
Less: bad debt provision	(25,538)	(32,212)
	39,460	42,449
Prepayments and accrued income	27,010	22,347
Other debtors	156,280	220,583
	222,750	285,379

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

10. Creditors due within one year

	2011	2010
	£	£
Trade creditors	3,446	284,853
Other creditors	90,689	77,263
Accruals and deferred income	11,313	16,011
Rents in advance	68,346	60,585
Other taxation and social security	12,906	22,133
Bank loans	287,694	229,637
	<u>474,394</u>	<u>690,482</u>

11. Creditors due outwith one year

	2011	2010
	£	£
Loans	8,566,698	5,467,302
	<u>8,566,698</u>	<u>5,467,302</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 0.922% to 5.85% (2010 – 0.78% to 5.85%) in instalments due as follows:

	2011	2010
	£	£
In one year or less	287,694	229,637
Between two and five years	1,150,776	852,726
In five years or more	7,415,922	4,614,576
	<u>8,854,392</u>	<u>5,696,939</u>

12. Share Capital

	2011	2010
	£	£
Shares of £1 fully paid and issued at 1 April 2010	132	134
Shares issued during year	3	4
Shares cancelled during the year	(2)	(6)
	<u>133</u>	<u>132</u>
Shares issued at 31 March 2011	<u>133</u>	<u>132</u>

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

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

13. Auditors' Remuneration

	2011 £	2010 £
The remuneration of the auditors (including expenses and including VAT for the year)	5652	5,194
Remuneration of the auditors in respect of services other than those of external auditors from entities related to Baker Tilly UK Audit LLP	-	-
	5652	5,194
	5652	5,194

14. Employees

	2011 £	2010 £
Staff costs during year		
Wages and salaries	298,608	287,858
Social security costs	24,620	24,167
Other pension costs	36,210	38,934
	359,438	350,959
	359,438	350,959
	No	No
The average full time equivalent number of persons employed by the Association during the year were as follows:	11	11
	11	11

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 (2010 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	64,063	63,726
Emoluments payable to Highest Paid Director (excluding pension contributions)	55,966	54,820
	55,966	54,820

The Association's contributions for the Director in the year amounted to £7,802 (2010 - £7,608).

There were no directors whose emoluments, excluding pension contributions, were over £60,000 (2010 £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 2011

15. Notes to the Cash Flow Statement	2011	2010
(a) Reconciliation of surplus to net cash inflow from operating activities		
Surplus for year	309,648	501,354
Net interest payable	143,040	145,257
Operating surplus for the year excluding interest and tax payable	<u>452,688</u>	<u>646,611</u>
Depreciation	219,577	147,022
Cancellation of share Capital	(2)	(6)
Decrease in debtors	62,629	2,082,521
Decrease in stock	-	259,983
(Decrease) in creditors	<u>(274,144)</u>	<u>(2,088,305)</u>
	<u>460,748</u>	<u>1,047,826</u>
(b) Reconciliation of cash flow to movement in net debt		
Increase in cash for the year	2,460,268	86,570
Loans received	(3,350,000)	(1,100,710)
Loan repayments	<u>192,547</u>	<u>1,402,336</u>
Change in net debt	(697,185)	388,196
Net debt as at 1 April 2010	<u>(4,287,309)</u>	<u>(4,675,505)</u>
Net debt as at 31 March 2011	<u>(4,984,494)</u>	<u>(4,287,309)</u>
Analysis of Changes in net debt		

	As at 31 March 2010 £	Cash Flow £	Other Changes £	As at 31 March 2011 £
Cash at bank and in hand	1,409,630	2,460,268	-	3,869,898
Overdraft	-	-	-	-
Debt due within one year	(229,637)	(58,057)	-	(287,694)
Debt due after one year	<u>(5,467,302)</u>	<u>(3,099,396)</u>	-	<u>(8,566,698)</u>
	<u>(4,287,309)</u>	<u>(697,185)</u>	-	<u>(4,984,494)</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

16. Capital Commitments

	2011 £	2010 £
Expenditure authorised by the Committee of Management contracted less certified.	1,790,927	246,664

East Kilbride & District Housing Association Limited have entered into a development consortium whereby the HAG is being paid to the main developer Clyde Valley Housing Association. Any further funding requirements will be met by private finance.

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 at 30 September 2009 by a professionally qualified actuary using the Projected Unit Credit method. The market value of the Scheme's assets as at the valuation date was £295 million. The valuation showed a shortfall of assets compared to liabilities of £160 million, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £335 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £162 million, equivalent to a past service funding level of 67.4%.

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

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

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the 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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

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 2010. As of this date the estimated employer debt for East Kilbride & District Housing Association Limited was £1,045,961

East Kilbride & District Housing Association participates in the Scottish Housing Associations' Pension Scheme.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted-out of the State Pension scheme.

The Scheme offers five 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.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.

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 one time. An open benefit structure is one which new entrants are able to join.

East Kilbride & District Housing Association has elected to operate the career average revalued earnings with a 1/80th accrual rate (from 1 April 2011), benefit option for active members as at 30 June 2011 and the career average revalued earnings with a 1/80th accrual rate (from 1 April 2011). Benefit option for new entrants from 30 June 2011.

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

As at the balance sheet date there were 7 active members of the Scheme employed by East Kilbride & District Housing Association. The annual pensionable payroll in respect of these members was £236,310.

East Kilbride & District Housing Association continues to offer membership of the Scheme to its employees.

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

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

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2011

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

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

(*expressed in nominal pound terms (for each employer) increasing each 1 April in line with the rate of salary increases assumption. Earnings as at 30 September 2009 are used as the reference point for calculation the additional contributions).

18. Housing Stock

	2011 £	2010 £
The number of units in Management at 31 March was as follows:		
General needs	466	460
Support Housing	-	-
	466	460

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 2010. As of this date the estimated employer debt for East Kilbride & District Housing Association was £1,045,961. The Association has no current plans to withdraw from the scheme.

At 31 March 2011 the Association had no other contingent liabilities (2010 - 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.

Appendix 1

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011 (Continued)

	Development	Housing Management	Current Maintenance	Cyclical Maintenance	Factoring	Finance & Admin	Total
	£	£	£	£	£	£	£
Employee Costs							
Salaries, NIC & pension	20,186	114,002	53,971	35,980	-	135,299	359,438
Estate Costs							
Property insurance	-	43,590	-	-	-	-	43,590
Factoring fees	-	4,903	-	-	-	-	4,093
Property repairs current	-	-	97,489	-	-	-	97,489
Property repairs cyclical	-	-	-	102,625	-	-	102,625
Major repairs	-	-	-	-	-	-	-
Legal fees – housing management	-	22,468	-	-	-	-	22,468
Development Costs							
Contract insurance							158
Misc Development Costs	158	-	-	-	-	-	158
Office Overheads							
Printing & Stationery	3,368	-	-	-	-	-	3,368
Affiliation fees, Subscriptions & Donations	-	-	-	-	-	17,885	17,885
Audit fees	-	-	-	-	-	13,017	13,017
Bank charges and interest	-	-	-	-	-	8,770	8,770
Rates, Insurance, Electricity & Water	-	-	-	-	-	27,989	27,989
Telephone & postage	-	-	-	-	-	37,543	37,543
Computer costs	-	-	-	-	-	10,689	10,689
Tenant Participation	-	-	-	-	-	18,843	18,843
Training and publications	-	-	-	-	-	21	21
Repairs and maintenance	-	-	-	-	-	3,900	3,900
Travel	-	-	-	-	-	57	57
Publicity	-	-	-	-	-	6,440	6,440
Office cleaning	-	-	-	-	-	3,742	3,742
Consultancy/Temp Staff	-	-	-	-	-	4,310	4,310
Legal	-	-	-	-	-	56,404	56,404
General Expenses	-	-	-	-	-	27,907	27,907
Depreciation	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	219,557	219,557
	<u>23,712</u>	<u>184,964</u>	<u>151,459</u>	<u>138,605</u>	<u>-</u>	<u>606,259</u>	<u>1,100,886</u>
Apportionment of finance & administration costs	60,626	272,815	242,503	30,313	-	606,256	-
Transfer to housing properties	<u>84,337</u>	<u>457,779</u>	<u>393,962</u>	<u>168,918</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL							