

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS

For the year ended 31 March 2014

Registered Housing Association No: HAL279

Financial Conduct 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 2014

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Registration particulars:

Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014 Registered Number: 2463R(S)
Scottish Housing Regulator	Housing (Scotland) Act 2010 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 2014

The Management Committee present their report and audited financial statements for the year ended 31 March 2014.

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 The Scottish Housing Regulator as a Registered Social Landlord

The table below shows the property we own:

	2014	2013
Managed Property Numbers		
Tenanted Property	512	512
Managed on behalf of others	-	-
Shared Ownership Properties	-	-
Total	512	512
Developing Property Numbers		
Tenanted Property	-	-
Shared Ownership Properties	-	-
Homestake	-	-

Business Review

East Kilbride & District Housing Association made a surplus of £520,717 (2013: £633,729) during the year. The surplus was made by East Kilbride & District Housing Association after investment in 34 replacement kitchens and 4 bathroom suites, along with 43 replacement external doors. East Kilbride and District Housing Association is in a strong financial position with £1.1 million deposited as cash funds. The Association's long term projections show that the Association is in a strong financial position to meet its SHQS commitments. East Kilbride & District Housing Association continues to have a substantial major repair investment programme with further replacement kitchens, windows, 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: -

	2014	2013
	£	£
Surplus for the year	520,717	633,729
Transfer (to) designated reserves – major repairs	-	240,000
Transfer (to) designated reserves – cyclical repairs	-	-
Revenue Reserves	520,717	393,729

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2014

(continued)

Members of Committee of Management

The members of the Committee of the Association during the year to 31 March 2014 and to the date of this report were as follows:

Leslie Patrick	Chair	
John Robertson	Vice Chair	
Jean McDonald	Secretary	(Resigned: 28 August 2013)
Susan Bakr	Treasurer	
Kathleen Dredge	Secretary	(Appointed: 11 September 2013)
Douglas Taylor	Member	
Margaret Anderson	Member	(Resigned: 28 August 2013)
Kathy Robb	Member	(Resigned: 30 October 2013)
Janice Russell	Member	
Liz Currie	Member	
Lilian Delaney	Member	
Tom Gallacher	Member	(Resigned: 15 January 2014)
Pauline Hollinsworth	Member	
David Lee	Member	(Resigned: 25 September 2013)
Ian Stewart	Member	(Appointed: 30 April 2014)
Martin Kane	Member	(Appointed: 11 September 2013) / (Resigned: 1 November 2013)

EXECUTIVE OFFICERS

M Brown	Director	(Resigned: 28 February 2014)
P Farrell	Acting Director	

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 work in partnership with other agencies to increase the provision of affordable social housing.
2. To provide a caring, efficient and high quality housing service which puts customers at the heart of everything it does.
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 are financially viable, support the Association's Mission Statement and compatible with its Rules.
7. To ensure the Association's Committee and professional staff have the necessary skills, experience and knowledge to successfully lead and manage the organisation.
8. To encourage our customers to influence our policy and participate in decisions which may affect them.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2014

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.

3. Development

Bearing in mind reductions in subsidy levels and increases in borrowing costs the Association will be considering its future development options over the next period.

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. The average time to relet void properties was 9 calendar days, which is 1 below target. The percentage of total income lost during the year due to voids was 0.17%, which is well below the target of 1.5%. Arrears performance continues to look good despite the difficult economic climate, 15% of tenants get their Housing Benefit paid direct to them.

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. Cyclical paint, landscaping and gas maintenance programme continued on an annual basis. The planned maintenance programme included 42 bathroom installs, 2 Kitchen installs, 26 window replacements and external door replacements. The Association continues to monitor the SHQS data annually.

6. Finance and IT

East Kilbride & District Housing Association continued to refine and develop its long term financial plans during the year and extended its use of sensitivity analysis, this work will feed into the options appraisal. An options appraisal is carried out as standard practice when the senior officer leaves a Housing Association.

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.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2014

7 Other Areas (continued)

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

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 2014, 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.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

REPORT OF THE COMMITTEE OF MANAGEMENT

YEAR ENDED 31 MARCH 2014

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.

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



Leslie Patrick

Date : 00/09/14

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

STATEMENT OF COMMITTEE'S RESPONSIBILITIES

YEAR ENDED 31 MARCH 2014

Under the legislation relating to Co-operative and Community Benefit Society 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



Leslie Patrick

Date:

10/04/14

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
COMMITTEE OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL
YEAR ENDED 31 MARCH 2014

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 2014. 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

L. Patrick

Leslie Patrick

Date: *10/04/14*

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 2014 on pages 9 to 26. 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 Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

As explained more fully in the Committee's Responsibilities Statement set out on page 6, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – April 2012 .

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Statutory Auditor

Chartered Accountants

Breckenridge House

274 Sauchiehall Street

GLASGOW

G2 3EH

Date:.....11/9/14

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

INCOME AND EXPENDITURE ACCOUNT

YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Turnover	2	2,131,995	2,030,075
Operating costs	2	<u>(1,362,947)</u>	<u>(1,170,827)</u>
Operating surplus	2	769,048	859,248
Loss on disposal of fixed assets		(570)	(1,277)
Interest receivable		11,286	22,256
Interest payable	4	<u>(259,047)</u>	<u>(246,498)</u>
Surplus on ordinary activities before tax		520,717	633,729
Corporation tax on surplus on ordinary activities	5	<u>-</u>	<u>-</u>
Surplus for year		<u>520,717</u>	<u>633,729</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 2014

	Notes	2014	2013
		£	£
Tangible Fixed Assets			
Housing Properties			
- Gross cost less depreciation	7	21,684,438	21,517,746
Less: Housing Association Grant	7	<u>(11,289,142)</u>	<u>(11,290,497)</u>
		10,395,296	10,227,249
Other fixed assets	8	<u>759,300</u>	<u>762,610</u>
		11,154,596	<u>10,989,859</u>
Current assets			
Debtors	9	182,931	209,034
Cash in bank and on hand		<u>1,806,584</u>	<u>1,672,203</u>
		1,989,515	1,881,237
Creditors: Amount falling due within one year	10	<u>449,435</u>	<u>(466,672)</u>
Net current assets		<u>1,540,080</u>	<u>1,414,565</u>
		12,694,676	12,404,424
Creditors: Amounts falling due after more than one year	11	<u>(7,852,080)</u>	<u>(8082,545)</u>
Capital and reserves		<u>4,842,596</u>	<u>4,321,879</u>
Share capital	12	130	130
Designated reserves	6	2,923,051	2,923,051
Revenue reserves	6	1,919,415	1,398,698
Total funds		<u>4,842,596</u>	<u>4,321,879</u>

These financial statements on pages 9 to 26 were approved by the Committee of Management on 10/9/14 and signed on their behalf by:

Secretary: K. Dredge

Committee member: L. Patrick

Committee member: S. M. M.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 MARCH 2014

	Notes	2014	2013
		£	£
Net cash inflow from operating activities	15	1,045,521	1,079,277
Returns on investments and servicing of finance			
Interest received		11,286	22,256
Interest paid		(259,047)	(246,498)
		(247,761)	(224,242)
Investing activities			
Cash paid for construction and purchases		(391,218)	(236,413)
Housing association grant received		-	-
HAG repayments		-	-
Purchase of other fixed assets		(22,320)	(607)
Net cash (outflow) from investing activities		(413,538)	(237,020)
Net cash inflow before financing		384,222	618,015
Financing			
Loan received		-	-
Loan principal repayments		(249,843)	(269,218)
Increase in share capital		2	8
Net cash (outflow) from financing		(249,841)	(269,210)
Increase/(Decrease) in cash and cash equivalents		134,381	(348,805)

Further details are given in note 15.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

1. Principal accounting policies

Basis of Accounting

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered by The Financial Services Authority. The Financial Statements have been prepared in accordance with applicable Accounting Standards, the Statement of Recommended Practice - Accounting for Registered Social Landlords and on the historical cost basis. They also comply with the Determination of Accounting Requirements – April 2012 and The Statement of Recommended Practice (SORP) “Accounting by Registered Social Housing Providers, Update 2010”. A summary of the more important accounting policies is set out below.

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.

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:-

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

1. Principal accounting policies (cont.)

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

Depreciation and Impairment of Housing Properties

Housing Properties and are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property as follows;

Land	Not depreciated
Structure	Over 50 years
Electrical Wiring	Over 25 years
Windows	Over 30 years
Bathrooms	Over 25 years
Kitchens	Over 15 years
Heating (boilers and radiators)	Over 15 years
External Doors	Over 20 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

1. Principal accounting policies (cont.)

Pensions (cont.)

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.

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.

Value added tax

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

Fixed Assets - Housing Land and Buildings

Properties included in housing properties are stated at cost. The cost of such properties includes the following:

- (i) cost of acquiring land and buildings
- (ii) development expenditure including applicable overheads
- (iii) interest charged on the loans raised to finance the scheme

These costs are either termed "qualifying costs" for approved HAG schemes and are considered for mortgage loans by the relevant lending authorities or they are met out of the Association's reserves.

All invoices and architects' certificates relating to capital expenditure incurred in the year at gross value before retentions are included in the financial statements for the year, provided that the dates of issue or valuations are prior to the year end. Development costs are capitalised to the extent that they are attributable to specific schemes and where such costs are not excessive.

If expenditure does not qualify for HAG, it is nevertheless capitalised.

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

Interest on any loan financing the development is capitalised up to the relevant date of completion.

Improvements

In previous years, improvements were capitalised when these resulted in an enhancement of the economic benefits of the property. Such enhancement could occur if the improvements resulted in:-

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

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

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

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) 2013 £
Social lettings	2,114,356	1,331,221	783,135	904,181
Other activities	17,639	31,726	(14,087)	(44,933)
Total	<u>2,131,995</u>	<u>1,362,947</u>	<u>769,048</u>	<u>859,248</u>
2013	<u>2,030,075</u>	<u>1,170,827</u>	<u>859,248</u>	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

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

	General Needs Housing £	Shared Ownership £	Supported Ownership £	2014 Total £	2013 Total £
Rent receivable net of service charges	2,082,752	-	13,476	2,096,228	2,019,018
Service charges	11,279	-	10,598	21,877	10,942
Gross income from rents and service charges	2,094,031	-	24,074	2,118,105	2,029,960
Less: voids	3,749	-	-	3,749	6,057
Net income from rents and service charges	2,090,282	-	24,074	2,114,356	2,023,903
Grants from Scottish Ministers	-	-	-	-	-
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	2,090,282	-	24,074	2,114,356	2,023,903
Management and maintenance administration costs	784,730	-	6,179	790,909	393,283
Service costs	8,195	-	64	8,259	11,521
Planned and cyclical maintenance including major repairs costs	150,525	-	1,185	151,710	151,105
Reactive maintenance costs	118,660	-	934	119,594	295,776
Bad debts – rents and service charges	12,420	-	98	12,518	373
Inc Provision for bad debt					30,242
Depreciation of social housing	246,292	-	1,939	248,231	237,422
Operating costs for social letting activities	1,320,822	-	10,399	1,331,221	1,119,722
Operating Surplus for social lettings	769,460	-	13,675	783,135	904,181
2013	904,181	-	-		

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2013 - £Nil).

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

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	-	-	-	-	-	-	(31,726)	-	-
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	-	17,639	-	-	-	-	-	-	-
Total from other activities	-	17,639	-	6,172	6,172	-	(31,726)	(14,087)	(44,933)
2013	-	-	-	6,172	6,172	-	(51,105)	(44,933)	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

4. Interest Payable

	2014	2013
	£	£
Loans	<u>259,047</u>	<u>246,498</u>

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 2013	Transfer	As at 31 March 2014
	£	£	£
Cyclical maintenance reserve	981,541	-	981,541
Major repairs reserve	<u>1,941,510</u>	<u>-</u>	<u>1,941,510</u>
	<u>2,923,051</u>	<u>-</u>	<u>2,923,051</u>

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

(b) Revenue reserve

	2014	2013
	£	£
Opening balance at 1 April 2013	1,398,698	1,004,969
Surplus for year	520,717	633,729
Transfer to designated reserves	<u>-</u>	<u>(240,000)</u>
Closing balance at 31 March 2014	<u>1,919,415</u>	<u>1,398,698</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

7. Tangible fixed assets
Housing properties

	Housing Properties Held for Letting £	Total £
As at 1 April 2013	23,014,306	23,014,306
Additions	391,218	391,218
Disposals	(1,925)	(1,925)
As at 31 March 2014	23,403,599	23,403,599
 Depreciation		
As at 1 April 2013	1,496,561	1,496,561
Charge for year	222,600	222,600
As at 31 March 2014	1,719,161	1,719,161
 Housing Association Grant and Other Grants		
As at 1 April 2013	11,290,497	11,290,497
Disposals	(1,355)	(1,355)
As at 31 March 2014	11,289,142	11,289,142
 Net Book Value		
31 March 2014	10,395,296	10,395,296
31 March 2013	10,227,248	10,227,248

No land or buildings are held under a lease.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

8. Tangible fixed assets
Other Fixed Assets

	Computers & Equipment £	Office premises £	Total £
Cost			
As at 1 April 2013	111,307	785,465	896,772
Additions	8,486	13,834	22,320
As at 31 March 2014	119,793	799,299	919,092
Depreciation			
As at 1 April 2013	101,179	32,983	134,162
Charge for year	9,644	15,986	25,630
As at 31 March 2014	110,823	48,969	159,792
Net Book Value			
31 March 2014	8,970	750,330	759,300
31 March 2013	10,128	752,482	762,610

9. Debtors

	2014 £	2013 £
Gross rents in arrears	124,470	124,488
Less: bad debt provision	(68,079)	(59,070)
	56,391	65,418
Prepayments and accrued income	30,691	39,808
Other debtors	95,849	103,807
	182,931	206,033

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

10. Creditors due within one year

	2014	2013
	£	£
Trade creditors	29,906	4,159
Other creditors	97,195	132,094
Accruals and deferred income	1 2,216	18,578
Rents in advance	44,252	31,263
Other taxation and social security	16,024	1,358
Bank loans	249,841	269,219
	<u>449,434</u>	<u>466,671</u>

11. Creditors due outwith one year

	2014	2013
	£	£
Loans	<u>7,852,080</u>	<u>8,082,545</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 0.8% to 5.85% (2013 – 1.093% to 5.85%) in instalments due as follows:

	2014	2013
	£	£
In one year or less	249,841	269,220
Between two and five years	999,364	1,076,880
In five years or more	<u>6,852,717</u>	<u>7,005,665</u>
	<u>8,101,922</u>	<u>8,351,765</u>

12. Share Capital

	2014	2013
	£	£
Shares of £1 fully paid and issued at 1 April 2013	130	128
Shares issued during year	2	8
Shares cancelled during the year	<u>(2)</u>	<u>(6)</u>
Shares issued at 31 March 2014	<u>130</u>	<u>130</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 2014

13. Auditors' Remuneration

	2014	2013
	£	£
The remuneration of the auditors (including expenses and including VAT for the year)	6,240	5,965
Remuneration of the auditors in respect of services other than those of external auditors from entities related to Baker Tilly UK Audit LLP	-	-
	6,240	5,965

14. Employees

	2014	2013
	£	£
Staff costs during year		
Wages and salaries	422,796	362,186
Social security costs	35,920	30,687
Other pension costs	61,282	60,260
	519,998	453,134

	No	No
The average full time equivalent number of persons employed by the Association during the year were as follows:	13	13

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 salary, pension contributions, expenses and compensation payments exceed £60,000 per year (2013 - £60,000 per year).

	£	£
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	93,830	67,090
Emoluments payable to Highest Paid Director (excluding pension contributions)	89,021	61,826

The Association's contributions for the Director in the year amounted to £5,264 (2013 - £5,062).

There was one directors whose emoluments, excluding pension contributions, were over £60,000 (2013 £60,000).

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

Compensation payable to officers

The aggregate amount of any compensation payable to, or receivable by officers and former officers of an RSL for loss of office (whether by retirement or otherwise) during the period.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

15. Notes to the Cash Flow Statement	2014	2013
(a) Reconciliation of surplus to net cash inflow from operating activities		
Surplus for year	520,717	633,729
Net interest payable	247,761	224,242
Operating surplus for the year excluding interest and tax payable	768,478	857,971
Depreciation	248,230	237,422
Loss on disposal of fixed assets	570	1,277
Cancellation of share Capital	-	(6)
Decrease in debtors	26,102	(27,861)
Increase in creditors	2,141	10,475
	1,045,521	1,079,278
(b) Reconciliation of cash flow to movement in net debt		
Increase in cash for the year	134,381	348,805
Loan repayments	249,843	269,218
Change in net debt	(6,679,561)	(7,297,584)
Net debt as at 1 April 2013	384,224	618,023
Net debt as at 31 March 2014	(6,295,337)	(6,679,561)

Analysis of Changes in net debt

	As at 31 March 2013 £	Cash Flow £	Other Changes £	As at 31 March 2014 £
Cash at bank and in hand	1,672,203	134,381	-	1,806,584
Debt due within one year	(269,219)	249,843	(230,465)	(249,841)
Debt due after one year	(8,082,545)	-	230,465	(7,852,080)
	(6,679,561)	384,224	-	(6,295,337)

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

16. Capital Commitments

	2014 £	2013 £
Expenditure authorised by the Committee of Management contracted less certified.	-	-

17. Pension Fund General –

East Kilbride & District Housing Association Limited participates in the SHAPS 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 2012 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 £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. 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 £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

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 2014

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 2013. As of this date the estimated employer debt for East Kilbride & District Housing Association Limited was £1,330,886.

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 9 active members of the Scheme employed by East Kilbride & District Housing Association. The annual pensionable payroll in respect of these members was £356,014.

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:

2012 Valuation Assumptions	% p.a.
Investment return pre retirement	5.3
Investment return post retirement – Non pensioners	3.4
Investment return post retirement – Pensioners	3.4
Rate of salary increases	4.1
Rate of pension increases	
- Pension accrued pre 6 April 2005 in excess of GMP	2.0
- Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2014

Mortality Tables	
Non-pensioners	SAPS (SIPA) All Pensioners Year of Birth Long Cohort with 1% p.a. minimum improvement
Pensioners	SAPS (SIPA) 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	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4
Additional rate for deficit contributions*	10.4

Additional deficit contributions are payable from 1 April 2014 and will be increasing by 3% per annum each April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions.

East Kilbride & District Housing Association Limited has been notified by the Pension Trust of the SHAPS scheme that the present day value of the total committed over the next eleven years, discounted at a rate of 4% is £482,613. As the liability cannot be properly quantified it has not been accrued or included in the Balance Sheet at 31 March 2013.

18. Housing Stock

	2014	2013
	£	£
The number of units in Management at 31 March was as follows:		
General needs	508	507
Support Housing	4	5
	512	512

19. Contingent Liabilities

Housing Association Grant allocated to components (as detailed in Note 7) that have subsequently been replaced by the Association are recognised in the Income and Expenditure account, with the cost of the replacement and any additional funding for this replacement being capitalised. The recycled grant recognised in the Income and Expenditure account at 31 March 2013 was £nil (2012: £4,121).

Pension withdrawal debt as at 30 September 2013 for East Kilbride & District Housing Association is £1,330,886.

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.