

**EAST KILBRIDE & DISTRICT HOUSING  
ASSOCIATION LIMITED**

**(EAST KILBRIDE HOUSING ASSOCIATION)**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2018

Registered Housing Association No: HAL279

Financial Conduct Authority No: 2463R(S)

A Registered Scottish Charity No: SC033749

**RSM UK AUDIT LLP**

**Chartered Accountants**

**Glasgow**

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENT

YEAR ENDED 31 MARCH 2018

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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	Charities and Trustee Investment (Scotland) Act 2005 Scottish Charity Number SC033749

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

### YEAR ENDED 31 MARCH 2018

The Board of Management present their report and audited financial statements for the year ended 31 March 2018.

#### **Principal Activity**

The Association is registered with the Financial Conduct 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, all in the name of East Kilbride & District Housing Association. However, following a rebranding exercise in 2016, the Association decided to drop the words '& District' from their title, and therefore all references to 'East Kilbride Housing Association', 'the Association' or 'EKHA' on this document relate to East Kilbride & District Housing Association.

The principal activity of EKHA is to be the best housing provider in a thriving East Kilbride as stated in our Strategic Plan for 2018 to 2021. With the Mission Statement "Serving community needs in East Kilbride by providing quality affordable homes and related services".

#### **Members of Board of Management**

The members of the Board of the Association during the year to 31 March 2018 and to the date of this report were as follows:

John Robertson	Member	resigned 30/08/2017
Leslie Patrick	Vice-chair	
Pauline Hollinsworth	Treasurer	
Kathleen Dredge	Secretary	
Lilian Delaney	Member	
Kim McGavin	Member	
Paul Murray	Member	resigned 19/02/2018
Graham Keith	Chair	
Michael Gallagher	Member	
Andy Bryant	Vice -chair	
Nicola Ryan	Member	resigned 28/03/2018
Claire Lees	Member	joined 06/09/2017
Margaret Thomson	Member	joined 06/09/2017
Maureen Watson	Member	joined 06/06/2017

#### **EXECUTIVE OFFICERS**

Andy Young                      CEO

Each member of the Board of Management holds one fully paid share of £1 in EKHA. The executive officers of EKHA hold no interest in EKHA share capital and although not having the legal status of "director" they act as executives within the authority delegated by the Board.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

YEAR ENDED 31 MARCH 2018

### Business Review Of Current Year and Future Developments

#### **Current Year**

We made a surplus of £401,712 (2017: £812,863) during the year. The surplus was made by EKHA after investment in 5 replacement bathroom suites, 7 kitchen replacements, 83 windows replacements along with 15 replacement boilers. The Association acquired 4 'Mortgage to Rent' properties during the year. EKHA is in a strong financial position with £2.1 million deposited as cash funds. The Association's long term projections show that the Association is in a strong financial position to carry out improvements to its properties. EKHA continues to have a substantial major repair investment programme in the coming years. The Association is currently looking at developing in the coming years and has invested in these activities during the year.

#### **The Future**

##### The Association's Strategic Objectives

We have set the following strategic objectives in the next three years:

1. To secure our financial viability and long term future by operating efficient, effective and accountable financial management.
2. To maintain a broad membership base and actively support tenant and community involvement in the running of the Association.
3. To pursue opportunities to develop and expand activities which are financially viable, support our Mission Statement and are compatible with our rules of Association.
4. To increase the provision of varied housing tenures, in partnership with other agencies where necessary.
5. To ensure the fabric of existing stock and design standards of future stock supports independent living and meets tenants' aspirations.
6. To provide caring, cost effective and high quality services which put customers at the heart of everything we do.
7. To continually assess and increase the range of services offered to our customers.
8. To explore cost effective sustainable energy options to provide lower cost energy bills and reduce carbon emissions.
9. To improve and expand the opportunities for residents to participate in our activities at appropriate levels.
10. To ensure our Board and professional staff have the necessary skills, experience, knowledge and training to successfully lead and manage the organisation.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

YEAR ENDED 31 MARCH 2018

### Operational Review

This report details key points which have arisen during the year relating to the main activities undertaken.

#### 1. Governance

EKHA is governed by a voluntary and unpaid Board of Management elected by the members of the Association. It is the responsibility of the Board 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 Board also monitors the operational activities of the Association quarterly and regularly undertakes relevant training and self-assessment of effectiveness of individual Board members and the effectiveness of the Board as a unit.

#### 2. Corporate Activity

EKHA carries out a continuous, comprehensive self-assessment programme and a rolling programme of reviewing its policies and activities to ensure they are appropriate and relevant to the agreed strategy, in line with good practice and compliant with current and forthcoming legislation. The Association published its updated Strategic Plan (2018-21) in September 2017 and this is supported by an Operational Plan which outlines how the Association intends to fulfil its strategic targets.

#### 3. Development

The Association is currently looking at a number of sites with the intention of building new properties. The Association commissioned a risk analysis of potential development to help inform its decision on the appropriate level of development, without placing the Associations finances under undue risk.

#### 4. Housing

Arrears performance has been impacted slightly by Universal Credit but staff continue to work hard to keep arrears as low as they can. We let 48 properties this year which is the largest amount the Association has ever let – they were all re-let within the 10 day target time.

#### 5. Property Maintenance

EKHA has implemented and refined its planned and cyclical maintenance programme in line with the EESSH (Energy Efficiency Standard for Scotland) Delivery Plan. EESSH aims to improve the energy efficiency of Social Housing in Scotland. Cyclical Paint, Landscaping and Gas maintenance programmes continued on an annual basis. The Planned Maintenance programme included 5 bathroom installs and 83 properties with new windows. The Association's properties all meet the Scottish Housing Quality Standard (SHQS) set out by the Scottish Government and look forward to further enhancing the energy efficiency of our properties in reaching the new EESSH targets set for 2020.

#### 6. Finance

EKHA has continued to refine its financial procedures within the financial year. The Association also continued to show a healthy financial position throughout the financial year. The long term financial projections were updated and developed, taking into account key risks and the Association's development plans. The Finance team worked closely with consultants to prepare and consider the risk assessment report.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

YEAR ENDED 31 MARCH 2018

### 7. Other Areas

#### Credit Payment Policy

EKHA'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

EKHA 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, EKHA 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 Board 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 Board 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

EKHA has an active treasury management function, which operates in accordance with the Treasury Policy approved by the Board of Management. In this way EKHA 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.

EKHA, as a matter of policy, does not enter into transactions of a speculative nature. At 31 March 2018, EKHA has a mix of fixed and variable rate finance, which it considers appropriate at this time.

#### Quality and Integrity of Personnel

Board Members are required to abide by the Board Members Code of Conduct. Annual Skills and Training Audits are implemented with corporate and individual training plans drawn up dependent on training requirements based upon the annual appraisal. The integrity and competence of staff is ensured through high recruitment standards and subsequent training courses and annual staff appraisals.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT OF THE BOARD OF MANAGEMENT

YEAR ENDED 31 MARCH 2018

### 7. Other Areas (continued)

Staff are required to adhere to a Staff Code of Conduct. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the Chairperson, in respect of Board and the Director in respect of staff.

#### Employee Involvement and Health and Safety

EKHA 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.

#### Board Members and Officers' Insurance

EKHA has purchased and maintains insurance to cover its Board and officers against liabilities in relation to their duties on behalf of EKHA, as authorised by the Association's rules.

#### Going Concern

The Board 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

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

On behalf of the Board of Management

Date :

# **EAST KILBRIDE HOUSING ASSOCIATION LIMITED**

## **STATEMENT OF BOARD RESPONSIBILITIES**

**YEAR ENDED 31 MARCH 2018**

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business.

The Board of Management is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Board of Management must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2014. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It has general responsibility for taking reasonable steps to safeguard the assets of the RSL and to prevent and detect fraud and other irregularities.



# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## BOARD OF MANAGEMENT'S STATEMENT ON INTERNAL FINANCIAL CONTROL

YEAR ENDED 31 MARCH 2018

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment 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 Board 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 Board 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-Boards comprising Board of Management members and others.
- The Board of Management review reports from management, from directors, staff and from the external auditors to provide reasonable assurance that control procedures are in place and are being followed. This includes a general review of the major risks facing the Association.
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board of Management have continued to review the system of internal financial control in the Association during the year ended 31 March 2018. 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 Board of Management



Date:



# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## REPORT BY THE AUDITORS TO THE MEMBERS OF EAST KILBRIDE HOUSING ASSOCIATION ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the Financial Statements, we have reviewed your statement on Page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

### **Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

### **Opinion**

In our opinion the Statement on Internal Financial Control on page 7 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: 

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

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

### Opinion on Financial Statements

We have audited the financial statements of East Kilbride and District Housing Association for the year ended 31 March 2018 which comprise of the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of the income and expenditure of the Association for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 – December 2014

### Basis for Opinion

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

### Conclusion relating to going concern

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

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

### Other information

The other information comprises of the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information, our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and doing so, consider whether the other information is materially inconsistent with the financial statement or knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information, if, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matter 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 explanation we require for audit.

### Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 6, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control; as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities for the audit of the financial statements

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

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

### Use of our report

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 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.

[REDACTED]

RSM UK AUDIT LLP  
Statutory Auditor  
Chartered Accountants  
Centenary House  
69 Wellington Street  
Glasgow  
G2 6HG

Date: [REDACTED]

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2017 £
<b>Turnover</b>	2	2,650,740	2,582,277
Operating expenditure	2	<u>(2,004,248)</u>	<u>(1,519,001)</u>
<b>Operating surplus</b>	2	646,492	1,063,276
Loss on disposal of property, plant and equipment		(14,709)	(11,953)
Interest receivable		7,167	8,210
Interest and financing costs	4	<u>(237,249)</u>	<u>(246,670)</u>
<b>Surplus before tax</b>		401,701	812,863
Taxation		<u>-</u>	<u>-</u>
<b>Total Comprehensive Income</b>		<u>401,701</u>	<u>812,863</u>

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

The results relate wholly to continuing activities.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Nots	2018 £	2017 £
<b>Fixed Assets</b>			
Housing properties	7	19,171,631	19,058,029
Other fixed assets	8	697,842	723,118
		<u>19,869,473</u>	<u>19,781,147</u>
<b>Current assets</b>			
Trade and other debtors	9	198,097	186,058
Cash and cash equivalents		2,164,522	2,361,905
		<u>2,362,619</u>	<u>2,547,963</u>
<b>Current liabilities</b>			
Creditors: amount falling due within one year	10	(824,294)	(1,011,597)
<b>Net current assets</b>			
		<u>1,538,325</u>	<u>1,536,366</u>
<b>Total assets less current liabilities</b>			
		<u>21,407,798</u>	<u>21,317,513</u>
Creditors: amounts falling due after more than one year	11	(15,039,225)	(15,299,32)
Provisions for liabilities:			
Pension provision	14	(232,598)	(288,197)
Other provisions	14	(12,135)	(7,849)
<b>Total net assets</b>			
		<u>6,123,840</u>	<u>5,722,142</u>
<b>Reserves</b>			
Share capital	15	135	138
Income and expenditure reserve	15	6,123,705	5,722,004
<b>Total reserves</b>			
		<u>6,123,840</u>	<u>5,722,142</u>

The financial statements on pages 11 to 30 were approved and authorised for issue by the Board of Management on [REDACTED] and signed on their behalf by:

Secretary: [REDACTED]

Board member: [REDACTED]

Board member: [REDACTED]

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## STATEMENT OF CASHFLOWS

AS AT 31 MARCH 2018

	Nots	2018	2017
		£	£
<b>Net cash provided by operating activities</b>	16	<u>676,989</u>	<u>1,306,211</u>
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(689,256)	(663,546)
Loss on disposal of asset		(14,708)	8,210
Interest received		7,167	
HAG received		<u>246,159</u>	<u>60,727</u>
<b>Net cash used in investing activities</b>		(450,638)	<u>(594,609)</u>
<b>Cash flow from financing activities</b>			
Borrowings Drawn Dow		99,288	
Interest paid		(237,249)	(246,671)
Repayments of borrowings		<u>(285,751)</u>	<u>(269,847)</u>
<b>Net cash used in financing activities</b>		<u>(423,712)</u>	<u>(516,516)</u>
<b>Net change in cash and cash equivalents</b>		(197,383)	195,084
Cash and cash equivalents at the beginning of the year		<u>2,361,905</u>	<u>2,166,822</u>
Cash and cash equivalents at the end of the year		<u><u>2,164,522</u></u>	<u><u>2,361,905</u></u>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand		<u>2,164,522</u>	<u>2,361,905</u>
<b>Total cash and cash equivalents</b>		<u><u>2,164,522</u></u>	<u><u>2,361,905</u></u>

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

### 1. Principal accounting policies

#### Legal Status

EKHA is registered under the Co-operative and Community Benefit Societies Act 2014 as East Kilbride & District Housing Association and is registered with the Scottish Housing Regulator under the Housing (Scotland) Act 2010 under the same name.

The address of the Association's registered office and principal place of business is 2 Old Coach Rd, East Kilbride, Glasgow G74 4DP.

The Association's principal activities are detailed in the Board of Management's Report. The nature of the Associations operations are detailed in the Board of Management's Report.

EKHA is a Public Benefit Entity.

#### Basis of Accounting

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2014 "Statement of Recommended Practice for Registered Housing Providers" and the comply with the Determination of Accounting Requirements 2014, and under the historical cost convention, modified to include certain financial instruments at fair value.

The financial statements are prepared in Sterling (£).

#### Turnover

Turnover relates to the income from the letting of properties at affordable rents, together with revenue grants receivable in the period. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

#### Critical Accounting Estimates and Areas of Judgement

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included below.

#### *Critical accounting estimates:*

Useful lives of housing property - management reviews its estimate of the useful lives of depreciable assets at each reporting date based on guidance from RICS and ongoing sock condition surveys.



# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

### 1. Principal accounting policies (cont.)

Obligations under a defined benefit pension scheme – the rate used to discount the past service deficit defined benefit obligations to their present value is based upon market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. Our commitment to the SHAPS of £238,000 for the next 5 years has been discounted at a rate of 1.51% amounting to a net present value of £233,000 at 31 March 2018.

#### **Going Concern**

The Board of Management has reviewed the results for this year and has also reviewed the projections for the next five years.

On that basis the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Government Grants**

Government grants include grants receivable from the Scottish Government, local authorities and other government bodies. Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant a liability is included in the Statement of Financial Position to recognise this obligation.

#### **Other Grants**

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

#### **Fixed assets - Housing properties**

Housing properties are properties for the provision of social housing or to otherwise provide social benefit and are principally properties available for rent.

Completed housing properties are stated at cost less accumulated depreciation and impairment losses.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

### 1. Principal accounting policies (cont.)

Cost includes the cost of acquiring land and buildings, and expenditure incurred during the development Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that enhance the economic benefits of the assets, are capitalised as improvements. Such enhancements can occur if improvements result in either:

- An increase in rental income;
- A material reduction in future maintenance costs; 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 Statement of Comprehensive Income.

#### Depreciation of Housing Properties

The Association separately identifies the major components of its housing properties and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis over the following years:

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.

#### Impairment of Fixed Assets

An assessment is made at each reporting date of whether there are indications that a fixed asset (including housing properties) may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the RSL estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use of the asset based on its service potential, are recognised as impairment losses in the statement of comprehensive income.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

### 1. Principal accounting policies (cont.)

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in income and expenditure. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

#### Other tangible fixed assets

Tangible fixed assets are initially measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:

- Computers 33.3%
- Office equipment 33.3%
- Office premises 2%

#### Borrowing Costs

General and specific borrowing costs directly attributable to the acquisition and construction of qualifying properties are added to the cost of those properties until such a time as the properties are ready for their intended use or sale.

All other borrowing costs are expensed as incurred.

#### Value added tax

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

#### Taxation

The Association has charitable status and is registered with the Office of Scottish Charities Regulator and is therefore exempt from paying Corporation Tax on charitable activities.

#### Deposits and Liquid Resources

Cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying value.

#### Employee Benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

Employees are entitled to carry forward up to 2 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Association is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## ACCOUNTING POLICIES

AS AT 31 MARCH 2018

### 1. Principal accounting policies (cont.)

are discounted when they are not expected to be settled wholly within 12 months of the period end. The rate used to discount the contributions to their present value is based on market yields for high quality corporate bonds.

#### **Financial Instruments**

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

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument, and are offset only when the Association currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### ***Financial assets***

##### Debtors

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a trade or other debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income and expenditure for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

#### ***Financial liabilities***

##### Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## ACCOUNTING POLICIES

AS AT 31 MARCH 2018

### 1. Principal accounting policies (cont.)

#### *Borrowings*

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Provisions are recognised when the Association has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2018

### 2. Particulars of turnover, operating costs and operating surplus or deficit

	Note	Turnover £	Operating Costs £	Operating Surplus 2018 £	Operating Surplus 2017 £
Affordable letting activities	3a	2,615,024	1,937,964	677,060	1,082,550
Other activities	3b	35,716	66,284	(30,568)	(19,274)
<b>Total</b>		<u>2,650,740</u>	<u>2,004,248</u>	<u>646,492</u>	<u>1,063,276</u>
<b>Total for previous reporting period</b>		<u>2,582,277</u>	<u>1,519,001</u>	<u>1,063,276</u>	

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 3a. Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities

	General Needs Social Housing	Supported Social Housing Accom- modation	2018Total	2017 Total
	£	£	£	£
Rent receivable net of service charges	2,279,605	8,751	2,288,356	2,231,373
Service charges	25,119	-	25,119	24,627
Gross income from rents and service charges	<u>2,304,724</u>	<u>8,751</u>	<u>2,313,475</u>	<u>2,256,000</u>
Less: voids	(3,565)	-	(3,565)	(3,050)
Net income from rents and service charges	2,301,159	8,751	2,309,910	2,252,950
Grants released from deferred income	285,114	-	285,114	282,220
Grants from Scottish Ministers	20,000	-	20,000	16,742
<b>Total turnover from affordable letting activities</b>	<u>2,606,273</u>	<u>8,751</u>	<u>2,615,024</u>	<u>2,551,912</u>
Management and maintenance administration costs	967,673	3,781	971,454	588,892
Service costs	7,883	30	7,913	10,270
Planned and cyclical maintenance including major repairs costs	217,880	836	218,716	142,587
Reactive maintenance costs	155,890	598	156,488	172,620
Bad debts – rents and service charges	24,203	-	24,203	6,959
Inc Provision for bad debt				
Depreciation of affordable let properties	557,041	2,138	559,179	548,034
Impairment of affordable let properties	-	-	-	-
<b>Operating costs for affordable letting activities</b>	<u>1,930,570</u>	<u>7,383</u>	<u>1,937,953</u>	<u>1,469,362</u>
<b>Operating surplus for affordable letting activities</b>	<u>675,704</u>	<u>1,368</u>	<u>677,071</u>	<u>1,082,550</u>
<b>Operating surplus for affordable letting activities for previous reporting period</b>	<u>1,076,023</u>	<u>6,527</u>	<u>1,082,550</u>	

There are no shared ownership properties.

The amount of service charges receivable on housing accommodation not eligible for Housing Benefit was £Nil (2017£Nil).

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 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 £	Operating surplus or deficit for previous reporting period £
Wider role activities undertaken to support the community, other than the provision, construction, improvement and management of housing	-	-	-	-	-	-	-	-	-
Care and repair	-	-	-	-	-	-	-	-	-
Investment property activities	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-
Care activities	-	-	-	-	-	-	-	-	-
Contracted out activities undertaken for registered social landlords	-	-	-	-	-	-	-	-	-
Contracted out services undertaken for other organisations	-	-	-	-	-	-	-	-	-
Developments for sale to registered social landlords	-	-	-	-	-	-	-	-	-
Developments and improvements for sale to other organisations	-	-	-	-	-	-	-	-	-
Uncapitalised development administration costs	-	-	-	-	-	(44,817)	-	(44,817)	-
Other activities	-	-	-	35,716	-	(21,467)	-	14,249	(19,274)
<b>Total from other activities</b>	-	-	-	35,716	-	(66,284)	-	(30,568)	(19,274)
<b>Total from other activities for the previous reporting period</b>	-	-	-	-	30,366	49,640	-	(19,274)	-



**EAST KILBRIDE HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2018**

<b>4. Interest and Financing Costs</b>	<b>2018</b>	<b>2017</b>
	£	£
Interest on bank loans	228,378	236,299
Defined benefit pension charge	3,000	13,000
Rent arrears NPV charge	5,871	(2,629)
	<u>237,249</u>	<u>246,670</u>
<b>5. Operating surplus or deficit</b>	<b>2018</b>	<b>2017</b>
	£	£
Operating surplus is stated after charging/(crediting):		
Depreciation of housing properties	559,179	548,034
Depreciation of other tangible fixed assets:		
- owned	27,042	27,690
Surplus on disposal of tangible fixed assets	(14,708)	(11,952)
	<u>571,513</u>	<u>563,772</u>
Fees payable to RSM UK Audit LLP and its associates are as follows:		
Audit services – statutory audit	7,008	7,373
	<u>7,008</u>	<u>7,373</u>
<b>6. Employees</b>	<b>2018</b>	<b>2017</b>
	£	£
Staff costs (including key management personnel) during the year:		
Wages and salaries	493,021	453,920
Social security costs	54,109	50,632
Other pension costs	64,953	61,948
	<u>612,083</u>	<u>566,500</u>
	<b>No</b>	<b>No</b>
The average monthly number of full time equivalent persons (including key management personnel) employed by the Association during the year was:	<u>14</u>	<u>14</u>

The key management personnel are defined as the members of the Management Board, the CEO and any other person reporting directly to the Directors or the Management Board.

**EAST KILBRIDE HOUSING ASSOCIATION LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2018**

**6. Employees (cont.)**

	2018 £	2017 £
Aggregate emoluments payable to key management personnel and expenses (excluding pension contributions)	<u>215,731</u>	<u>214,651</u>
The emoluments of the CEO (excluding pension contributions)	<u>65,076</u>	<u>61,200</u>
Aggregate pension contributions in relation to key management personnel	<u>36,083</u>	<u>32,582</u>

There number of key management personnel who received emoluments (excluding employer pension contributions) in excess of £60,000 during the reporting period fell within the following bands:

	No.	No.
£60,000 - £70,000	<u>1</u>	<u>1</u>

No member of the Board of Management received any payment or fees or other remuneration in respect of their services to the Association.

**7. Tangible fixed assets - Housing properties**

	<b>Social Housing Properties Held for Letting</b>
	£
<b>Cost</b>	
As at 1 April 2017	24,597,754
Additions:	
Properties acquired	340,343
Works to existing properties	347,147
Dis	(99,759)
As at 31 March 2018	<u>25,185,485</u>
<b>Depreciation and impairment</b>	
As at 1 April 2017	5,539,725
Depreciation charged in year	559,179
Released on disposal	(85,050)
As at 31 March 2018	<u>6,013,854</u>
<b>Net Book Value</b>	
31 March 2018	<u>19,171,631</u>
31 March 2017	<u>19,058,029</u>

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 7. Tangible fixed assets - Housing properties (cont.)

The Association considers individual schemes to the separate cash generating units when assessing for impairment. No land or buildings are held under a lease. The aggregate amount of finance costs included in the cost of housing properties is £nil (2017: £nil).

Total major repair costs during the year were £347,147 (2017: £494,280), of which £347,147 (2017: £494,280) was capitalised. Of the amount capitalised £316,208 (2017: £480,219) related to replacement of components and £30,939 (2017: £14,061) related to improvements.

### 8. Tangible fixed assets - Other Fixed Assets

	Computers & Equipment £	Office premises £	Total £
<b>Cost</b>			
As at 1 April 2017	137,220	799,299	936,519
Additions	1,766	-	1,766
Disposals	(4,481)	-	(4,481)
As at 31 March 2018	134,505	799,299	933,804
<b>Depreciation</b>			
As at 1 April 2017	116,474	96,927	213,401
Charge for year	11,056	15,986	27,042
Disposals	(4,481)	-	(4,481)
As at 31 March 2018	123,049	112,913	235,962
<b>Net Book Value</b>			
31 March 2018	11,456	686,386	697,842
31 March 2017	20,746	702,372	723,118

### 9. Debtors

	2018 £	2017 £
Gross rents in arrears	163,741	143,665
Less: adjustment to discount arrears with payment plans > 12 months	(33,240)	(15,776)
Less: bad debt provision	(60,042)	(54,781)
	70,459	73,108
Prepayments and accrued income	35,436	38,582
Other debtors	92,202	74,368
	198,097	186,058

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

**10. Creditors: amounts falling due within one year**

	2018 £	2017 £
Debt (note 13)	291,781	280,656
Rents in advance	48,883	87,045
Deferred capital grants (note12)	282,962	279,406
Trade creditors	25,957	31,650
Other taxation and social security	25,227	23,928
Other creditors	105,580	110,826
Accruals and deferred income	43,904	198,086
	824,294	1,011,597

**11. Creditors: amounts falling due after more than a year**

	2018 £	2017 £
Debt (note 13)	6,837,827	7,035,416
Deferred capital grants (note 12)	8,201,398	8,263,909
	15,039,225	15,299,325

	2018 £	2017 £
Amounts repayable other than by instalments falling due after more than five years	12,156,694	12,563,869
Amounts repayable by instalments falling due after more than five years	2,873,715	2,746,265
	15,030,409	15,310,134

**12. Deferred capital grant**

	2018 £	2017 £
As at 1 April	8,543,315	8,781,548
Grant received in year	226,159	43,985
Capital grant released	(285,114)	(282,220)
At 31 March	8,484,360	8,543,315
Amounts to be released within one year	282,962	279,406
Amounts to be released in more than one year	8,201,398	8,263,909
	8,484,360	8,543,315

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 13. Debt analysis - Borrowings

	2018 £	2017 £
Creditors: amounts falling due within one year		
Bank loans	<u>291,781</u>	<u>280,656</u>
Creditors: amounts falling due after more than one year		
Bank loans	<u>6,837,827</u>	<u>7,035,416</u>

Borrowings are denominated and repaid in pounds sterling, have contractual interest rates that are either fixed rates or variable rates linked to LIBOR that are not leveraged, and do not contain conditional returns or repayment provisions other than to protect the lender against credit deterioration or changes in relevant legislation or taxation.

Bank 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 0.54% to 5.75% (2017 – 0.54% to 5.75%). The Association makes monthly repayments of the bank borrowing. Based on the lender's earliest repayment dates, borrowings are repayable as follows:

	2018 £	2017 £
Due within one year	291,781	280,656
Due in one year or more but less than two years	298,385	285,609
Due between two and five years	951,365	898,406
Due more than five years	<u>5,588,077</u>	<u>5,851,401</u>
	<u>7,129,608</u>	<u>7,316,072</u>

### 14. Provisions

	Holiday Pay £	SHAPS Pension £	Total £
At 1 April 2017	7,849	288,197	296,046
Utilised in the year	(678)	(56,599)	(57,277)
Additional provision in year	4,964	-	4,964
Interest Expenses	-	3,000	3,000
Remeasurement – amendment to contribution Schedule	-	(2,000)	(2,000)
	<u>12,135</u>	<u>232,598</u>	<u>244,733</u>

#### *Holiday Pay*

This represents holiday accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the statutory cost payable for the period of absence.

#### *Pension*

The SHAPS provision represents the net present value of the commitment to the multi-employer pension scheme in respect of past deficits.

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 15. Share Capital & Reserves

<i>Share Capital</i>	<b>2018</b> £	<b>2017</b> £
Shares of £1 fully paid and issued at 1 April 2017	138	138
Shares issued during year	3	5
Shares cancelled during the year	(6)	(5)
	135	138
Shares issued at 31 March 2018	135	138

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.

<i>Reserves</i>	<b>Revenue Reserves</b> <b>2018</b> £	<b>Revenue Reserves</b> <b>2017</b> £
At 1 April	5,722,004	4,909,141
Surplus for year	401,701	812,863
	6,123,705	5,722,004
At 31 March	6,123,705	5,722,004

### 16. Cash flow from operating activities

	<b>2018</b>	<b>2017</b>
Surplus for year	401,701	812,864
Adjustments for non-cash items:		
Depreciation	586,237	575,724
Amortisation	(285,114)	(282,219)
Decrease/(Increase) in debtors	(17,301)	55,850
Increase in creditors	(187,303)	195,710
(Decrease)/Increase in provisions	(51,313)	(290,179)
Adjustments for investing or financing activities:		
Interest received	(7,167)	(8210)
Interest paid	237,249	246,671
	676,989	1,306,211
	676,989	1,306,211

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 17. Capital Commitments

	2018 £	2017 £
Expenditure contracted for but not provided in the financial statements	52,000	-
Expenditure authorised by the Board but not contracted	-	-

### 18 Pension Fund

EKHA participates in the SHAPS UK defined benefit scheme, a multi-employer scheme which provides benefits to some 155 non-associated employers.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616m, liabilities of £813m and a deficit of £197m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions payable:

From 1 April 2014 to 31 October 2027: £26,304,000 per annum  
(payable monthly and increasing by 3% each on 1st April)  
Rate of discount assumed based on a full AA corporate bond yield 1.51% (2016 – 1.06%)

A full actuarial valuation for the scheme was carried out at 30 September 2015. This actuarial valuation showed assets of £616 m, liabilities of £814m and a deficit of £198m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2017 to 28 February 2022: £25,735,092 per annum  
(payable monthly, increasing by 3% each 1<sup>st</sup> April)

From 1 April 2017 to 30 June 2025 £727,217 per annum  
(payable monthly, increasing by 3% each 1<sup>st</sup> April)

From 1 April 2017 to 31 October 2026 £1,239,033 per annum  
(payable monthly, increasing by 3% each 1<sup>st</sup> April)

# EAST KILBRIDE HOUSING ASSOCIATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2018

### 18. Pension Fund (conts.)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

During the accounting period EKHA paid contributions between 55 and 10% of pensionable salaries. Matching members chosen contributions.

As at the balance sheet date there were 14 active members of the Scheme employed by EKHA. The annual pensionable payroll in respect of these members was £493,021. EKHA has elected to close the DB scheme to all employees from 1 April 2017.

EKHA continues to offer membership of the DC Scheme to its employees.

### 19. Accommodation in management

	2018 £	2017 £
General needs housing	521	517
Support housing	<u>2</u>	<u>2</u>
	<u>523</u>	<u>519</u>

### 20. Contingent liabilities

The pension withdrawal debt as at 30 September 2017 for EKHA is £2,194,562.

### 21. Related parties

Some of EKHA's Board of Management members are also tenants of the Association. Their tenancies are on normal commercial terms. During the year £18,378 (2017: £22,186) of rent was receivable from these tenant members. At the year-end there were £2,072 (2017: £1,977) of rent arrears due from these tenant members.

Amounts outstanding are unsecured, non-interest bearing and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2017: £nil) in respect of bad debts from related parties.