

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

Registered Housing Association Number: HAL279
Charity Registration Number: SC033749
FCA Reference Number: 2463R (S)

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED

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**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

MEMBERS OF THE BOARD

Graham Keith	Chair	
Andy Bryant	Vice-chair	
Maureen Watson	Vice-chair	
Kathleen Dredge	Secretary	
Pauline Hollinsworth	Member	
Lilian Delaney	Member	
Michael Gallagher	Member	
Claire Lees	Member	Resigned July 2020
Margaret Thomson	Member	Resigned September 2019
David Edwards	Member	
Maureen Donohoe	Member	
Lisa Irvine	Member	Appointed October 2019
David Young	Member	
Mandy Wright	Member	Appointed October 2019

EXECUTIVE OFFICERS

Andy Young CEO

REGISTERED OFFICE

2 Old Coach Road,
East Kilbride,
G74 4DP

AUDITOR

French Duncan LLP
Chartered Accountants
133 Finnieston Street
Glasgow
G3 8HB

BANKERS

Lloyds Bank
2nd Floor
25 Gresham Street
London
EC2V 7HN

Clydesdale Bank
30 St Vincent Place
Glasgow
G1 2HL

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

The Board of Management presents their report the audited Financial Statements for the year ended 31 March 2020.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No. HAL279. The Association is governed under its Rule Book. The Association is a Registered Scottish Charity with the charity number SC033749.

Principal Activities

The principal activity of East Kilbride & District Housing Association Limited 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 Limited 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.

Strategy and Objectives

East Kilbride's Board of Management hold a review day annually to decide on the Association's strategy and Objectives for the coming year and this feeds into the Business Plan. The agreed strategy and objectives for this year are shown below:

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 people have the necessary skills, experience knowledge and training to successfully lead and manage the organisation

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REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Operational Review

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

1. Governance

East Kilbride & District Housing Association Limited 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

East Kilbride & District Housing Association 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 first Strategic Plan (2016-19) in September 2015 supported by an Operational Plan which outlined how the Association intended to fulfil its strategic targets. These plans are updated on an annual basis and the latest plan, for 2019-2022, was approved in April 2019. The Association submitted its first Annual Assurance statement during 2019.

3. Covid-19

East Kilbride Housing Association has, like all organisations, felt the impact of Covid-19. From 23 March 2020 staff and Board have provided services for its clients while working from home. The Association has managed to keep most of the day to day services working, with the exception of non-emergency repairs. The Board receives monthly updates on the financial impact of Covid-19 with particular emphasis on arrears levels, which at the current time have shown a slight rise but we are anticipating a larger rise as the year progresses and the furlough scheme ends. Staff are currently working on an updated budget for 2020-21 to account for this decrease in income along with the higher costs associated with Covid-19. This will be used to refine long term projections to ensure that EKHA is financially viable for the future.

Board will be aware that the office has been closed to the public since 17th March. All staff have been working from home since strict social distancing measures were introduced by the government on 24th March. Only essential (e.g. emergency) repairs were being carried out apart from landscape maintenance (which is still possible to do within social distancing rules), no allocations or works to empty (void) properties were being carried out until recently, when we managed to allocate two properties to Urgent Homeless applicants via South Lanarkshire Council. We have recently devised a method of allocating properties that complies with current 'social distancing' rules. A children's play park owned by EKHA has also been closed. All development works were initially halted, but are now back on site.

All meetings etc are being carried out remotely via Zoom, with one or two very rare exceptions.

The Scottish Housing Regulator has been formally notified of the impact of the Covid-19 outbreak on our services, and we are now required to complete a monthly return to the Scottish Housing Regulator on issues like rent collection etc. Clearly, there will be as-yet-unknown impacts on individuals and organisations which we will no doubt discover over the coming weeks, months and even years.

The EKHA management team has been liaising with sector bodies and other RSLs to devise a return to work plan for when the Scottish Government relax some of the lockdown restrictions. A staff working group for planning the return to work meets every week or so. We have made the office Covid-safe (to government guidelines) in

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FOR THE YEAR ENDED 31 MARCH 2020

preparation for a return to occasional working from the office from 12th October 2020. We are following national guidance on what constitutes 'essential' services and clearly the allocating of properties and some repairs do fall into this category.

However, staff have all shown that they are able to work from home and while the official guidance states that we should work from home if we can, then we shall continue to do so. We have already decided that we will not all be returning to the office until at least Phase 4 and even then, only when we are satisfied that it is safe to do so and probably in two 'shifts'. We have advised staff and we have also circulated a risk assessment for feedback, along with a staff wellbeing questionnaire. Staff one-to-ones with their managers will also take place before we go back.

It is already becoming abundantly clear that we will be operating in a totally different financial environment post-Covid-19 and business plans and staffing structures are being reviewed along with some scenario planning and additional help being considered for tenants.

4. Development

The Association has recently embarked on a relatively modest programme. The first development consists of 18 small apartments and is expected to be completed in September 2020. This will be followed by a second development of 22 properties, that are currently on site and due to be completed in 2021. In early 2020 EKHA purchased Murray House and is currently investigating plans to develop this site.

5. Housing

Arrears performance continues to look good despite the impact of Universal Credit and the current economic climate. We have two Housing Officers concentrating on arrears recovery and income maximisation, we also provide a Welfare Benefit service two days a week. The welfare benefits service saw over 150 tenants in 2019-2020 and generated an average additional income of £2,500 for each tenant.

6. Property Maintenance

East Kilbride Housing Association has implemented and refined its planned and cyclical maintenance programme in line with the EESSH delivery plan. Cyclical paint, landscaping and gas maintenance programmes continued on an annual basis. The planned maintenance and cyclical programme included 3 kitchen installations, 38 gas boiler replacements, 152 properties had smoke alarm upgrades and electrical test and 24 properties were installed 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 future enhancing the energy efficiency of our properties in reaching the new EESSH targets set for December 2020 and beyond.

7. Finance

East Kilbride Housing Association has continued to refine its financial procedures within the financial year. The long-term financial projections were updated and developed, taking into account key risks along with the proposed developments. The Association carried out a risk assessment of the proposed development programme to ensure the Association's ongoing viability. We secured funding of £3.5 million from CAF Bank to finance the development programme.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

8. 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 30 days.

Maintenance Policies

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

In addition, East Kilbride & District Housing Association has a long term programme of major repairs to cover for work which has become necessary since the original development was completed, including works required for subsequent legislative changes. This includes replacement or repairs to features of the properties, which have come to the end of their economic lives. The costs of these repairs would be charged to the Income and Expenditure accounts, 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. Development was identified as a key risk to East Kilbride & District Housing Association. Campbell Thompson were employed to carry out an independent stress test on the finances and then the financial projections were updated to ensure that ongoing viability would not be affected as a result of development.

The Association has also reviewed the risk management processes taking into account the impact of Covid-19. Further details can be found in the Covid-19 section of this report.

Treasury Management

East Kilbride & District Housing Association has an active treasury management function, which operates in accordance with the Treasury Policy approved by the board 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 2020, East Kilbride & District Housing Association has a mix of fixed and variable rate finance, which it considers appropriate at this time.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

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 the Chairperson, in respect of the Board and the Chief Executive in respect of staff.

Employee Involvement and Health and Safety

East Kilbride & District Housing Association takes seriously its responsibilities to employees and as a policy, provides employees with information on matters of concern to them. It is also the policy of the Association to consult where practical, employees or their representatives so that their views may be taken into account in making decisions likely to affect their interests. The Association also has a comprehensive Health and Safety Policy the implementation of which is independently audited on a regular basis.

Disabled Employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Association may continue.

It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

Board Members and officers' Insurance

East Kilbride & District Housing Association has purchased and maintains insurance to cover its Board 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 Board of management has reviewed the results for this year and has also reviewed the projections for the next five years. The Board has considered the risks associated with COVID 19 and is updating its plans and financial projections to ensure that is in a position to deal with the financial implications and uncertainty around COVID 19. 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 the policy of improving the quality of the housing and housing services within its area of activity working with its existing and new partners.

The Association is currently building 18 properties Dundas Place and work has begun on 22 properties at Redwood Crescent. The Association has purchased the Murray House site and is currently working on plans to develop this site.

The Association will continue to review the potential impact of the COVID-19 health pandemic on our customers, staff, and the Association as a whole.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Auditors

A resolution to re-appoint the auditors, French Duncan LLP, Chartered Accountants, will be proposed at the Annual General Meeting

Donations

A budget of £500 for donations for the year was agreed at the Annual General Meeting.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Statement of Board's responsibilities

The Co-operative and Community Benefit Societies Act 2014 require The Board to prepare Financial Statements for each financial year which gives a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Association for that year. In preparing those Financial Statements, the Board is required to:-

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- Prepare a statement on Internal Financial Control.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements - 2019. They are also 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 is also responsible for ensuring the Association's suppliers are paid promptly.

The Board must in determining how amounts are presented within items in the income and expenditure account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting practices.

In so far as the Board are aware:

- There is no relevant audit information (Information needed by the Housing Association's auditors in connection with preparing their report) of which the Association's auditors are unaware, and
- The Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Housing Association's auditors are aware of that information.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

Statement on Internal Financial Control

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 misstatement or loss. Key elements of the Association's systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Association's assets;
- Experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- Forecasts and budgets are prepared which allow the management team and the Board to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- Quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies;
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Board;
- The Board of Management receive reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken; and
- Formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT FROM THE BOARD OF MANAGEMENT, EXECUTIVES AND ADVISERS
FOR THE YEAR ENDED 31 MARCH 2020**

The Board of Management has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2020. No weaknesses were found in the internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

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**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
REPORT BY THE AUDITOR TO THE BOARD OF EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION
LIMITED ON CORPORATE GOVERNANCE MATTERS FOR THE YEAR ENDED 31 MARCH 2020**

In addition to our audit of the Financial Statements, we have reviewed your statement on page 9 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained in the publication "Our Regulatory Framework" and associated Regulatory Advice Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

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

Opinion

In our opinion the Statement on Internal Financial Control on page 9 has provided the disclosures required by the relevant Regulatory Standards with the publication "Our Regulatory Framework" and associated Regulatory Advice Notes 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.

Through enquiry of certain members of The Board and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that The Board's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls within the publication "Our Regulatory Framework" and associated Regulatory Advice Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

**Chartered Accountants and Statutory Auditor
133 Finnieston Street
GLASGOW
G3 8HB**

Date: 29 September 2020

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF EAST KILBRIDE HOUSING ASSOCIATION FOR THE
YEAR ENDED 31 MARCH 2020

OPINION

We have audited the financial statements of East Kilbride & District Housing Association Limited for the year ended 31 March 2020 which comprise a statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in reserves and related notes. 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 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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 Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board Members have 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 the information contained in the trustees' report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF EAST KILBRIDE HOUSING ASSOCIATION FOR THE
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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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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.

RESPONSIBILITIES OF BOARD MEMBERS

As explained more fully in the Board's responsibilities statement set out on page 8, the Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the housing association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the housing association or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF EAST KILBRIDE HOUSING ASSOCIATION FOR THE
YEAR ENDED 31 MARCH 2020**

sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the housing association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the housing association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation..

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

USE OF OUR REPORT

This report is made solely to the Association's members, as a body, in accordance with Section 87 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 auditors' 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.

155 Finnieston Street
GLASGOW
G3 8HB

Date: 29 September 2020

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
REVENUE	2	2,755,136	2,786,029
Operating costs	2	<u>(2,206,925)</u>	<u>(2,122,668)</u>
OPERATING SURPLUS	2, 9	548,211	663,361
Loss on sale/Disposal of housing stock	7	(8,296)	(8,509)
Interest receivable and other similar income		4,928	4,328
Interest payable and other similar charges	8	(230,348)	(231,321)
Other Finance Charges	11	<u>(11,431)</u>	<u>(10,000)</u>
		<u>(245,147)</u>	<u>(245,502)</u>
SURPLUS FOR THE YEAR		303,064	417,859
OTHER COMPREHENSIVE INCOME			
Intitial recognition of multi-employer defined benefit scheme	24	-	(171,042)
Actuarial gains/(losses) in respect of defined benefit pension scheme	24	444,431	(135,360)
TOTAL COMPREHENSIVE INCOME		<u>747,495</u>	<u>111,457</u>

The results for the year relate wholly to continuing activities.

The notes on page 19 to 39 form part of these financial statements.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Housing properties - depreciated cost	12(a)	22,420,845	19,521,914
Other tangible fixed assets	12(b)	<u>663,982</u>	<u>675,964</u>
		23,084,827	20,197,878
CURRENT ASSETS			
Debtors	14	958,969	286,059
Current asset investments		615,178	611,367
Cash at bank and in hand		<u>1,637,173</u>	<u>1,467,667</u>
		3,211,320	2,365,093
CREDITORS: amounts falling due within one year	15	<u>(917,387)</u>	<u>(540,812)</u>
NET CURRENT ASSETS		<u>2,293,933</u>	<u>1,824,281</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,378,760	22,022,159
CREDITORS: amounts falling due after more than one year			
housing property loans	16	(7,478,882)	(6,529,296)
PROVISION FOR LIABILITIES			
Pension - defined benefit liability	24	-	(493,000)
Other provision		(8,689)	(5,467)
DEFERRED INCOME			
Social Housing Grants	19	<u>(11,234,938)</u>	<u>(9,085,637)</u>
		<u>6,656,251</u>	<u>5,908,759</u>
NET ASSETS			
EQUITY			
Share capital	20	130	133
Revenue reserve	20	<u>6,656,121</u>	<u>5,908,626</u>
		<u>6,656,251</u>	<u>5,908,759</u>

The financial statements were approved by the Board authorised for issue

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Page 19 form part of these financial statements.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	2019 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	17	<u>548,698</u>	<u>825,215</u>
INVESTING ACTIVITIES			
Acquisition and construction of housing properties	(3,529,350)	(1,303,097)	
Purchase of other fixed assets	(8,577)	(2,211)	
Social Housing Grant received	2,435,338	912,238	
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		<u>(1,102,589)</u>	<u>(393,070)</u>
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING		(553,891)	432,145
FINANCING ACTIVITIES			
Issue of ordinary share capital	4	3	
Interest received	4,928	4,328	
Interest paid	(230,348)	(231,321)	
Movement in Borrowings	952,624	(290,643)	
NET CASH INFLOW / (OUTFLOW) FROM FINANCING		<u>727,208</u>	<u>(517,633)</u>
INCREASE(DECREASE) IN CASH		173,317	(85,488)
OPENING CASH AND CASH EQUIVALENTS		<u>2,079,034</u>	<u>2,164,522</u>
CLOSING CASH AND CASH EQUIVALENTS		<u><u>2,252,351</u></u>	<u><u>2,079,034</u></u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2020

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2019	133	5,908,626	5,908,759
Issue of Shares	4	-	4
Cancelled shares	(7)	-	(7)
Surplus for Year	-	303,064	303,064
Other comprehensive income	-	444,431	444,431
Balance as at 31 March 2020	<u>130</u>	<u>6,656,121</u>	<u>6,656,251</u>

	Share Capital	Revenue Reserve	Total
	£	£	£
Balance as at 1 April 2018 (as restated)	135	5,797,169	5,797,304
Issue of Shares	3	-	3
Cancelled shares	(5)	-	(5)
Surplus for Year	-	417,859	417,859
Other comprehensive income	-	(306,402)	(306,402)
Balance as at 31 March 2019	<u>133</u>	<u>5,908,626</u>	<u>5,908,759</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

Legal status

The Association is incorporated under the Co-operative and Community Benefits Societies Act 2014 and is registered by the Financial Conduct Authority. The Association is a Public Benefit Entity in terms of its compliance with Financial Reporting Standard 102.

Basis of Accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Statement of Recommended Practice for Social Housing Providers 2018 and comply with the requirements of the Determination of Housing Requirements 2019 as issued by the Scottish Housing Regulator.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see below).

The following principal accounting policies have been applied:

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 the Association has adequate resources to remain in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Association has taken into account the Covid-19 outbreak in its consideration and is satisfied that the Association has adequate resources to manage the impact of the pandemic on an ongoing basis.

Revenue

The Association recognises rent receivable net of losses from voids. Service Charge Income (net of voids) is recognised as expenditure is incurred as this is considered to be the point when the service has been performed and the revenue recognition criteria is met.

Government Grants are released to income over the expected useful life of the asset to which it relates.

Retirement Benefits

The Association participates in the Scottish Housing Association Defined Benefits Pension Scheme and retirement benefits to employees 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
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

The Association accounts for the pension scheme on a defined benefit basis on its share of scheme assets and liabilities as determined by the actuary. Defined benefit costs are recognised in the Statement of Comprehensive Income within operating costs. Actuarial gains and losses are recognised in other Comprehensive Income. Further details are disclosed in the notes to the accounts.

Valuation of Housing Properties

Housing Properties are stated at cost less accumulated depreciation. Housing under construction and Land are not depreciated. The Association depreciates housing properties by major component on a straight line basis over the estimated useful economic lives of each identified component. All components are categorised as Housing Properties within note 12(a). Impairment reviews are carried out if events or circumstances indicate that the carrying value of the components listed below is higher than the recoverable amount.

Component	Useful Economic Life
Land	Not depreciated
Structure	50 years
Electrical wiring	25 years
Windows	30 years
Bathrooms	25 years
Kitchens	15 years
Heating (boilers and radiators)	15 years
External doors	20 years

Depreciation and Impairment of Other Non-Current Assets

Non-Current Assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected economic useful lives of the assets at the following annual rates:-

Office Premises	2% Straight Line
Computer Equipment	33.3% straight line
Office Equipment	33.3% straight line

The carrying value of non-current assets is reviewed for impairment at the end of each reporting year.

Social Housing Grant and Other Grants in Advance/Arrears

Social Housing Grants and Other Capital Grants are accounted for using the Accrual Method as outlined in Section 24 of Financial Reporting Standard 102. Grants are treated as deferred income and recognised in income on a systematic basis over the expected useful life of the property and assets to which it relates.

Social Housing Grant attributed to individual components is written off to the Income and Expenditure Account when these components are replaced.

Social Housing Grant received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same year as the expenditure to which it relates.

Although Social Housing Grant is treated as a grant for accounting purposes, it may nevertheless become repayable in certain circumstances, such as the disposal of certain assets. The amount repayable would be restricted to the net proceeds of sale.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Sales of Housing Properties

First tranche Shared Ownership disposals are credited to turnover on completion. The cost of construction of these sales is taken to operating cost. In accordance with the Statement of Recommended Practice, disposals of subsequent tranches are treated as non-current asset disposals with the gain or loss on disposal shown in the Statement of Comprehensive Income.

Disposals of housing property under the Right to Buy scheme are treated as a non-current asset disposals and any gain and loss on disposal accounted for in the Statement of Comprehensive Income.

Disposals under shared equity schemes are accounted for in the Statement of Comprehensive Income. The remaining equity in the property is treated as a non-current asset investment, which is matched with the grant received.

Estimation Uncertainty

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Board of Management to exercise judgement in applying the Association's Accounting Policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements, is disclosed below:

Rent Arrears - Bad Debt Provision

The Association assesses the recoverability of rent arrears through a detailed assessment process which considers: tenant payment history, arrangements in place, and court action.

Life Cycle of Components

The Association estimates the useful lives of major components of its housing property with reference to surveys carried out by external qualified surveyors.

Useful Lives of Other Fixed Assets

The useful lives of other fixed Assets are based on the knowledge of senior management at the Association with reference to expected asset life cycles.

Pension Liabilities

This has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate. Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid-19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help to offset any increase in liabilities.

Costs of Shared Ownership

The Association allocates costs to shared ownership properties on a percentage basis split across the number of properties the Association owns.

Leases/Leased Assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS**

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

Works to Existing Properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property.

Development Interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Key Judgements made in the application of Accounting Policies

a) The Categorisation of Housing Properties

In the judgement of the Board the entirety of the Association's housing stock is held for social benefit and is therefore classified as Property, Plant and Equipment in accordance with FRS 102.

b) Identification of cash generating units

The Association considers its cash-generating units to be 524 in which it manages its housing property for asset management purposes.

c) Pension Liability

In May 2020 the Association received details from the Pension Trust of its share of assets, liabilities and scheme deficit. The Association has used this information as the basis of the pension defined benefit liability as disclosed in these accounts. The Board consider this is the best estimate of their scheme liability.

Financial Instruments – Basic

The Association only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like rents, accounts receivable and payable, loans from banks and related parties.

These are recognised in accordance with Section 11 of Financial Reporting Standard 102.

The Association's debt instruments are measured at amortised cost using the effective interest rate method.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

2. PARTICULARS OF REVENUE, COST OF SALES, OPERATING COSTS AND OPERATING SURPLUS

	Note	2020		2019		Operating surplus/ (deficit) £
		Revenue £	Operating Costs £	Revenue £	Operating Costs £	
Social letting activities	3	2,722,038	(2,192,231)	2,699,156	(2,018,919)	680,237
Other activities	4	33,098	(14,694)	86,873	(103,749)	(16,876)
Total		<u>2,755,136</u>	<u>(2,206,925)</u>	<u>2,786,029</u>	<u>(2,122,668)</u>	<u>663,361</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

3. PARTICULARS OF INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

	General Needs Housing £	Supported Social Housing Accommodation £	2020 Total £	2019 Total £
Revenue from lettings				
Rent receivable net of identifiable service charges	2,405,793	9,217	2,415,010	2,368,316
Service charges receivable	23,262	-	23,262	25,874
Gross rents receivable	2,429,055	9,217	2,438,272	2,394,190
Less rent losses from voids	(2,271)	-	(2,271)	(5,995)
Net rents receivable	2,426,784	9,217	2,436,001	2,388,195
Amortisation of Social Housing & Other Grants	286,037	-	286,037	310,961
Other Revenue grants	-	-	-	-
Total income from social letting	2,712,821	9,217	2,722,038	2,699,156
Expenditure on social letting activities				
Management and maintenance administration costs	1,096,419	4,201	1,100,620	979,880
Service costs	10,679	41	10,720	13,407
Planned and cyclical maintenance including major repairs	332,799	1,276	334,075	235,239
Reactive maintenance	118,780	455	119,235	200,347
Bad debts - rents and service charges	5,458	-	5,458	(27,723)
Depreciation of social housing	619,748	2,375	622,123	617,769
Operating costs of social letting	2,183,883	8,348	2,192,231	2,018,919
Operating surplus / (deficit) on social letting activities	528,938	869	529,807	680,237
2019	678,895	1,342	680,237	

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

4. PARTICULARS OF INCOME AND EXPENDITURE FROM OTHER ACTIVITIES

	Grants from Scottish Ministers		Other revenue grants		Supporting people income		Other income		Total Turnover		Operating costs bad debts		Operating costs other		Operating surplus/ (deficit)	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Stage 3 adaptations	14,694	-	-	-	-	-	-	-	14,694	-	-	-	(14,694)	-	-	-
Wider Role Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Support activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income/ (expenditure)	18,404	-	-	-	-	-	-	-	18,404	-	-	-	-	18,404	(16,876)	-
Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rechargeable Repairs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL FROM OTHER ACTIVITIES	33,098	-	-	-	-	-	-	-	33,098	-	-	-	(14,694)	18,404	(16,876)	-
TOTAL FROM OTHER ACTIVITIES FOR 2019	86,873	-	-	-	-	-	-	-	86,873	-	-	-	(103,749)	(16,876)	(16,876)	-

**EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS**

5. BOARD MEMBERS AND OFFICERS EMOLUMENTS

The officers are defined in the Co-operative and Community Benefit Societies Act 2014 as the members of the Board, managers and employees of the Association.

No emoluments have been paid to any member of the management committee.

	2020	2019
	£	£
Aggregate emoluments payable to officers with emoluments greater than £60,000 (excluding pension contributions)	67,644	65,844
Emoluments payable to the director (excluding pension contributions)	67,644	65,844
Pension contributions paid on behalf of the director	12,942	12,651
	<hr/>	<hr/>
	Number	Number

Total number of officers, including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:

£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	-	-
	<hr/>	<hr/>

There were payments to board members during the year of £1,103 for reimbursement of expenses (2019 - £1,498).

Aggregate emoluments payable to Key Management Personnel & expenses (excluding pension)	<hr/>	<hr/>
	216,433	226,392

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

6. EMPLOYEE INFORMATION

	2020	2019
	£	£
Staff costs during the year:		
Wages and salaries	538,799	525,582
Social security costs	56,911	55,094
Other pension costs	73,417	67,138
	<u>669,127</u>	<u>647,814</u>
	Number	Number
The average number of full time equivalent persons employed during the year was	<u>15</u>	<u>15</u>

7. LOSS ON SALE OF HOUSING STOCK

	2020	2019
	£	£
Sales proceeds	-	-
Cost of sales	(8,296)	(8,509)
Loss on sale	<u>(8,296)</u>	<u>(8,509)</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2019	2019
	£	£
Bank loans and overdrafts	230,348	231,321
Rent arrears NPV charge	-	-
	<u>230,348</u>	<u>231,321</u>

9. OPERATING SURPLUS FOR THE YEAR

	2020	2019
	£	£
Surplus is stated after charging:		
Depreciation of tangible owned fixed assets	642,682	641,858
Auditors' remuneration - audit services	8,034	5,786
- other services	965	965
Operating lease rentals - land and buildings	-	-
- other	1,354	1,260
Amortisation of capital grants	<u>282,563</u>	<u>305,871</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

10. TAX ON SURPLUS/(LOSS) ON ORDINARY ACTIVITIES

The Association is a Registered Scottish Charity and is exempt from Corporation Tax on its charitable activities.

11. OTHER FINANCE INCOME/CHARGES

	2020	2019
	£	£
Net pension interest cost	<u>11,431</u>	<u>10,000</u>
	<u>11,431</u>	<u>10,000</u>

12. NON-CURRENT ASSETS

a) Housing Properties

	Housing Properties Held for Letting	Housing Properties in the Course of Construction	Total
	£	£	£
COST			
At start of year	25,555,127	902,169	26,457,296
Additions	281,652	3,247,698	3,529,350
Disposals	(36,558)	-	(36,558)
Transfers to stock	-	-	-
At end of year	<u>25,800,221</u>	<u>4,149,867</u>	<u>29,950,088</u>
DEPRECIATION			
At start of year	6,935,382	-	6,935,382
Charged during year	622,123	-	622,123
Eliminated on disposal	(28,262)	-	(28,262)
At end of year	<u>7,529,243</u>	<u>-</u>	<u>7,529,243</u>
NET BOOK VALUE			
At end of year	<u>18,270,978</u>	<u>4,149,867</u>	<u>22,420,845</u>
At start of year	<u>18,619,745</u>	<u>902,169</u>	<u>19,521,914</u>

- 1 Impairment Charges – £nil
- 2 Capitalised Development Administration Costs – £nil
- 3 Capitalised Major Repair Costs – £281,652 (2019 - £400,928)
- 4 The Association's lenders have standard securities over housing properties with a carrying value of £13,691,078 (2019 – £14,999,881)

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

12. NON-CURRENT ASSETS (Continued)

b) Other tangible assets	Furniture & Fittings £	Office Premises £	Total £
COST			
At start of year	114,827	799,299	914,126
Additions	8,577	-	8,577
Disposals	(10,319)	-	(10,319)
At end of year	<u>113,085</u>	<u>799,299</u>	<u>912,384</u>
DEPRECIATION			
At start of year	111,202	126,960	238,162
Charged during year	4,573	15,986	20,559
Disposals	(10,319)	-	(10,319)
At end of year	<u>105,456</u>	<u>142,946</u>	<u>248,402</u>
NET BOOK VALUE			
At end of year	<u>7,629</u>	<u>656,353</u>	<u>663,982</u>
At start of year	<u>3,625</u>	<u>672,339</u>	<u>675,964</u>

13. COMMITMENTS UNDER OPERATING LEASES

	2020 £	2019 £
At the year end, the total future minimum lease payments under non-cancellable operating leases were as follows:-		
Not later than one year	1,354	1,354
Later than one year and not later than five years	5,844	7,198
Later than five years	-	-
	<u>7,198</u>	<u>8,552</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

14. DEBTORS

	2020	2019
	£	£
Arrears of Rent & Service Charges	87,303	149,404
Less: Provision for Doubtful Debts	<u>(34,042)</u>	<u>(63,437)</u>
	53,261	85,967
Other Debtors	16,561	24,705
Social Housing grant receivable	840,988	130,668
Prepayments and accrued income	<u>48,159</u>	<u>44,719</u>
	<u>958,969</u>	<u>286,059</u>

15. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£	£
Housing Loans	312,707	309,669
Trade Payables	84,806	19,960
Rent in Advance	94,787	40,238
Other Taxation and Social Security	15,236	28,937
Other Payables	349,383	103,560
Accruals	<u>60,468</u>	<u>38,448</u>
	<u>917,387</u>	<u>540,812</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2020	2019
	£	£
Housing loans	<u>7,478,882</u>	<u>6,529,296</u>
	<u>7,478,882</u>	<u>6,529,296</u>

The Association has a number of long term housing loans, the terms and conditions of which are as follows:

All of the Association's bank borrowings are repayable on a monthly basis with the principal being amortised over the term of the loans.

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 1.04% to 5.75%.

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

16. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (Continued)

The Bank loans are repayable as follows:	2020	2019
	£	£
Between one and two years	320,368	299,597
Between two and five years	1,101,599	970,242
In five years or more	6,056,915	5,259,457
	<u>7,478,882</u>	<u>6,529,296</u>

17. STATEMENT OF CASH FLOWS

Reconciliation of operating surplus to balance as at 31 March 2020	2020	2019
	£	£
Operating Surplus	548,211	663,361
Depreciation	642,682	641,858
Amortisation of Capital Grants	(282,563)	(305,871)
Change in debtors	(672,910)	(87,962)
Change in creditors	373,537	(18,408)
Deficit contributions	(62,000)	(58,000)
Movement in Pension Liability	2,000	2,000
Movement in other provision	3,222	(6,668)
Social Housing Grant released	(3,474)	(5,090)
Cancelled Shares	(7)	(5)
	<u>548,698</u>	<u>825,215</u>
Balance as at 31 March 2020	<u>548,698</u>	<u>825,215</u>

18. ANALYSIS OF NET DEBT

Reconciliation of net debt as at 31 March 2020	1 April	Cash flows	Other	31 March
	2019		changes	2020
Cash at bank	1,467,667	169,506	-	1,637,173
Housing loans due within one year	(309,669)	(952,624)	949,586	(312,707)
Housing loans due after one year	(6,529,296)	-	(949,586)	(7,478,882)
Current asset investments	611,367	3,811	-	615,178
Total	<u>(4,759,931)</u>	<u>(779,307)</u>	-	<u>(5,539,238)</u>

EAST KILBRIDE & DISTRICT HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
NOTES TO THE FINANCIAL STATEMENTS

19. DEFERRED INCOME

	2020	2019
	£	£
Social Housing Grants		
Balance as at 1 April 2019	9,085,637	8,484,360
Additions in year	2,435,338	912,238
Released / Repaid as the result of property disposal	(3,474)	(5,090)
Amortisation in Year	(282,563)	(305,871)
Total deferred grants	<u>11,234,938</u>	<u>9,085,637</u>

This is expected to be released to the Statement of Comprehensive Income as follows:

Amounts due within one year	363,274	304,455
Amounts due in one year or more	<u>10,871,664</u>	<u>8,781,182</u>
	<u>11,234,938</u>	<u>9,085,637</u>

20. RESERVES

Share Capital	2020	2019
	£	£
Shares of £1 each Issued and Fully Paid		
At 1 April 2019	133	135
Issued in year	4	3
Cancelled in year	<u>(7)</u>	<u>(5)</u>
At 31 March 2020	<u>130</u>	<u>133</u>

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividends 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.

Reserves	2020	2019
	£	£
At 1 April 2019	5,908,626	5,797,169
Surplus for year	303,064	417,859
Initial recognition of multi-employer defined benefit scheme	-	(171,042)
Actuarial losses in respect of defined benefit pension scheme	<u>444,431</u>	<u>(135,360)</u>
At 31 March 2020	<u>6,656,121</u>	<u>5,908,626</u>

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21. HOUSING STOCK

The number of units of accommodation in management at the year end was:-	2020 No.	2019 No.
General Needs - New Build	522	522
Supported Housing	<u>2</u>	<u>2</u>
	<u>524</u>	<u>524</u>

22. RELATED PARTY TRANSACTIONS

Members of the Board are related parties of the Association as defined by Financial Reporting Standard 102. The related party relationships of the members of the Board are summarised as:

- 5 Members are tenants of the Association
- No members are factored owners
- Board members cannot use their position to their advantage. Any transactions between the Association and any entity with which a Board member has a connection with is made at arm's length and is under normal commercial terms.

Transactions with Board members were as follows:

- Rent Received from Tenants on the Board – £23,418.
- At the year-end total rent arrears owed by the tenant members of the Board were – £655.

23. DETAILS OF ASSOCIATION

The Association is a Registered Society registered within the Financial Conduct Authority and is domiciled in Scotland.

The Association's principal place of business is 2 Old Coach Road, East Kilbride.

The Association is a Registered Social Landlord and Scottish Charity that owns and manages social housing in East Kilbride.

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24. RETIREMENT BENEFIT OBLIGATIONS

The company participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the Association 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.

For financial years ending on or before 28 February 2019, it was not possible for the Association to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Association has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Association to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the Association's fair share of the Scheme's total assets to calculate the Association's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

PRESENT VALUES OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF ASSETS AND DEFINED BENEFIT ASSET (LIABILITY)

	31 March 2020 (£000s)	31 March 2019 (£000s)
Fair value of plan assets	2,274	1,955
Present value of defined benefit obligation	2,262	2,448
Surplus (deficit) in plan	12	(493)
Unrecognised surplus	12	-
Defined benefit asset (liability) to be recognised	-	(493)

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24. RETIREMENT BENEFIT OBLIGATIONS (continued)

RECONCILIATION OF THE IMPACT OF THE ASSET CEILING

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Impact of asset ceiling at start of period	-	-
Effect of the asset ceiling included in net interest cost	-	-
Actuarial losses (gains) on asset ceiling	(12)	-
Impact of asset ceiling at end of period	12	-

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE DEFINED BENEFIT OBLIGATION

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Defined benefit obligation at start of period	2,448	2,242
Current service cost	-	-
Expenses	2	2
Interest expense	58	58
Contributions by plan participants	-	-
Actuarial losses (gains) due to scheme experience	58	(30)
Actuarial losses (gains) due to changes in demographic assumptions	(13)	6
Actuarial losses (gains) due to changes in financial assumptions	(284)	177
Benefits paid and expenses	(7)	(7)
Liabilities acquired in a business combination	-	-
Liabilities extinguished on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Exchange rate changes	-	-
Defined benefit obligation at end of period	2,262	2,448

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24. RETIREMENT BENEFIT OBLIGATIONS (continued)

RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE FAIR VALUE OF PLAN ASSETS

	Period ended 31 March 2020 (£000s)	Period ended 31 March 2019 (£000s)
Fair value of plan assets at start of period	1,955	1,838
Interest income	47	48
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	217	18
Contributions by the employer	62	58
Contributions by plan participants	-	-
Benefits paid and expenses	(7)	(7)
Assets acquired in a business combination	-	-
Assets distributed on settlements	-	-
Exchange rate changes	-	-
Fair value of plan assets at end of period	2,274	1,955

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2020 was £264,000.

DEFINED BENEFIT COSTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME (SOCl)

	Period from 31 March 2019 to 31 March 2020 (£000s)	Period from 31 March 2018 to 31 March 2019 (£000s)
Current service cost	-	-
Expenses	2	2
Net interest expense	11	10
Losses (gains) on business combinations	-	-
Losses (gains) on settlements	-	-
Losses (gains) on curtailments	-	-
Losses (gains) due to benefit changes	-	-
Defined benefit costs recognised in statement of comprehensive income (SoCl)	13	12

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24. RETIREMENT BENEFIT OBLIGATIONS (continued)

DEFINED BENEFIT COSTS RECOGNISED IN OTHER COMPREHENSIVE INCOME

	ended 31 March 2020 (£000s)	ended 31 March 2019 (£000s)
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	217	18
Experience gains and losses arising on the plan liabilities - gain (loss)	(58)	30
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	13	(6)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	284	(177)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	456	(135)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	(12)	-
Total amount recognised in other comprehensive income - gain (loss)	444	(135)

ASSETS

	31 March 2020 (£000s)	31 March 2019 (£000s)
Global Equity	313	314
Absolute Return	140	166
Distressed Opportunities	41	33
Credit Relative Value	55	34
Alternative Risk Premia	182	109
Fund of Hedge Funds	-	5
Emerging Markets Debt	81	63
Risk Sharing	72	57
Insurance-Linked Securities	61	51
Property	42	39
Infrastructure	134	82
Private Debt	45	25
Opportunistic Illiquid credit	55	-
Corporate Bond Fund	166	137
Liquid credit	60	-
Long Lease Property	56	24
Secured Income	126	68
Over 15 Year Gilts	29	50
Liability Driven Investment	599	696
Net Current Assets	17	2
Total assets	2,274	1,955

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

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24. RETIREMENT BENEFIT OBLIGATIONS (continued)

KEY ASSUMPTIONS

	31 March 2020 % per annum	31 March 2019 % per annum
Discount Rate	2.350	2.350
Inflation (RPI)	2.560	3.250
Inflation (CPI)	1.560	2.250
Salary Growth	2.560	3.250
	75% of maximum allowance	75% of maximum allowance
Allowance for commutation of pension for cash at retirement		

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2020	21.5
Female retiring in 2020	23.2
Male retiring in 2040	22.8
Female retiring in 2040	24.5

Assumptions in respect of discount rates and inflation will vary from year to year, as will the value of assets and will be dependent on circumstances at the date of valuation. Since the year end there has been volatility in market assumptions given the Covid-19 pandemic and, in particular, discount rates have fallen which would increase scheme liabilities. However stock market performance has improved which would help to offset any increase in liabilities.

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25. CAPITAL COMMITMENTS

	2020	2019
	£	£
Expenditure contracted but not provided for in accounts	<u>2,485,326</u>	<u>4,306,102</u>
Expenditure authorised by the management committee not contracted for	<u>-</u>	<u>-</u>
Funded by:		
Social Housing Grant	544,927	2,144,821
Other grants and contributions	1,481,399	-
Reserves/Loan	<u>459,000</u>	<u>2,161,281</u>
	<u>2,485,326</u>	<u>4,306,102</u>

26. CONTINGENT LIABILITIES

The pension withdrawal debt as at 31 March 2020 for East Kilbride & District Housing Association Limited is £1,885,375.

27. POST BALANCE SHEET EVENT

Since the year end the Covid-19 pandemic has had a significant impact on everyday life. There will clearly be a severe impact on the Association's finances, however it is not at this time remotely possible to know how long and how lasting the impact of Covid will be on this and other Associations.

