

KEY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

CHARITY NUMBER SC 006652
SCOTTISH HOUSING REGULATOR NUMBER HEP141

**KEY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010**

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KEY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Registered Office	Savoy Tower 77 Renfrew Street Glasgow G2 3BZ
Committee Members	William Mooney (Chairperson) Joanna Pearson (Vice Chairperson) Angus Turner (Secretary) Gillian Anderson Anne Finnegan Margot Duggan Duncan Sim Lynne Gibbons Elizabeth Stewart Sandra Blair David Meechan David La Sage Sue Dumbleton Alex Davidson
Director	M Matheson
Secretary	A Turner
Bankers	Clydesdale Bank plc 120 Bath Street Glasgow G2 2EN Bank of Scotland plc 55 Bath Street Glasgow G2 2DJ
Solicitors	Brechin Tindal Oatts 48 St Vincent Street Glasgow G2 5HS Naftalin Duncan & Co 534 Sauchiehall Street Glasgow G2 3LX
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 95 Bothwell Street Glasgow G2 7JZ

KEY HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE

The Management Committee has pleasure in presenting its report together with the audited consolidated financial statements for the year ended 31 March 2010.

Statement of the Management Committee's Responsibilities

The Industrial and Provident Societies Acts and registered social housing legislation require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the affairs of the RSL and group and of the surplus or deficit for that period. In preparing those accounts, the Management Committee is required to:

- select suitable accounting policies and then 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 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.

The Management Committee is responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the RSL and group, and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

The Management Committee is also responsible for taking adequate steps to safeguard the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, the Management Committee certifies that:

- so far as we are aware, there is no relevant audit information of which the association's auditors are unaware; and
- as the Management Committee, we have taken all steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Membership

The management committee members at 31 March 2010 were William Mooney (Chairperson), Joanna Pearson (Vice Chairperson), Angus Turner (Secretary), Gillian Anderson, Anne Finnegan, Margot Duggan, Duncan Sim, Lynne Gibbons, Elizabeth Stewart, Sandra Blair, David Meechan, David Le Sage, Sue Dumbleton and Alec Davidson. Norman Dunning retired from management committee during January 2010. All Management Committee members hold a £1 share in the Association.

KEY HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (CONTINUED)

Principal Business Activity

Key Housing Association Limited is a registered housing association incorporated under the Industrial and Provident Societies Act 1965, which provides housing and support to adults with learning disabilities. The group refers to Key Housing Association Limited (Key) and Community Lifestyles Limited (Community Lifestyles).

Community Lifestyles provides individualised home and community support services to adults with learning disabilities mainly in housing not provided by the Association. Support services provided by Key and Community Lifestyles are funded through contracts with local authorities. Community Lifestyles is a registered charity and is limited by guarantee. It remains under common control of Key Housing Association Limited.

Business Review

The group generated an operating surplus of £383,095 (2009 £76,805 deficit) for the year ending 31 March 2010 and a surplus after interest of £413,611 (2009 £122,861).

KEY generated an operating surplus of £218,783 (2009 £316,922 deficit) and a surplus after interest of £206,638 (2009 £180,817 deficit).

During the year to 31 March 2010 there was a continuation of the previous year's pattern of funding restrictions, with limited inflationary increases if any in funding levels from local authorities, and continuing downward pressure on our support service costs.

Over the past year, it has become increasingly clear that the funding of public services, including social care, will be seriously affected by the deep seated problems with the public finances in the UK.

Local authorities started to base their activities on planning assumptions for the next 4 years which projected an increasing gap between available resources (which will reduce) and need (which will increase). Instead of economic growth, which has allowed growth in services in recent years, we have recession, and the need for spending cuts and increased taxes to tackle the public deficits.

During the year a number of local authorities required cuts in spending on social care, and KEY responded as positively as possible while retaining integrity in our support services. KEY's Strategic Plan was reviewed in the course of the year, in the light of the increasingly difficult financial climate, and the review reconfirmed that our vision in such challenging times should continue to be about helping people with learning disabilities to live the lives they want, as fully included citizens in control of their support and their lives.

Our Plan recognises that the challenge for KEY is to tap into the non financial resources that exist throughout our communities and to focus directly on the quality of life outcomes for the people we support. KEY has had many years of experience in doing this, and in connecting with local communities to enhance the opportunities for those we support to have enriched lives beyond formal social care.

We have been working closely with a number of local authorities on increasingly individualised approaches to support, and see this as a very positive commitment to ensuring people who need support can have as much control and choice as possible. We will continue to focus on making sure that our support helps people to have a good life, regardless of whether the person we support is funding directly or whether the funding is through a local authority.

KEY HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (CONTINUED)

In the course of the year, a focus on staff training was maintained. KEY continued to develop its work as an accredited SVQ centre, to progress accreditation in accordance with the requirements of the Scottish Social Services Council. At 31st March 2010, KEY employed 1607 contracted staff (367 full time and 1240 part time) and on average a further 400 on a relief basis. This compares to 1505 (388 full time, 1117 part time) as at 31 March 2009.

KEY also continued with an ambitious programme of sub-division of shared housing, and accessing alternative housing for people when required, and was successful in obtaining funding from the Scottish Government (previously from Communities Scotland) and Glasgow City Council in the course of the year. Work was completed at the housing at Ibrox (Glasgow), and Sauchie, and started at Fort William.

Funding approval was obtained for sub-division work at the developments at Kirkintilloch and Thurso.

At 31 March 2010, KEY supported 1079 people in 14 local authority areas. In the course of the year, 107 new support arrangements were established. This compared to 90 new arrangements in the previous financial year. The overall level of support provided (hours per week) at 31 March 2010 was 41,097, an increase from the March 2009 level of 39,045 hours.

The burden of tendering that was a significant feature of 2008/09 was much reduced in 2009/10, a factor of the uncertainty on the part of local authorities about the best way forward in procurement of social care services while awaiting government sponsored guidance.

With the overall net transfer to reserves of £198,312 during the financial year, the designated reserves of the group have increased to £5,875,107. KEY's designated reserves increased by £133,456 to £4,746,188.

Community Lifestyles has continued to focus its work in Glasgow, providing highly individualised support to people with often very complex needs. The net income for the year to 31 March 2010 for Community Lifestyles Ltd was £206,973 (2009 £303,678). £64,856 (2009 £94,898) is the net transfer to the designated reserve for future training commitments, support related maintenance and reserve for quality assurance development. £142,117 has been transferred to unrestricted funds.

Internal Financial Control

The Committee is responsible for keeping proper books of account with respect to the group's transactions and its assets and liabilities, and for maintaining a satisfactory system of control over the group's books of account and transactions. The Committee is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Committee acknowledges its ultimate responsibility for ensuring that the group has in place a system of control that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- i) the reliability of financial information used within the association or for publication
- ii) the maintenance of proper accounting records, and
- iii) the safeguarding of assets against unauthorised use or disposition.

It is the Committee'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. The systems are in the process of review, but key elements are in place at the moment:-

KEY HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (CONTINUED)

- i) formal policies and procedures to restrict the unauthorised use of the association's assets;
- ii) experienced and suitably qualified staff take responsibility for important business functions;
- iii) forecasts and budgets are prepared which allow the Committee and management to monitor the key business risks and financial objectives, and progress towards financial plans set for the year and the medium term. Management accounts are prepared and significant variances from budget are investigated as appropriate;
- iv) major business risks and the financial implications are identified and monitored;
- v) all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures by the Management Committee;
- vi) the appointment by the Management Committee of internal auditors to carry out a programme of internal audit of the Association's policies and control systems
- vii) the Management Committee review reports from management, internal and external auditors to provide reasonable assurance that the control procedures in place are being followed.

The Management Committee has reviewed the effectiveness of the system of internal controls in existence in the Association for the year ended 31 March 2010. In the opinion of the Committee, no weaknesses were found in the internal controls which would result in material loss, contingencies, or uncertainties requiring disclosure in the financial statements.

Employee Issues

The Association has an equal opportunities policy which seeks to ensure that, in its role as employer, landlord and service provider, it does not discriminate against people on the grounds of sex, marital status, religion, sexual orientation, age, disability, colour, race, nationality, or ethnic or national origins.

In respect of health and safety and welfare at work, the Association has a health and safety policy and a training programme covering a comprehensive range of relevant health and safety issues, including emergency aid and moving and handling. The Association has a full-time health and safety officer as well as a health and safety committee for all office based health and safety issues.

In employee relations, the Association recognises Trade Union representation for project based and office based employees and senior management meet regularly with Union representatives to discuss, and where appropriate negotiate, relevant matters relating to the activities of the Association.

Key Policy and Strategy Statements

The Association's Management Committee agrees objectives and strategies for the Association normally within a 3-year strategic plan timescale. The strategic plan incorporates the long term funding of the Association.

The Association operates a policy manual which is reviewed and updated on an annual basis. Areas of policy include committee control and responsibility, housing management, maintenance, development and finance. These include the following specific policies:

Committee Control and Accountability - Standing Orders and Code of Governance, Policy on Gifts and Hospitality, Policy on Payments, Benefits and Corporate Accountability, Policy on Disclosure of Interest, Policy for Payment of Committee Member Expenses, Delegation of Authority from

KEY HOUSING ASSOCIATION LIMITED
REPORT OF THE MANAGEMENT COMMITTEE (CONTINUED)

Management Committee, Complaints Procedure, Training Policy, Membership Policy, Risk Management Strategy, Equal Opportunities Policy, Tenant Participation Policy, Health and Safety Policy, Staff Retirals, Whistleblowing, Openness & Confidentiality.

Housing Management – Allocations Policies, Rent Policy, Arrears Policy, Estate Management Policy, Harrassment Policy, Void Management Policy, Recovery of Charges, Sub-letting, Lodgers, Assingnation and Charging for Services.

Maintenance – Maintenance Standards and Tenant feedback on repairs and maintenance.

Development – Housing Development, Appointment of Consultants and Contractors and CDM Regulations.

Finance – Treasury Management Policy, Internal Audit and Charging for Services.

The treasury management policy aims to ensure that the Association's funds are safeguarded and wisely invested, and that loan finance is negotiated within parameters agreed by the Management Committee.

The Association's rent policy aims to achieve a committed rental income that enables the Association to offer a high quality management and maintenance service to all tenants. The policy ensures that rents are viable, affordable and sustainable in the local housing context.

The long-term stock maintenance and repair policy aims to maintain a cost effective, responsive and reactive repair service to all tenants within the parameters of a 10 year strategic and 3 year implementation programme for planned and major repairs. This is within a longer term 60 year major repair profile and links with the reserve policy to ensure that sufficient reserves are in place to meet these future costs.

The reserves strategy aims to ensure that adequate designated reserves are established for planned and major repairs as well as other specific areas. It is the Association's aim to maintain a free reserve equal to at least 2 months running costs and this objective was met during the year.

The management committee have ensured that the the association is compliant with the guidance in Raising Standards in Housing published by the Scottish Federation of Housing Associations.

Going concern

After making enquiries, the management committee has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Auditors

A resolution to reappoint Grant Thornton UK LLP as Auditors of the Association will be proposed at the Annual General Meeting to be held on 21 September 2010.

Approved by the Management Committee and signed on behalf of the Committee



Secretary
25 August 2010

Independent auditor's report to the members of Key Housing Association Limited

We have audited the financial statements of Key Housing Association Limited for the year ended 31 March 2010 which comprise the group and association income and expenditure accounts, the group and association balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Management Committee and auditors

As explained more fully in the Statement of Management Committee Responsibilities (set out on page 1), the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and association's affairs as at 31 March 2010 and of the group's and association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Matters on which we are required to report by exception

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

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

Corporate Governance matters

In addition to our audit of the accounts, we have reviewed the Management Committee's statement on page 5 on the association's compliance with the guidance in Raising Standards in Housing published by the Scottish Federation of Housing Associations.

We carried out our review in accordance with the guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express

any opinion on the effectiveness of either the Co-operative's system of internal financial control or its corporate governance procedures.

Opinion

With respect to the Management Committee's statement on internal financial control on page 4 in our opinion the Management Committee has provided the disclosures required by the guidance and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Grant Thornton UK LLP

Grant Thornton UK LLP

Chartered Accountants and Registered Auditors

Edinburgh

20/8/10

KEY HOUSING ASSOCIATION LIMITED
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £	2009 £
Turnover	1a	47,494,476	44,814,748
Less: Operating costs	1a	47,111,381	44,891,553
Operating surplus / (deficit)		<u>383,095</u>	<u>(76,805)</u>
Interest receivable	7	175,561	355,073
Interest payable	7	<u>(145,045)</u>	<u>(155,407)</u>
Surplus for the year	4	<u><u>413,611</u></u>	<u><u>122,861</u></u>

There were no recognised gains or losses for the year, other than the surplus for the year.

The results for the year relate wholly to continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 £	2009 £
Turnover	1b	37,646,673	35,481,070
Less: Operating costs	1b	37,427,890	35,797,992
Operating surplus / (deficit)		<u>218,783</u>	<u>(316,922)</u>
Interest receivable	7	132,900	291,512
Interest payable	7	<u>(145,045)</u>	<u>(155,407)</u>
Surplus / (Deficit) for the year	4	<u>206,638</u>	<u>(180,817)</u>

There were no recognised gains or losses for the year, other than the surplus for the year.

The results for the year relate wholly to continuing activities.

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LTD
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2010

	Note	2010 £	2009 £
Tangible Fixed Assets			
Housing properties less depreciation	9	46,637,411	45,488,501
Less: HAG & other grants	9	(39,062,107)	(38,240,689)
		<u>7,575,304</u>	<u>7,247,812</u>
Other fixed assets	10a	470,670	509,090
Investments	11	0	0
		<u>8,045,974</u>	<u>7,756,902</u>
Current Assets			
Debtors	12	3,580,262	4,719,461
Cash at bank and in hand		<u>10,548,009</u>	<u>7,835,218</u>
		14,128,271	12,554,679
Creditors: amounts falling due within one year	13 & 15	<u>(4,612,427)</u>	<u>(3,053,952)</u>
Net current assets		<u>9,515,844</u>	<u>9,500,727</u>
Total assets less current liabilities		17,561,818	17,257,629
Creditors: amounts falling due after one year	14	<u>(2,373,063)</u>	<u>(2,482,485)</u>
Net Assets		<u>15,188,755</u>	<u>14,775,144</u>
Capital and Reserves			
Designated reserves	16a	5,875,107	5,676,795
Revenue reserves	17	9,313,648	9,098,349
	18	<u>15,188,755</u>	<u>14,775,144</u>

These financial statements were approved by the Management Committee on 25 August 2010.

Signed on behalf of the Management Committee

William Mooney Chair Person
Angus James Secretary
Am Jannos Committee Member

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LTD
BALANCE SHEET AT 31 MARCH 2010

	Note	2010 £	2009 £
Tangible Fixed Assets			
Housing properties less depreciation	9	46,637,411	45,488,501
Less: HAG & other grants	9	(39,062,107)	(38,240,689)
		<u>7,575,304</u>	<u>7,247,812</u>
Other fixed assets	10b	448,968	486,229
Investments	11	<u>0</u>	<u>0</u>
		<u>8,024,272</u>	<u>7,734,041</u>
Current Assets			
Debtors	12	2,747,411	3,241,920
Cash at bank and in hand		<u>7,100,040</u>	<u>5,592,954</u>
		9,847,451	8,834,874
Creditors: amounts falling due within one year	13 & 15	<u>(3,708,990)</u>	<u>(2,503,398)</u>
Net current assets		<u>6,138,461</u>	<u>6,331,476</u>
Total assets less current liabilities		14,162,733	14,065,517
Creditors: amounts falling due after one year	14	<u>(2,373,063)</u>	<u>(2,482,485)</u>
Net Assets		<u>11,789,670</u>	<u>11,583,032</u>
Capital and Reserves			
Designated reserves	16b	4,746,188	4,612,732
Revenue reserves	17	7,043,482	6,970,300
	18	<u>11,789,670</u>	<u>11,583,032</u>

These financial statements were approved by the Management Committee on 25 August 2010.

Signed on behalf of the Management Committee

William Mooney

Chair Person

Oran Jones

Secretary

Paul Jones

Committee Member

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LTD
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2010 £	2009 £	2009 £
Net cash (outflow)/inflow from operating activities	19a		3,374,994		(317,221)
Returns on investments and servicing of finance					
Interest received		175,561		355,073	
Interest paid		<u>(145,045)</u>		<u>(155,600)</u>	
Net cash inflow from investments and servicing of finance			30,516		199,473
Capital expenditure					
Acquisitions and construction of housing properties		(1,303,939)		(3,474,282)	
Payment to acquire other fixed assets		<u>(120,146)</u>		<u>(102,694)</u>	
Sale of fixed assets		13,107		0	
Capital grants received		<u>821,418</u>		<u>1,736,584</u>	
Net cash outflow from capital expenditure			(589,560)		(1,840,392)
Financing					
Issue of shares		0		0	
Loans repaid		<u>(103,159)</u>		<u>(118,929)</u>	
Net cash outflow from financing			<u>(103,159)</u>		<u>(118,929)</u>
(Decrease) / Increase in cash	20a		<u>2,712,791</u>		<u>(2,077,069)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LTD
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2010

	Notes	2010 £	2010 £	2009 £	2009 £
Net cash (outflow)/inflow from operating activities	19b		2,208,122		(503,693)
Returns on investments and servicing of finance					
Interest received		132,900		291,512	
Interest paid		<u>(145,045)</u>		<u>(155,600)</u>	
Net cash inflow from investments and servicing of finance			(12,145)		135,912
Capital expenditure					
Acquisitions and construction of housing properties		(1,303,939)		(3,474,282)	
Payment to acquire other fixed assets		<u>(116,318)</u>		<u>(88,907)</u>	
Sale of fixed assets		13,107		0	
Capital grants received		<u>821,418</u>		<u>1,736,584</u>	
Net cash outflow from capital expenditure			(585,732)		(1,826,605)
Financing					
Issue of shares		0		0	
Loans repaid		<u>(103,159)</u>		<u>(118,929)</u>	
Net cash outflow from financing			<u>(103,159)</u>		<u>(118,929)</u>
(Decrease) / Increase in cash	20b		<u>1,507,086</u>		<u>(2,313,315)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

KEY HOUSING ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

Key Housing Association Limited is incorporated under the Industrial and Provident Societies Acts and is a housing association registered with the Scottish Government under the Housing (Scotland) Act 2001.

The financial statements are prepared under the historical cost convention, in accordance with applicable accounting standards and comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and The Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The accounts are also prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2008).

The accounting policies of the Association have remained unchanged during the year and are set out below:

Turnover

Turnover represents rental income earned in the period recognised on a time basis and grants of a revenue nature from local authorities and the Scottish Government for the provision of support services in the period are recognised in line with the provision of the service.

Basis of consolidation

These financial statements consolidate those of Key Housing Association and of its subsidiary undertaking drawn up to 31 March 2010 as obliged by statute. Surpluses or deficits on intra-group transactions are eliminated in full.

Fixed assets and depreciation

Housing properties are stated at cost less HAG and depreciation. The cost of properties includes land cost, all construction costs, professional fees and development administration costs.

Depreciation on housing properties is charged in accordance with the requirements of FRS 15. It is calculated on the basis of 2% of net cost less restricted HAG and any residual land value.

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the following basis:

Office equipment and furniture	-	10% per annum reducing balance method
Motor vehicles		20% - 33% per annum straight line method
Computer equipment	-	25% per annum reducing balance method
Improvements to leasehold property-		Over remaining period of lease straight line method

Depreciation is charged on these fixed assets from the year of purchase but no charge is made in the year of disposal.

Housing Association Grant and other capital grants

Where developments have been financed wholly or partly by Housing Association Grant (HAG) or other capital grants, the cost of those developments has been reduced by the amount of the grant received. The amount of the grant received is shown separately on the balance sheet. HAG is repayable in certain circumstances primarily following the sale of a property for which HAG was received.

Leased assets

Operating leases and the payments made under them are charged to the income and expenditure account on a straight line basis over the lease term.

KEY HOUSING ASSOCIATION LIMITED
PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Retirement Benefits

Defined Benefit Scheme

The group participates in the centralised SFHA defined benefits pension scheme. Retirement benefits to employees of the Association are funded by contributions from all participating employers and employees. The Association is unable to identify its share of the underlying assets and liabilities.

Contributions are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across all participants taken as a whole.

The expected cost of pension provision is charged to the income and expenditure account so as to spread the cost over the period of service of employees.

Defined Contribution Pension Scheme

The group also participates in a defined contribution scheme. The pension costs charged against operating profits are the contributions payable to the scheme in respect of the financial year.

Investments

Investments are included at cost.

Designated reserves

The Association has established designated reserves in the following areas:

- i) **Training**
The Association has established a training reserve to fund a number of future training costs and related posts to ensure that adequate training is available to full and part time staff. The training reserve also includes funding for future costs associated with the development of the Association's capability to progress Scottish Vocational Qualifications in Social Care for support staff in recognition of the requirements of the Scottish Social Service Council.
- ii) **Major repairs and cyclical maintenance**
Transfers to this reserve are made from the housing revenue account to ensure that the required level of provision for future repairs to the housing stock is held by the Association. This is based on the lifecycle costing of the housing stock and ensures that the pattern of spend does not fluctuate significantly from year to year.
- iii) **Furniture Renewals**
Transfers are made to this reserve from the housing revenue accounts. The monies in this reserve will be used to fund future furnishings replacement in the Association's furnished tenancies.
- iv) **Support Related Maintenance**
The Association has established a reserve to fund future maintenance requirements which fall outwith the planned spend but are required due to particular support needs of service users.
- v) **Remodelling Reserve**
The Association has established a reserve to fund additional support costs likely to be incurred during the remodeling of housing units.

KEY HOUSING ASSOCIATION LIMITED
PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Mortgages

Mortgage loans are advanced by private institutions and local authorities under the terms of individual mortgage deeds in respect of each property or housing development. Advances are only available in respect of those developments which have been given approval for Housing Association Grant by the Scottish Government.

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2010

1a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT - CONSOLIDATED

	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating (Deficit)
	2010 £	2010 £	2010 £	2009 £
Social Lettings	2,825,434	2,404,713	420,721	(25,072)
Other Activities	44,669,042	44,706,668	(37,626)	(51,733)
Total	<u>47,494,476</u>	<u>47,111,381</u>	<u>383,095</u>	<u>(76,805)</u>
2009	<u>44,814,748</u>	<u>44,891,553</u>	<u>(76,805)</u>	

1b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS OR DEFICIT - THE ASSOCIATION

	Turnover	Operating Costs	Operating Surplus/ (Deficit)	Operating (Deficit)
	2010 £	2010 £	2010 £	2009 £
Social Lettings	2,825,434	2,404,713	420,721	(25,072)
Other Activities	34,821,239	35,023,177	(201,938)	(291,850)
Total	<u>37,646,673</u>	<u>37,427,890</u>	<u>218,783</u>	<u>(316,922)</u>
2009	<u>35,481,070</u>	<u>35,797,992</u>	<u>(316,922)</u>	

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

2. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM SOCIAL LETTING ACTIVITIES - CONSOLIDATED AND THE ASSOCIATION

	General Needs Housing	Supported Housing accommodation	Total	
	2010 £	2010 £	2010 £	2009 £
Rent receivable net of service charge	573,340	1,944,357	2,517,697	2,203,449
Service charges	44,340	331,045	375,385	486,678
Gross income from rents and service charges	617,680	2,275,402	2,893,082	2,690,127
Less voids	16,912	50,736	67,648	82,836
Net income from rents and service charges	600,768	2,224,666	2,825,434	2,607,291
Grants from the Scottish Ministers	0	0	0	0
Other revenue grants	0	0	0	0
Total turnover from social letting activities	600,768	2,224,666	2,825,434	2,607,291
Management and maintenance administration costs	156,868	470,603	627,471	622,754
Service Costs	42,332	552,085	594,417	665,845
Planned and cyclical maintenance including major repairs	188,864	566,593	755,457	892,623
Reactive maintenance costs	68,085	204,255	272,340	304,721
Bad debts - rents and service charges	0	0	0	0
Depreciation of social housing	38,757	116,271	155,028	146,420
Impairment of social housing	0	0	0	0
Operating costs for social letting activities	494,906	1,909,807	2,404,713	2,632,363
Operating surplus or deficit	105,862	314,859	420,721	(25,072)
Operating Surplus - 2009	(27,153)	2,081	(25,072)	

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

3a. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES - CONSOLIDATED

	Grants from Scottish Ministers 2010 £	Other revenue grants 2010 £	Supporting People Income 2010 £	Total Turnover 2010 £	Operating costs 2010 £	Operating (deficit) 2010 £	Operating Surplus/(deficit) 2009 £
Development Activities	39,115	167,000	0	206,115	82,710	123,405	142,920
Support Activities	0	0	18,452,225	18,452,225	18,577,522	(125,297)	(187,949)
Care Activities	0	26,010,702	0	26,010,702	26,046,436	(35,734)	(6,704)
Other Activities	39,115	26,177,702	18,452,225	44,669,042	44,706,668	(37,626)	(51,733)
Other Activities - 2009	242,993	22,697,003	19,267,461	42,207,457	42,259,190	(51,733)	

3b. PARTICULARS OF TURNOVER, OPERATING COSTS AND OPERATING SURPLUS FROM OTHER ACTIVITIES - THE ASSOCIATION

	Grants from Scottish Ministers 2010 £	Other revenue grants 2010 £	Supporting People Income 2010 £	Total Turnover 2010 £	Operating costs 2010 £	Operating (deficit) 2010 £	Operating Surplus/(deficit) 2009 £
Development Activities	39,115	167,000	0	206,115	82,710	123,405	142,920
Support Activities	0	0	16,716,115	16,716,115	16,873,228	(157,113)	(233,254)
Care Activities	0	17,899,009	0	17,899,009	18,067,239	(168,230)	(201,516)
Other Activities	39,115	18,066,009	16,716,115	34,821,239	35,023,177	(201,938)	(291,850)
Other Activities - 2009	242,993	15,124,396	17,506,390	32,873,779	33,165,629	(291,850)	

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

4. SURPLUS OF INCOME OVER EXPENDITURE BEFORE TRANSFERS TO RESERVES

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
This is stated after:				
Depreciation - property	155,029	146,419	155,029	146,419
Depreciation - other fixed assets	156,564	157,099	151,577	151,899
Auditors' remuneration - external audit services	22,517	20,875	15,869	15,000
- Internal audit services	9,174	10,395	9,174	10,395
- management of cash	11,773	4,792	10,048	4,792
Operating lease costs - motor vehicles	27,436	36,933	27,436	36,933
- land and buildings	587,296	552,751	541,764	498,534

5. REMUNERATION

Remuneration in respect of the directors of the Association was as follows:

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Salary	141,075	141,075	141,075	141,075
Pension Contributions	21,149	21,149	21,149	21,149
	<u>162,224</u>	<u>162,224</u>	<u>162,224</u>	<u>162,224</u>

Number of directors in the year whose emoluments (net of pension) fall into the following bands:

	2010	2009
More than £60,000 but not more than £65,000	0	0
More than £65,000 but not more than £70,000	1	1
More than £70,000 but not more than £75,000	1	1

Following the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007, those staff reporting directly to the director and earning more than £60,000 are regarded as Directors.
Under this definition there are two 'directors' (2009 two).

The emoluments of the highest paid director who is the Chief Executive are £71,920 (2009 £71,920).

The Chief Executive has no personal pension arrangements. Company pension contributions in respect of the Chief Executive amounted to £11,143 (2009 £11,076).

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

5. REMUNERATION (CONTINUED)

The Management Committee did not receive any remuneration during the year for their services to the group.

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Expenses paid to members of Management Committee	806	1,025	806	1,025
	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Staff costs during the year:				
Wages and Salaries	37,838,227	35,256,294	29,862,453	27,900,235
Social security costs	3,013,427	2,875,851	2,315,541	2,210,430
Other pension costs	965,276	986,277	943,122	966,889
	41,816,930	39,118,422	33,121,116	31,077,554

The average weekly number of persons employed by the group and the full time equivalent (FTE) was as follows:

	Consolidated 2010 average weekly	2009 average weekly	The Association 2010 average weekly	2010 FTE	2009 average weekly	2009 FTE
Head Office	94	91	94	83	91	81
Services	2,326	2,214	1,862	1,231	1,785	1,183
	2,420	2,305	1,956	1,314	1,876	1,264

Retirement Benefits

Defined Benefit

The group participates in the SFHA pension scheme (the 'scheme'). The scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The group paid employer contributions at the rate of 15.4% during the accounting year ended 31 March 2010. Member contributions were 7.7%.

The Trustee commissions an actuarial valuation of the scheme every 3 years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected benefit payments using a discount rate calculated by reference to the expected future investment returns.

The last formal valuation of the scheme was performed as at 30 September 2006 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £268million. The valuation revealed a shortfall of assets compared to liabilities of £54 million (equivalent to a past service funding level of 83.4%).

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the scheme to £265million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%. Annual funding updates of the SFHA pension scheme are carried out using approximate actuarial techniques rather than by member calculations, and will therefore not produce the same results as a full actuarial valuation, however, they will provide a good indication of the financial progress of the scheme since the last full valuation.

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

5. REMUNERATION (CONTINUED)

If the actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the valuation it was agreed that the shortfall of £54million would be dealt with by the payment of additional contributions of 5.3% of pensionable salaries per annum with effect from 1 April 2009. It is the scheme policy that the joint contribution rate is payable between employers and members in the ratio 2:1. Accordingly the joint contribution rates from 1 April 2009 were 23.1%. This comprises employer contributions of 15.4% and member contributions of 7.7%.

A small number of employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3.5% to reflect the higher costs of a closed arrangement.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an ongoing funding basis, by 31 March 2020.

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

At the year end there was £113,813 (2009 £120,500) pension contributions outstanding for the group and £111,382 (2009 £117,841) outstanding for Key Housing Association Limited only. This represents one month's contributions. Total employer contributions were £932,715 (2009 £962,900) for the group and £912,833 (2009 £945,466) for Key Housing Association Limited only. As at the balance sheet date there were 249 active members of the scheme employed by the group and 245 by Key Housing Association Limited.

The group continues to offer the scheme to its employees.

Defined Contribution

The Association also offers a defined contribution pension scheme. Employer contributions for the year were £26,859 (2009 £25,514) for the group and £24,923 (2009 £23,789) for Key Housing Association Ltd only. Included in the creditors as at 31 March 2009 is £4,324 (2009 £3,890) in respect of the defined contribution scheme for the group and £3,859 (2009 £3,668) for Key Housing Association Ltd only. This represents one month's contribution. As at the balance sheet date there were 59 active members of the scheme employed by the group and 54 by Key Housing Association Ltd.

6. CREDITOR PAYMENTS

Association policy is to pay purchase invoices at the end of the month following receipt. On average, invoices are paid within 45 days of receipt.

7. INTEREST RECEIVABLE AND PAYABLE

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Interest receivable and similar income:				
Bank deposit interest	173,459	353,217	130,798	289,656
Union commission	2,102	1,856	2,102	1,856
	<u>175,561</u>	<u>355,073</u>	<u>132,900</u>	<u>291,512</u>
Interest payable and similar charges				
Bank loans and other loan	(145,045)	(155,407)	(145,045)	(155,407)
	<u>30,516</u>	<u>199,666</u>	<u>(12,145)</u>	<u>136,105</u>

8. TAXATION

No taxation has been provided in the accounts as the Association is a Registered Charity (No. SC006652).

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

9. FIXED ASSETS - HOUSING LAND AND BUILDINGS - CONSOLIDATED AND THE ASSOCIATION

	2010 £	2009 £
Cost		
At 1 April 2009	46,262,735	42,788,453
Additions	1,303,939	3,474,282
At 31 March 2010	47,566,674	46,262,735
Less: Housing Association Grant		
At 1 April 2009	37,233,373	35,496,789
Received during year	821,418	1,736,584
At 31 March 2010	38,054,791	37,233,373
Health Board and Local Authority Grants		
At 1 April 2009	1,007,316	1,007,316
Received during year	0	0
At 31 March 2010	1,007,316	1,007,316
Total Grants	39,062,107	38,240,689
Property Depreciation		
At 1 April 2009	774,234	627,815
Charge for Year	155,029	146,419
At 31 March 2010	929,263	774,234
Total Cost less depreciation as at 31 March 2010	46,637,411	45,488,501
Total Grants as at 31 March 2010	(39,062,107)	(38,240,689)
Net Book Value as at 31 March 2010	7,575,304	7,247,812

10a. FIXED ASSETS - OTHER - CONSOLIDATED

	Motor Vehicles £	Computers and Furniture £	Improvements to leasehold property £	Total £
Cost				
At 1 April 2009	296,620	966,545	469,894	1,733,059
Additions	53,630	63,448	3,068	120,146
Disposals	(42,915)	(19,955)	0	(62,870)
At 31 March 2010	307,335	1,010,038	472,962	1,790,335
Less: Depreciation				
At 1 April 2009	220,653	706,607	296,709	1,223,969
Charge for year	50,153	71,161	35,250	156,564
Disposals	(40,913)	(19,955)	0	(60,868)
At 31 March 2010	229,893	757,813	331,959	1,319,665
Net Book Value				
At 31 March 2010	77,442	252,225	141,003	470,670
At 31 March 2009	75,967	259,938	173,185	509,090

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

10b. FIXED ASSETS - OTHER - THE ASSOCIATION

	Motor Vehicles £	Computers and Furniture £	Improvements to leasehold property £	Total £
Cost				
At 1 April 2009	296,620	933,236	469,894	1,699,750
Additions	53,630	59,620	3,068	116,318
Disposals	(42,915)	(19,955)		(62,870)
At 31 March 2010	307,335	972,901	472,962	1,753,198
Less: Depreciation				
At 1 April 2009	220,653	696,159	296,709	1,213,521
Charge for year	50,153	66,174	35,250	151,577
Disposals	(40,913)	(19,955)		(60,868)
At 31 March 2010	229,893	742,378	331,959	1,304,230
Net Book Value				
At 31 March 2010	77,442	230,523	141,003	448,968
At 31 March 2009	75,967	237,077	173,185	486,229

11. INVESTMENTS

At 31 March 2010 and at 31 March 2009, Key Housing Association Ltd held 100% control over its subsidiary undertaking Community Lifestyles Ltd, a company limited by guarantee whose principal activity is the support of adults with learning disabilities. Key is the only member of Community Lifestyles and approves the appointment of the directors of Community Lifestyles Ltd.

12. DEBTORS: FALLING DUE WITHIN ONE YEAR

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Other Debtors and Prepayments	377,539	323,699	325,379	296,601
Arrears of rent and service charge	52,369	34,263	52,369	34,263
HAG receivable	7,967	8,037	7,967	8,037
Local authority revenue grant receivable	3,142,387	4,353,462	2,243,497	2,879,027
Community Lifestyles Ltd	0	0	118,199	23,992
	3,580,262	4,719,461	2,747,411	3,241,920

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

13. CREDITORS : FALLING DUE WITHIN ONE YEAR

	Consolidated 2010	2009	The Association 2010	2009
	£	£	£	£
Share Capital (see Note 15)	382	382	382	382
Mortgage interest due	492	501	492	501
Local authority grants repayable	53,604	41,882	53,604	41,882
Accruals and deferred grant income	2,764,715	691,209	2,164,009	519,750
Loans (see Note 14)	110,956	104,693	110,956	104,693
Prepayments of rent and service charges	85,792	75,588	85,792	75,588
Social security and other taxes	801,808	1,563,500	611,993	1,202,506
Other creditors	794,678	576,197	678,227	555,202
Community Lifestyles Ltd	0	0	3,535	2,894
	<u>4,612,427</u>	<u>3,053,952</u>	<u>3,708,990</u>	<u>2,503,398</u>

During the financial year, the salary payment dates were changed resulting in the final payment for 2009/10 being made in April 2010. This results in a high year end creditor balance (included in Accruals and deferred grant income above).

14. CREDITORS : FALLING DUE AFTER MORE THAN ONE YEAR - CONSOLIDATED AND THE ASSOCIATION

	2010 £	2009 £
Total bank loans outstanding		
Payable in one year or less	110,956	104,693
Payable within one to two years	117,027	111,276
Payable within two to five years	389,386	372,276
Payable over five years	<u>1,866,650</u>	<u>1,998,933</u>
	2,484,019	2,587,178
Less payable within one year	(110,956)	(104,693)
Total bank loans due after one year	<u>2,373,063</u>	<u>2,482,485</u>
Total loans due after one year	<u>2,373,063</u>	<u>2,482,485</u>

Bank loans and housing loans are secured by a fixed charge over certain properties of the Association.

The loans are repayable in equal monthly instalments and are secured over 25 or 30 years.

The highest rate of interest payable during the year was 6.33% and the lowest 5.75%.

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

15. SHARE CAPITAL - CONSOLIDATED AND THE ASSOCIATION

	2010 £	2009 £
Shares of £1 each fully paid and Issued at 1 April 2009	382	389
Shares issued during the year	4	0
Shares written off during the year	(4)	(7)
Share of £1 each fully paid at 31 March 2010.	<u>382</u>	<u>382</u>

The Association issued 4 shares of £1 each for cash to new members of the Association.

The shares have limited rights with no rights to dividends, redemptions or winding up.

Each shareholder has the right to vote at the General Meetings of the Association.

Under FRS 25, these shares are classified as liabilities rather than shareholder funds. As a result of this, the share capital is now included in creditors due in less than one year.

16a. DESIGNATED RESERVES - CONSOLIDATED

	Remodelling Reserve £	Support Related Maintenance Reserve £	Training Reserve £	Major Repairs and Cyclical Maintenance £	Furniture Renewal £	Reserve for Quality Assurance £	Total £
Balance at 1 April 2009	206,616	291,820	1,710,647	1,938,119	1,389,747	139,846	5,676,795
Transfer from revenue account	167,000	0	104,166	0	247,138		518,304
Transfer to revenue account	(46,683)	(22,675)	(58,989)	0	(154,276)	(37,369)	(319,992)
Balance at 31 March 2010	<u>326,933</u>	<u>269,145</u>	<u>1,755,824</u>	<u>1,938,119</u>	<u>1,482,609</u>	<u>102,477</u>	<u>5,875,107</u>

16b. DESIGNATED RESERVES - THE ASSOCIATION

	Remodelling Reserve £	Support Related Maintenance Reserve £	Training Reserve £	Major Repairs and Cyclical Maintenance £	Furniture Renewal £	Total £
Balance at 1 April 2009	206,616	157,745	920,505	1,938,119	1,389,747	4,612,732
Transfer from revenue account	167,000		0	0	247,138	414,138
Transfer to revenue account	(46,683)	(20,734)	(58,989)	0	(154,276)	(280,682)
Balance at 31 March 2010	<u>326,933</u>	<u>137,011</u>	<u>861,516</u>	<u>1,938,119</u>	<u>1,482,609</u>	<u>4,746,188</u>

17. REVENUE RESERVE

	Consolidated 2010 £	2009 £	The Association 2010 £	2009 £
Balance at 1 April 2009	9,098,349	8,978,874	6,970,300	7,059,605
Surplus / (deficit) for year	413,611	122,861	206,638	(180,817)
Transfers to Designated Reserves	(198,312)	(3,386)	(133,456)	91,512
Balance at 31 March 2010	<u>9,313,648</u>	<u>9,098,349</u>	<u>7,043,482</u>	<u>6,970,300</u>

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

18. RECONCILIATION OF TOTAL SHAREHOLDERS' FUNDS

	Consolidated 2010	2009	The Association 2010	2009
	£	£	£	£
Balance at 1 April 2009	14,775,144	14,652,283	11,583,032	11,763,849
Surplus for year	413,611	122,861	206,638	(180,817)
Less Share Capital reclassified to Current Liabilities	0	0	0	0
Balance at 31 March 2010	<u>15,188,755</u>	<u>14,775,144</u>	<u>11,789,670</u>	<u>11,583,032</u>

19a. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES - CONSOLIDATED

	2010	2009
	£	£
Operating (deficit) /surplus	383,095	(76,805)
Gain on sale of fixed assets	(11,105)	0
Depreciation charges	311,593	303,518
(Increase)/decrease in debtors	1,139,199	(483,532)
(Decrease)/increase in creditors	1,552,212	(60,402)
	<u>3,374,994</u>	<u>(317,221)</u>

19b. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES - THE ASSOCIATION

	2010	2009
	£	£
Operating (deficit) /surplus	218,783	(316,922)
Gain on sale of fixed assets	(11,105)	0
Depreciation charges	306,606	298,318
(Increase)/decrease in debtors	494,509	(434,243)
(Decrease)/increase in creditors	1,199,329	(50,846)
	<u>2,208,122</u>	<u>(503,693)</u>

20a. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - CONSOLIDATED

	2010	2009
	£	£
Increase/(Decrease) in cash in the year	2,712,791	(2,077,069)
Loans repaid	103,159	118,929
Change in net debt	2,815,950	(1,958,140)
Net debt at 1 April 2009	5,248,040	7,206,180
Net debt at 31 March 2010	<u>8,063,990</u>	<u>5,248,040</u>

20b. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT - THE ASSOCIATION

	2010	2009
	£	£
Increase/(Decrease) in cash in the year	1,507,086	(2,313,315)
Loans repaid	103,159	118,929
Change in net debt	1,610,245	(2,194,386)
Net debt at 1 April 2009	3,005,776	5,200,162
Net debt at 31 March 2010	<u>4,616,021</u>	<u>3,005,776</u>

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2010

21a. ANALYSIS OF CHANGE IN NET DEBT - CONSOLIDATED

	At 1 April 2009 £	Cash flows £	At 31 March 2010 £
Cash at hand	7,835,218	2,712,791	10,548,009
Debt due	(2,587,178)	103,159	(2,484,019)
	<u>5,248,040</u>	<u>2,815,950</u>	<u>8,063,990</u>

21b. ANALYSIS OF CHANGE IN NET DEBT - THE ASSOCIATION

	At 1 April 2009 £	Cash flows £	At 31 March 2010 £
Cash at hand	5,592,954	1,507,086	7,100,040
Debt due	(2,587,178)	103,159	(2,484,019)
	<u>3,005,776</u>	<u>1,610,245</u>	<u>4,616,021</u>

22. CAPITAL COMMITMENTS - CONSOLIDATED AND THE ASSOCIATION

	2010 £	2009 £
Contracted for but not provided in the Financial Statements	<u>147,000</u>	<u>230,000</u>
Authorised by the Management Committee but not contracted for	<u>677,000</u>	<u>1,455,000</u>

23a. OPERATING LEASE COMMITMENTS - CONSOLIDATED

	2010 Land & Buildings £	2010 Other £	2009 Land & Buildings £	2009 Other £
One year or less	360,605	13,403	265,449	7,484
Between two and five years	208,358	14,033	112,590	20,311
In five years or more	18,333	0	148,536	0
	<u>587,296</u>	<u>27,436</u>	<u>526,575</u>	<u>27,795</u>

KEY HOUSING ASSOCIATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2009

23b. OPERATING LEASE COMMITMENTS - THE ASSOCIATION

	2010 Land & Buildings £	2010 Other £	2009 Land & Buildings £	2009 Other £
One year or less	356,415	13,403	261,259	7,484
Between two and five years	167,016	14,033	71,247	20,311
In five years or more	18,333		148,536	
	<u>541,764</u>	<u>27,436</u>	<u>481,042</u>	<u>27,795</u>

24. CONTINGENT LIABILITIES - CONSOLIDATED AND THE ASSOCIATION

There were no contingent liabilities at 31 March 2010 or 31 March 2009.

25. HOUSING STOCK - CONSOLIDATED AND THE ASSOCIATION

The number of units of housing and registered accommodation under development and in management as at 31 March 2010:

	Units under development Mainstream 2010	Units under development Mainstream 2009	Units under development Supported 2010	Units under development Supported 2009
Housing accommodation for letting				
New Build	0	0	10	10
Rehabilitation	0	0	0	0
	<u>0</u>	<u>0</u>	<u>10</u>	<u>10</u>
Registered accommodation				
Number of bed spaces	0	0	0	0

	Units under management Mainstream 2010	Units under management Mainstream 2009	Units under management Supported 2010	Units under management Supported 2009
Housing accommodation for letting				
New Build	175	175	497	497
Rehabilitation	0	0	22	22
	<u>175</u>	<u>175</u>	<u>519</u>	<u>519</u>
Registered accommodation				
Number of bed spaces	0	0	8	8

26. LEGISLATIVE PROVISIONS

The Association is incorporated under the Industrial and Provident Societies Act 1965, and registered by the Registrar of Friendly Societies.

27. RELATED PARTY - SUBSIDIARY UNDERTAKING

In August 1995, Key Housing Association set up a subsidiary company, Community Lifestyles Limited.

This company provides individualised home and community support services to adults with learning difficulties, mainly in housing not provided by the Association. This is provided under contracts with local authorities.

From August 1998 Community Lifestyles became a registered charity and limited by guarantee. It remains under common control of Key Housing Association Limited.

The transactions of the related parties during the years have consisted of net recharges totalling £408,248 (2009 £302,952) by Key Housing Association to Community Lifestyles for staff costs and other overheads. At 31 March 2010, Community Lifestyles owed Key Housing Association £118,196 (2009 £23,992) in respect of sundry items.

Included in the year end creditors is £3,535 (2009 £2,894) in respect of sundry items payable to Community Lifestyles Ltd