

Financial Statements Key Housing Association Limited

For the year ended 31 March 2012

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Legal and administrative details

Scottish Charity registration number: SC006652

Registered office: 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 Sims
Elizabeth Stewart
Sandra Blair
David Meechan
David Le Sage
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
Chartered Accountants
Registered Auditors
1-4 Atholl Crescent
Edinburgh
EH3 8LQ

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 2012.

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 financial statements, 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 certified that:

- so far as we are aware, there is no relevant audit information of which the Association's auditors are unaware
- as the Management Committee, we have taken all steps that we would 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 as at 31 March 2012 were William Mooney (Chairperson), Joanna Pearson (Vice Chairperson), Angus Turner (Secretary), Gillian Anderson, Anne Finnegan, Margot Duggan, Duncan Sims, Elizabeth Stewart, Sandra Blair, David Meechan, David Le Sage and Alex Davidson. All the Management Committee hold a £1 share in the Association.

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.

Report of the Management Committee (continued)

Business review

The group generated an operating surplus of £1,133,926 (2011 £671,656) for the year ending 31 March 2012 and a surplus after interest of £1,164,631 (2011 £681,687).

KEY generated an operating surplus of £666,022 (2011 £468,207) and a surplus after interest of £652,615 (2011 £447,384).

The group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 for the first time this year. The key change has been the requirement for the group to identify and separately account for the major components which make up its housing property assets. Prior period balances have been adjusted to reflect the implementation which increased the opening reserves and housing assets by £335,676 as at 1 April 2010. The 2011 comparative figures have also been restated resulting in an increase to reserves and housing assets of a further £29,626. There were no other significant changes to accounting policies in the current year.

During the year to 31 March 2012 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.

The funding of public services, including social care, continues to be seriously affected by the deep seated problems with the public finances in the UK.

Local authorities continue to base their activities on planning assumptions for the period to 2014 projecting 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 continued to work 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 funded directly or whether the funding is through a local authority.

A significant issue affecting the work of KEY over the past year has been the implementation of Self Directed Support (SDS) by Glasgow City Council, where KEY has just under 20% of its support activity. This was done in a wholesale manner affecting everyone with learning disabilities in Glasgow, and affected over 250 people supported by KEY.

Report of the Management Committee (continued)

The process involved the completion of Self-Assessment Questionnaires (completed during 2010/11), the setting of an Individual Budget for each person by the Council, and the development of an Outcome Based Support Plan based on that Individual Budget.

The first tranche of people (approximately half of the people supported by KEY) were affected from 1 May 2011, when the new budgets and plans were commenced. The effect of this process has generally been a reduction in the funding for each individual, and a subsequent reduction in the hours of support provided. This was reflected in the first quarter of the year, when there was a reduction of 761 hours per week in support provided. The reduction was offset in some cases by KEY providing support to replace day support previously provided by the Council in local authority Centres.

The rate of reduction in support provided fell over the rest of the year, and was offset by some new support arrangements, and by 31 March 2012 there had been a total reduction of 696 hours per week.

It is anticipated that the people awaiting an individual budget (approximately 120) will be taken forward during 2012/13, and that there will be a similar effect on their funding and support as previously, although many of these people currently have relatively low levels of support.

Another consequence of the general funding constraints, and support reductions arising from the implementation of SDS in Glasgow, was that a recruitment freeze was maintained and a programme of voluntary severance was offered. This was taken up by 9 managers and 39 Support Workers. In addition there were significant changes made to the management structure in Glasgow to reflect the reduction in service size (a reduction that had been taking place prior to SDS implementation).

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 2012, KEY employed 1,540 contracted staff (331 full time and 1,209 part time) and on average a further 400 on a relief basis. This compares to 1,620 contracted staff (358 full time and 1,262 part time) and on average a further 400 on a relief basis as at 31 March 2011.

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) in the course of the year. Work was completed at the housing at Gourrock and Laurieston, and planning work was taken forward for work to housing at Camelon (Falkirk) and Stranraer.

At 31 March 2012, KEY supported 1,161 people in 14 local authority areas. In the course of the year, 99 new support arrangements were established. This compared to 89 new arrangements in the previous financial year. The overall level of support provided (hours per week) at 31 March 2012 was 41,826, a decrease from the March 2011 level of 42,648 hours.

The burden of tendering that was a significant feature of previous years was much reduced in 2011/12, with a greater use of framework agreements in line with government guidance, and the introduction of self-directed support in some areas.

With the overall net transfer to designated reserves of £122,759 during the financial year, the designated reserves of the group have increased to £6,141,673. KEY's designated reserves increased by £44,224 to £4,807,085.

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 2012 for Community Lifestyles Ltd was £512,016 (2011 £234,483). £78,535 (2011 £127,134) is the net transfer to the

Report of the Management Committee (continued)

designated reserve for future training commitments, support related maintenance and reserve for quality assurance development. £433,481 has been transferred to unrestricted funds.

Community Lifestyles was also affected by the implementation of Self Directed Support (SDS) by Glasgow City Council. The effect of this process has generally been a reduction in the funding for each individual, and a subsequent reduction in the hours of support provided, with a total reduction of 1,721 hours per week over the year. This reduction was offset by new support arrangements for 38 people, with a total of 1,183 hours per week, and hence there was a net reduction of 538 hours per week in support provided over the course of the year, although there was a net increase of 10 in the number of people supported.

As with KEY, a consequence of the funding constraints and support reductions arising from the implementation of SDS in Glasgow was that a recruitment freeze was maintained and a programme of voluntary severance was offered. This was taken up by 6 Team Leaders and 8 Support Workers.

Internal financial control

The Management Committee is responsible for keeping proper books of accounts 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 Management 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 Management 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 Management 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 view, but key elements are in place at the moment:

- 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 Management 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. Managements 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 2012. In the opinion of the Management Committee, no weaknesses were found in the internal controls which would result in material loss, contingencies, or uncertainties requiring disclosure in the financial statements.

Report of the Management Committee (continued)

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 the 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, Harassment Policy, Voice Management Policy, Recovery of Charges, Sub-letting, Lodgers, Assignment 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.

Report of the Management Committee (continued)

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 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

Following a tender process post year end 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 18 September 2012.

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



Angus Turner
Secretary

22 August 2012

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 2012 which comprises the group and Association income and expenditure accounts, the group and Association reconciliations of movements in funds, the group and Association balance sheets, the group and Association cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The report is made solely to the Association's members, as a body, in accordance with regulations made under Section 4 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 company and the company'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 auditor

As explained more fully in the Statement of Management Committee Responsibilities (set out on page 2), 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 of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and Association's affairs as at 31 March 2012 and of the group's and Association's surplus for the year then ended; and
- have been properly prepared in accordance 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.

Matters on which we are required to report by exception

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

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

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

Corporate Governance matters

In addition to our audit of the financial statements, we have reviewed the Management Committee's statement on page 7 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 on internal financial control

With respect to the Management Committee's statement on internal financial control on page 5 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 financial statements.



Robert Hannah
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow



Consolidated income and expenditure account

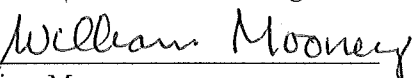
	Notes	2012 £	2011 £ (Restated *)
Turnover	1a	48,249,426	49,081,581
Less: Operating costs	1a	<u>(47,115,500)</u>	<u>(48,409,925)</u>
Operating surplus		1,133,926	671,656
Interest receivable	7	163,422	148,947
Interest payable	7	<u>(132,717)</u>	<u>(138,736)</u>
Surplus for the year	4	<u>1,164,631</u>	<u>681,867</u>

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

The results for the year relate wholly to continuing activities.

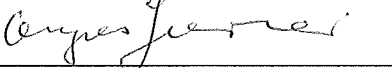
These financial statements were approved by the Management Committee on 22 August 2012.

Signed on behalf of the Management Committee



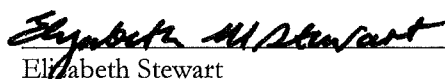
William Mooney

Chairperson



Angus Turner

Secretary



Elizabeth Stewart

Committee Member

*The comparative for the year ended 31 March 2011 have been restated as the group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Social Housing Providers Update 2010. Further details can be found in Note 28 to these financial statements.

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

Reconciliation of movements in Group's and Association's funds

	Notes	2012 £	2011 £ (Restated *)
Turnover	1b	38,132,315	38,807,196
Less: Operating costs	1b	<u>(37,466,293)</u>	<u>(38,338,989)</u>
Operating surplus		666,022	468,207
Interest receivable	7	119,310	117,913
Interest payable	7	<u>(132,717)</u>	<u>(138,736)</u>
Surplus for the year	4	<u><u>652,615</u></u>	<u><u>447,384</u></u>

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

The results for the year relate wholly to continuing activities.

These financial statements were approved by the Management Committee on 22 August 2012.

Signed on behalf of the Management Committee

William Mooney

William Mooney

Chairperson

Angus Turner

Angus Turner

Secretary

Elizabeth Stewart

Elizabeth Stewart

Committee Member

*The comparative for the year ended 31 March 2011 have been restated as the group has introduced component accounting in accordance with the Statement of Recommended Practice (SORP) Accounting by Social Housing Providers Update 2010. Further details can be found in Note 28 to these financial statements.

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Reconciliation of movements in Group's and Association's funds

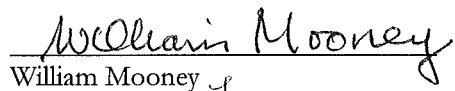
	Group		Association	
	2012 £	2011 (Restated – see note 28)	2012 £	2011 (Restated – see note 28)
Opening funds as previously stated	15,840,996	15,188,755	12,207,428	11,789,670
Prior year adjustment (see note 28)	<u>365,302</u>	<u>335,676</u>	<u>365,302</u>	<u>335,676</u>
Operating total funds as restated	16,206,298	15,524,431	12,572,730	12,125,346
Total recognised surpluses and deficits relating to the year	1,164,631	681,867	652,615	447,384
	<hr/>	<hr/>	<hr/>	<hr/>
Closing total funds	<u><u>17,370,929</u></u>	<u><u>16,206,298</u></u>	<u><u>13,225,345</u></u>	<u><u>12,572,730</u></u>

Consolidated balance sheet

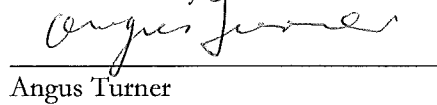
	Notes	2012 £	2011 £ (Restated – See note 28)
Tangible Fixed Assets			
Housing properties less depreciation	9	42,265,634	40,013,308
Less: HAG & other grants	9	<u>(32,266,335)</u>	<u>(31,852,115)</u>
		9,999,299	8,161,193
Other fixed assets	10a	357,313	411,943
		<u>10,356,612</u>	<u>8,573,136</u>
Current Assets			
Investments	11	512,180	500,000
Debtors	12	4,146,077	3,346,252
Cash at bank and in hand		<u>8,270,769</u>	<u>11,744,577</u>
		12,929,026	15,590,829
Creditors: amounts falling due within one year	13	<u>(3,783,411)</u>	<u>(5,697,807)</u>
Net current assets		<u>9,145,615</u>	<u>9,893,022</u>
Total assets less current liabilities		19,502,227	18,466,158
Creditors: amounts falling due after one year	14	<u>(2,131,298)</u>	<u>(2,259,860)</u>
Net assets		<u>17,370,929</u>	<u>16,206,298</u>
Capital and Reserves			
Designated reserves	16a	6,141,673	6,018,914
Revenue reserves	17	<u>11,229,256</u>	<u>10,187,384</u>
	18	<u>17,370,929</u>	<u>16,206,298</u>

These financial statements were approved by the Management Committee on 22 August 2012.

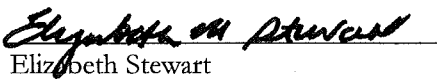
Signed on behalf of the Management Committee


William Mooney

Chairperson


Angus Turner

Secretary


Elizabeth Stewart

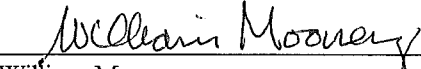
Committee Member

Balance sheet

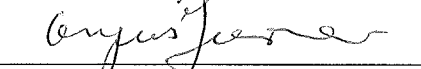
	Notes	2012 £	2011 £ (Restated – See note 28)
Tangible Fixed Assets			
Housing properties less depreciation	9	42,265,634	40,013,308
Less: HAG & other grants	9	<u>(32,266,335)</u>	<u>(31,852,115)</u>
		9,999,299	8,161,193
Other fixed assets	10b	339,596	391,144
		<u>10,338,895</u>	<u>8,552,337</u>
Current Assets			
Investments	11	512,180	500,000
Debtors	12	2,554,770	2,569,080
Cash at bank and in hand		<u>5,036,861</u>	<u>7,779,940</u>
		8,103,811	10,849,020
Creditors: amounts falling due within one year	13	<u>(3,086,063)</u>	<u>(4,568,767)</u>
Net current assets		<u>5,017,748</u>	<u>6,280,253</u>
Total assets less current liabilities		15,356,643	14,832,590
Creditors: amounts falling due after one year	14	<u>(2,131,298)</u>	<u>(2,259,860)</u>
Net assets		<u>13,225,345</u>	<u>12,572,730</u>
Capital and Reserves			
Designated reserves	16b	4,807,085	4,762,861
Revenue reserves	17	<u>8,418,260</u>	<u>7,809,869</u>
	18	<u>13,225,345</u>	<u>12,572,730</u>

These financial statements were approved by the Management Committee on 22 August 2012.

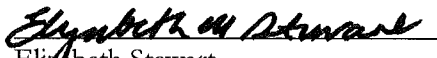
Signed on behalf of the Management Committee


William Mooney

Chairperson


Angus Turner

Secretary


Elizabeth Stewart

Committee Member

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

Consolidated cash flow statement

	Notes	2012 £	2012 £	2011 £ (Restated – See note 28)	2011 £ (Restated – See note 28)
Net cash (outflow) / inflow from operating activities	19a		(1,190,713)		2,478,346
Returns on investments and servicing of finance					
Interest received		163,422		148,947	
Interest paid		<u>(132,717)</u>		<u>(138,736)</u>	
Net cash inflow from investments and servicing of finance			30,705		10,211
Capital expenditure					
Acquisitions and construction of housing properties		(2,548,458)		(1,338,567)	
Payment to acquire other fixed assets		(67,679)		(68,447)	
Sale of fixed assets		15,163		7,414	
Capital grants received		<u>414,220</u>		<u>720,814</u>	
Net cash outflow from capital expenditure			(2,186,754)		(678,786)
Management of liquid resources					
Purchase of current asset investment			(12,180)		(500,000)
Financing					
Loans repaid		<u>(114,866)</u>		<u>(113,203)</u>	
Net cash outflow from financing			<u>(114,866)</u>		<u>(113,203)</u>
(Decrease) / Increase in cash	20a		<u><u>(3,473,808)</u></u>		<u><u>1,196,568</u></u>

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

Cash flow statement

	Notes	2012 £	2012 £	2011 £ (Restated – see note 28)	2011 £ (Restated – see note 28)
Net cash (outflow) / inflow from operating activities	19b		(416,816)		1,988,628
Returns on investments and servicing of finance					
Interest received		119,310		117,913	
Interest paid		<u>(132,717)</u>		<u>(138,736)</u>	
Net cash inflow from investments and servicing of finance			(13,407)		(20,823)
Capital expenditure					
Acquisitions and construction of housing properties		(2,548,458)		(1,338,567)	
Payment to acquire other fixed assets		(66,735)		(64,299)	
Sale of fixed assets		15,163		7,350	
Capital grants received		<u>414,220</u>		<u>720,814</u>	
Net cash outflow from capital expenditure			(2,185,810)		(674,702)
Management of liquid resources					
Purchase of current asset investment			(12,180)		(500,000)
Financing					
Loans repaid		<u>(114,866)</u>		<u>(113,203)</u>	
Net cash outflow from financing			<u>(114,866)</u>		<u>(113,203)</u>
(Decrease) / Increase in cash	20b		<u><u>(2,743,079)</u></u>		<u><u>679,900</u></u>

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

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 2001, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. The financial statements are also prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2008).

The accounting policies of the Association 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 2012 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.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in net rental income over the lives of the properties, thereby enhancing the economic useful lives of the properties are capitalised as improvements.

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write off the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life. Where Housing Association Grant (HAG) has been allocated to a component, the depreciable amount is arrived at on the basis of original cost, less the proportion of HAG and other grants attributable to the component, less residual value.

The group depreciates the major components of its housing properties over the following years with the corresponding annual rates:

Land	Not depreciated
Buildings	50 years (2%)
Kitchens	18 years (5.56%)
Bathrooms	20 years (5%)
Heating Systems	15 years (6.67%)
Roof Structure and coverings	50 years (2%)
Windows	25 years (4%)

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

Principal accounting policies

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. It is allocated to the land and structure components of the associated assets in proportion to their cost. Grant receivable in respect of identifiable components is allocated to these components. 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.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the group is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

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 term of the lease.

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 and accordingly, in line with FRS 17 "Retirement Benefits", no deficit or surplus on the scheme is recorded in the Balance Sheet.

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 Scheme

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

Principal accounting policies (continued)

Investments

Quoted investments are included in the financial statements at market value.

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 are out with the planned spend but are required due to particular support needs of service users.

v **Remodelling**

The Association has established a reserve to fund additional support costs likely to be incurred during the remodelling of housing units.

vi **Reserve for Quality Assurance**

This is a reserve set up within Community Lifestyles Limited to fund research and development of quality assurance systems within the organisation.

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.

Notes to the consolidated financial statements

1a Particulars of turnover, operating costs and operating surplus or deficit – Consolidated

	Turnover	Operating Costs	Operating Surplus	Operating Surplus
	2012	2012	2012	2011
	£	£	£	£
				(Restated – See note 28)
Social Lettings	3,224,992	2,473,207	751,785	646,393
Other activities	45,024,434	44,642,293	382,141	25,263
Total	48,249,426	47,115,500	1,133,926	671,656
2011 (Restated – see note 28)	49,081,581	48,409,925	671,656	

1b Particulars of turnover, operating costs and operating surplus or deficit – The Association

	Turnover	Operating Costs	Operating Surplus / (Deficit)	Operating Surplus / (Deficit)
	2012	2012	2012	2011
	£	£	£	£
				(Restated – see note 28)
Social Lettings	3,224,992	2,473,207	751,785	646,393
Other activities	34,907,323	34,993,086	(85,763)	(178,186)
Total	38,132,315	37,466,293	666,022	468,207
2011 (Restated – see note 28)	38,807,196	38,338,989	468,207	

Notes to the consolidated financial statements (continued)

18 Particulars of turnover, operating costs and operating surplus from social letting activities – Consolidated and The Association

	General Needs Housing 2012 £	Supported Housing accommodation 2012 £	Total 2012 £	2011 £ (Restated – see note 28)
Rent receivable net of service charge	519,505	2,323,536	2,843,041	2,641,588
Service charges	15,174	415,782	430,956	425,759
Gross income from rents and service charges	534,679	2,739,318	3,273,997	3,067,347
Less voids	5,569	43,436	49,005	40,068
Net income from rents and service charges	529,110	2,695,882	3,224,992	3,027,279
Grants from Scottish Ministries	-	-	-	-
Other revenue grants	-	-	-	-
Total turnover from social letting activities	529,110	2,695,882	3,224,992	3,027,279
Management & maintenance administration costs	158,759	635,037	793,796	387,628
Service costs	33,456	526,616	560,072	592,330
Planned & cyclical maintenance including major repairs	113,171	452,683	565,854	640,245
Reactive maintenance costs	56,671	226,682	283,353	393,143
Loss on disposal of components	-	-	-	96,480
Depreciation of social housing	54,026	216,106	270,132	271,060
Impairment of social housing	-	-	-	-
Operating costs for social letting activities	416,083	2,057,124	2,473,207	2,380,886
Operating surplus or deficit	113,027	638,758	751,785	646,393
Operating surplus – 2011 (Restated – see note 28)	153,259	493,134	646,393	

Notes to the consolidated financial statements (continued)

3a Particulars of turnover, operating costs and operating surplus from other activities – Consolidated

	Grants from Scottish Ministers	Support funding *	Total Turnover	Operating Costs	Operating Surplus / (deficit)	Operating Surplus / (deficit)
	2012	2012	2012	2012	2012	2011
	£	£	£	£	£	£
Development activities	24,161	-	24,161	55,286	(31,125)	(42,278)
Care activities	-	45,000,273	45,000,273	44,587,007	413,266	67,541
Other activities	<u>24,161</u>	<u>45,000,273</u>	<u>45,024,434</u>	<u>44,642,293</u>	<u>382,141</u>	<u>25,263</u>
Other activities – 2011	<u>48,941</u>	<u>46,005,361</u>	<u>46,054,302</u>	<u>46,029,039</u>	<u>25,263</u>	

3b Particulars of turnover, operating costs and operating surplus from other activities – The Association

	Grants from Scottish Ministers	Support funding *	Total Turnover	Operating Costs	Operating (deficit)	Operating Surplus / (deficit)
	2012	2012	2012	2012	2012	2011
	£	£	£	£	£	£
Development activities	24,161	-	24,161	55,286	(31,125)	(42,278)
Care activities	-	34,883,162	34,883,162	34,937,800	(54,638)	(135,908)
Other activities	<u>24,161</u>	<u>34,883,162</u>	<u>34,907,323</u>	<u>34,993,086</u>	<u>(85,763)</u>	<u>(178,186)</u>
Other activities – 2011	<u>48,941</u>	<u>35,730,976</u>	<u>35,779,917</u>	<u>35,958,103</u>	<u>(178,186)</u>	

* = Grant funding and supporting people income are being paid combined by local authorities. The Management Committee are of the opinion that; to split this income, and related costs, is not possible; and; that this funding should all be disclosed as relating to care activities as to allocate a support element would also not be possible.

Notes to the consolidated financial statements (continued)

4 Surplus of income over expenditure before transfer to reserves

This is stated after:	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
		(Restated – see note 28)		(Restated – see note 28)
Depreciation:				
- property	296,132	271,060	296,132	271,060
- other fixed assets	116,240	121,431	112,214	116,444
Loss/(gain) on disposal of fixed assets	(9,094)	94,809	(9,094)	94,809
Auditors remuneration:				
- external audit services	24,050	23,173	16,850	16,525
- internal audit services	12,528	11,980	12,528	11,980
- management of cash	11,550	9,383	7,500	7,658
- consultancy	18,000	-	18,000	-
Operating lease costs:				
- motor vehicles	30,132	21,080	30,132	21,080
- land and buildings	620,245	623,940	577,105	580,800

5 Remuneration

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

	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
Salary	141,075	141,075	141,075	141,075
Pension contributions	13,543	21,149	13,543	21,149
	<u>154,618</u>	<u>162,224</u>	<u>154,618</u>	<u>162,224</u>

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

	2012	2011
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 (2011 two).

The emoluments of the highest paid director who is the Chief Executive are £73,940 (2011 £73,940).

The Chief Executive has no personal pension arrangements. Company pension contributions in respect of the Chief Executive amounted to £6,904 (2011 £11,143).

Notes to the consolidated financial statements (continued)

5 Remuneration (continued)

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

	Consolidated		The Association	
	2012	2011	2012	2011
	£	£	£	£
Expenses paid to members of the Management Committee	824	1,005	824	1,005

	Consolidated		The Association	
	2012	2011	2012	2011
	£	£	£	£
Staff costs during the year:				
Wages and Salaries	38,527,577	39,528,662	30,437,544	31,230,524
Social security costs	2,874,969	3,184,876	2,199,511	2,454,447
Other pension costs	1,244,276	938,972	1,211,842	914,663
	42,646,822	43,652,510	33,848,897	34,599,634

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

	Consolidated		The Association		The Association	
	2012	2011	2012	2012	2011	2011
	average	average	average	FTE	average	FTE
	weekly	weekly	weekly		weekly	
Head office	89	94	89	79	94	83
Services	2,374	2,333	1,915	1,240	1,862	1,231
	2,463	2,427	2,004	1,319	1,956	1,314

Retirement benefits

Defined benefits

The group participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

Notes to the consolidated financial statements (continued)

5 Remuneration (continued)

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

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

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £341 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £207 million, equivalent to a past service funding level of 62.2%.

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 would be dealt with by the payment of additional contributions with effect from 1 April 2011. Total contributions increased from 23.1% of pensionable salaries to 29.6% (including 10.4% contribution towards the past service deficit). Employee contributions increased from 7.7% to 9.6% and employer contributions increased from 15.4% to 20%. Following an assessment of employer covenants, members of the Final salary 60th scheme will transfer to a Career Average Revalued Earnings with a 1/120th accrual rate from 1 April 2012. Contribution rates will change to 4.7% employer and 4.7% employee with additional contributions towards past service deficit. Members will be contracted back into the second state pension.

At the year end there was £138,655 (2011 £109,411) pension contributions outstanding for the group and £134,771 (2011 £106,584) outstanding for Key Housing Association Limited only. This represents one month's contributions. Total employer contributions were £1,217,526 (2011 £897,959) for the group and £1,178,106 (2011 £876,571) for Key Housing Association Limited only. As at the balance sheet date there were 209 active members of the scheme employed by the group and 202 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 £36,750 (2011 £30,699) for the group and £33,736 (2011 £27,773) for Key Housing Association Limited only. Included in the creditors as at 31 March 2012 is £5,661 (2011 £4,823) in respect of the defined contribution scheme for the group and £5,270 (2011 £4,329) for Key Housing Association Limited only. This represents one month's contribution. As at the balance sheet date there were 69 active members of the scheme employed by the group and 64 by Key Housing Association Limited.

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.

Notes to the consolidated financial statements (continued)

7 Interest receivable and payable

	Consolidated		The Association	
	2012	2011	2012	2011
	£	£	£	£
Interest receivable and similar income:				
Bank deposit interest	161,001	146,688	116,889	115,654
Union commission	2,421	2,259	2,421	2,259
	<u>163,422</u>	<u>148,947</u>	<u>119,310</u>	<u>117,913</u>
Interest payable and similar charges:				
Bank loans and other loan	(132,717)	(138,736)	(132,717)	(138,736)
	<u>30,705</u>	<u>10,211</u>	<u>(13,407)</u>	<u>(20,823)</u>

8 Taxation

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

Notes to the consolidated financial statements (continued)

9 Fixed assets – housing land and buildings – Consolidation and The Association

	2012	2011
Cost:		(Restated)
At 1 April 2011	41,470,020	41,543,110
Additions	2,548,458	1,338,567
Disposals	-	(1,411,657)
	<u>44,018,478</u>	<u>41,470,020</u>
At 31 March 2012		
Housing Association Grant:		
At 1 April 2011	30,844,799	31,400,636
Received during the year	414,220	720,814
Disposals	-	(1,276,651)
	<u>31,259,019</u>	<u>30,844,799</u>
At 31 March 2012		
Health Board and Local Authority Grants:		
At 1 April 2011	1,007,316	1,007,316
Received during the year	-	-
	<u>1,007,316</u>	<u>1,007,316</u>
At 31 March 2012		
Total Grants	<u>32,266,335</u>	<u>31,852,115</u>
Property Depreciation:		
At 1 April 2011	1,456,712	1,224,178
Charge for the year	296,132	271,060
Disposals	-	(38,526)
	<u>1,752,844</u>	<u>1,456,712</u>
At 31 March 2012		
Total Cost less depreciation as at 31 March 2012	<u>42,265,634</u>	<u>40,013,308</u>
Total Grants as at 31 March 2012	<u>(32,266,335)</u>	<u>(31,852,115)</u>
Net Book Value as at 31 March 2012:	<u>9,999,299</u>	<u>8,161,193</u>

Component Accounting

The group has adopted the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers Update 2010 at 31 March 2012. This has required the group to identify the major components which make up its housing property assets and depreciate these over individual useful economic lives.

Prior period balances have been adjusted to reflect this change in accounting policy and these are stated above with full details in note 28 to these financial statements.

Notes to the consolidated financial statements (continued)

10a Fixed assets – other – Consolidated

	Motor Vehicles £	Computers and Furniture £	Improvements to leasehold property £	Total £
Cost:				
At 1 April 2011	318,956	1,022,762	472,962	1,814,680
Additions	52,453	15,226	-	67,679
Disposals	(81,751)	-	-	(81,751)
At 31 March 2012	289,658	1,037,988	472,962	1,800,608
Less: Depreciation				
At 1 April 2011	229,614	805,914	367,209	1,402,737
Charge for the year	37,793	41,123	37,324	116,240
Disposals	(75,682)	-	-	(75,682)
At 31 March 2012	191,725	847,037	404,533	1,443,295
Net book value:				
At 31 March 2012	97,933	190,951	68,429	357,313
At 31 March 2011	89,342	216,848	105,753	411,943

10b Fixed assets – other – The Association

	Motor Vehicles £	Computers and Furniture £	Improvements to leasehold property £	Total £
Cost:				
At 1 April 2011	318,956	981,477	472,962	1,773,395
Additions	52,453	14,282	-	66,735
Disposals	(81,751)	-	-	(81,751)
At 31 March 2012	289,658	995,759	472,962	1,758,379
Less: Depreciation				
At 1 April 2011	229,614	785,428	367,209	1,382,251
Charge for the year	37,793	37,097	37,324	112,214
Disposals	(75,682)	-	-	(75,682)
At 31 March 2012	191,725	822,525	404,533	1,418,783
Net book value:				
At 31 March 2012	97,933	173,234	68,429	339,596
At 31 March 2011	89,342	196,049	105,753	391,144

Notes to the consolidated financial statements (continued)

11 Investments

At 31 March 2012 and at 31 March 2011, Key Housing Association Limited held 100% control over its subsidiary undertaking Community Lifestyles Limited, 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 Limited.

The Group and Key Housing Association Limited have quoted investments held via Fidelity as follows:

Quoted investments	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
Market value at 1 April	500,000	-	500,000	-
Additions at cost	-	500,000	-	500,000
Disposals at carrying value	-	-	-	-
Unrealised losses/gains on investments	12,180	-	12,180	-
Market value at 31 March	512,180	500,000	512,180	500,000
Historical cost at 31 March	500,000	500,000	500,000	500,000

The following investments represent over 5% of the portfolio:

	Holding	Value at 31 March 2012 £	% holding
Invesco Perpetual Corporate Bond Inc.	116,251	94,535	18.46%
Legal and General European Index Trust R Inc.	31,346	54,740	10.69%
Legal and General Japan Index Inc.	98,204	29,933	5.84%
Legal and General UK Index R Inc.	86,610	105,925	20.68%
Legal and General UK Property Trust R Inc.	89,595	37,182	7.26%
Legal and General US Index Trust R Inc.	39,838	70,843	13.83%
M&G Property Portfolio A Inc.	51,448	37,629	7.35%
M&G Strategic Corp Bond A Acc	29,923	26,497	5.17%

12 Debtors: falling due within one year

	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
Other debtors and prepayments	305,999	303,104	252,960	270,683
Arrears for rent and service charge	74,280	64,920	74,280	64,920
Local authority revenue grant receivable	3,765,798	2,978,228	2,223,126	2,231,081
Community Lifestyles Limited	-	-	4,404	2,396
	4,146,077	3,346,252	2,554,770	2,569,080

Notes to the consolidated financial statements (continued)

13 Creditors: falling due within one year

	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
Share Capital (see Note 15)	371	371	371	371
Mortgage interest due	411	438	411	438
Local authority grants repayable	3,700	26,979	3,700	26,979
Accruals and deferred grant income	596,698	3,037,843	249,856	2,288,762
Loans (see Note 14)	128,540	114,844	128,540	114,844
Prepayments of rent and service charge	81,132	84,495	81,132	84,495
Social security and other taxes	1,471,139	1,601,560	1,131,990	1,233,481
Other creditors	1,501,420	831,277	1,480,685	813,238
Community Lifestyles Limited	-	-	9,378	6,159
	<u>3,783,411</u>	<u>5,697,807</u>	<u>3,086,063</u>	<u>4,568,767</u>

Notes to the consolidated financial statements (continued)

14 Creditors: falling due after more than one year – Consolidation and The Association

	2012 £	2011 £
Total bank loans outstanding:		
Payable in one year or less	128,540	114,844
Payable within one to two years	133,903	121,827
Payable within two to five years	444,883	407,151
Payable over five years	1,552,512	1,730,882
	<u>2,259,838</u>	<u>2,374,704</u>
Less payable within one year	(128,540)	(114,844)
Total bank loans due after one year	<u><u>2,131,298</u></u>	<u><u>2,259,860</u></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 1.5%.

15 Share capital – Consolidated and The Association

	2012 £	2011 £
Shares of £1 each fully paid and issued at:		
1 April 2011	371	382
Shares issued during the year	-	3
Shares written off during the year	-	(14)
Shares of £1 each fully paid at 31 March 2012	<u><u>371</u></u>	<u><u>371</u></u>

The Association issued no new shares in the year. 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.

Notes to the consolidated financial statements (continued)

16a Designated reserves – Consolidated

	Remodelling £	Support Related Maintenance £	Training £	Major Repairs & Cyclical Maintenance £	Furniture Renewal £	Reserve for Quality Assurance £	Total £
Balance at 1 April 2011	251,157	243,361	1,786,249	2,038,119	1,597,551	102,477	6,018,914
Transfer from revenue account	157,191	-	89,656	-	250,485	-	497,332
Transfer to revenue account	(23,649)	(18,535)	(61,639)	-	(270,750)	-	(374,573)
Balance at 31 March 2012	<u>384,699</u>	<u>224,826</u>	<u>1,814,266</u>	<u>2,038,119</u>	<u>1,577,286</u>	<u>102,477</u>	<u>6,141,673</u>

16b Designated reserves – The Association

	Remodelling £	Support Related Maintenance £	Training £	Major Repairs & Cyclical Maintenance £	Furniture Renewal £	Total £
Balance at 1 April 2011	251,157	112,396	763,638	2,038,119	1,597,551	4,762,861
Transfer from revenue account	157,191	-	-	-	250,485	407,676
Transfer to revenue account	(23,649)	(7,414)	(61,639)	-	(270,750)	(363,452)
Balance at 31 March 2012	<u>384,699</u>	<u>104,982</u>	<u>701,999</u>	<u>2,038,119</u>	<u>1,577,286</u>	<u>4,807,085</u>

17 Revenue reserves

	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
		(Restated)		(Restated)
Balance at 1 April 2011	10,187,384	9,649,324	7,809,869	7,379,158
Surplus for year	1,164,631	681,867	652,615	447,384
Transfers to designated reserves	(122,759)	(143,807)	(44,224)	(16,673)
Balance at 31 March 2012	<u>11,229,256</u>	<u>10,187,384</u>	<u>8,418,260</u>	<u>7,809,869</u>

18 Reconciliation of total shareholders' funds

	Consolidated		The Association	
	2012 £	2011 £	2012 £	2011 £
		(Restated)		(Restated)
Balance at 1 April 2011	16,206,298	15,524,431	12,572,730	12,125,346
Surplus for year	1,164,631	681,687	652,615	447,384
Balance at 31 March 2012	<u>17,370,929</u>	<u>16,206,298</u>	<u>13,225,345</u>	<u>12,572,730</u>

Notes to the consolidated financial statements (continued)

19a Reconciliation of operating surplus to net cash flow from operating activities – Consolidated

	2012 £	2011 £ (Restated – see note 28)
Operating surplus	1,133,926	671,656
Loss/(Gain) on disposal of fixed assets	(9,094)	94,809
Depreciation charges	412,372	392,491
(Increase) / Decrease in debtors	(799,825)	234,010
(Decrease) / Increase in creditors	(1,928,092)	1,085,380
	<u>(1,215,073)</u>	<u>2,478,346</u>

19b Reconciliation of operating surplus to net cash flow from operating activities – The Association

	2012 £	2011 £ (Restated – see note 28)
Operating surplus	666,022	468,207
Loss/(Gain) on disposal of fixed assets	(9,094)	94,809
Depreciation charges	408,346	387,504
Decrease in debtors	14,310	178,331
(Decrease) / Increase in creditors	(1,496,400)	859,777
	<u>(416,816)</u>	<u>1,988,628</u>

20a Reconciliation of net cash flow to movement in net debt – Consolidated

	2012 £	2011 £
(Decrease) / Increase in cash in the year	(3,473,808)	1,196,568
Loans repaid	114,866	113,203
Cash used to increase liquid resources	12,180	500,000
Other movement	<u>(3,888)</u>	<u>-</u>
Change in net debt	(3,350,650)	1,809,771
Net debt at 1 April 2011	9,873,761	8,063,990
Net debt at 31 March 2012	<u>6,523,111</u>	<u>9,873,761</u>

Notes to the consolidated financial statements (continued)

20b Reconciliation of net cash flow to movement in net debt – The Association

	2012 £	2011 £
(Decrease) / Increase in cash in the year	(2,743,079)	679,900
Loans repaid	114,866	113,203
Cash used to increase liquid resources	12,180	500,000
Other movement	(3,888)	-
Change in net debt	(2,619,921)	1,293,103
Net debt at 1 April 2011	5,009,124	4,616,021
Net debt at 31 March 2012	<u>3,289,203</u>	<u>5,909,124</u>

21a Analysis of change in net debt – consolidated

	At 1 April 2011 £	Cash flows £	At 31 March 2012 £
Cash at hand	11,744,577	(3,473,808)	8,270,769
Debt due	(2,370,816)	110,978	(2,259,838)
Current asset investments	500,000	12,180	512,180
	<u>9,873,761</u>	<u>(3,350,650)</u>	<u>6,523,111</u>

21b Analysis of change in net debt – The Association

	At 1 April 2011 £	Cash flows £	At 31 March 2012 £
Cash at hand	7,779,940	(2,743,079)	5,036,861
Debt due	(2,370,816)	110,978	(2,259,838)
Current asset investments	500,000	12,180	512,180
	<u>5,909,124</u>	<u>(2,619,921)</u>	<u>3,289,203</u>

22 Capital commitments – Consolidation and The Association

	2012 £	2011 £
Contracted for but not provided for in the financial statements	<u>20,000</u>	<u>454,000</u>
Authorised by the Management Committee but not contracted for	<u>961,056</u>	<u>178,000</u>

Notes to the consolidated financial statements (continued)

23a Operating lease commitments – Consolidated

	Land & Buildings 2012 £	Other 2012 £	Land & Buildings 2011 £	Other 2011 £
One year or less	369,846	698	340,689	4,793
Between two and five years	243,399	48,704	276,951	16,287
In five years or more	7,000	-	-	-
	<u>620,245</u>	<u>49,402</u>	<u>617,640</u>	<u>21,080</u>

23b Operating lease commitments – The Association

	Land & Buildings 2012 £	Other 2012 £	Land & Buildings 2011 £	Other 2011 £
One year or less	369,846	698	340,689	4,793
Between two and five years	200,259	48,704	233,811	16,287
In five years or more	7,000	-	-	-
	<u>577,105</u>	<u>49,402</u>	<u>574,500</u>	<u>21,080</u>

24 Contingent liabilities – Consolidation and The Association

The Group has received Housing Association Grant (HAG), which has been used to fund the acquisition and development of housing properties and their components. At 31 March 2012, the group had disposed of components which had received £7,930,806 (2011 restated £7,930,806) of grant funding. Although the disposal of these components has not given rise to a relevant event for the purpose of recycling the grant (as the group retains the property asset) the group does have a future obligation to recycle the grant if the property is disposed of. It is not the intention of the group to dispose of property assets therefore no provision has been made in the financial statements.

25 Housing stock – Consolidation and The Association

	Units under Management Mainstream 2012	Units under Management Mainstream 2011	Units under Management Supported 2012	Units under Management Supported 2011
Housing accommodation for letting:				
New build	152	148	531	544
Rehabilitation	-	-	22	22
	<u>152</u>	<u>148</u>	<u>553</u>	<u>566</u>

The Group and Association have no units under development (mainstream or supported) at either year end. No registered accommodation is in place either in relation to bed spaces.

26 Legislative provisions

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

Notes to the consolidated financial statements (continued)

27 Related party – subsidiary undertaking

In August 1995, Key Housing Association set up a subsidiary company, Community Lifestyles Limited. This company provided 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 £578,274 (2011: £538,358) by Key Housing Association to Community Lifestyles for staff costs and other overheads. At 31 March 2012, Community Lifestyles owed Key Housing Association £4,404 (2011: £2,396) in respect of sundry items. Included in the year end creditors is £9,378 (2011: £6,159) in respect of sundry items payable to Community Lifestyles.

28 Prior year adjustment

The prior year adjustment reflects the introduction of component accounting in accordance with SORP update 2010 which confirms that housing properties always comprise of several components.

The group has determined that its properties include major components as set out in note 2 to these financial statements. The SORP 2010 requires these components to be accounted for separately to the land and structure of the building for depreciation purposes.

The cumulative effect on both the consolidated and group reserves is £365,302.

Notes to the consolidated financial statements (continued)

28 Prior year adjustment (cont)

Impact of component accounting

Consolidation and the Association

	Cumulative prior year adjustments to 31 March 2010 £	Prior year adjustment for year to 31 March 2011 £	Cumulative prior year adjustment to 31 March 2011 £
Income and Expenditure Account			
Operating costs – depreciation charge	(416,612)	(109,201)	(525,813)
Operating costs – major improvement expenditure	1,167,852	235,307	1,403,159
Operating costs – loss on disposal of components	(415,564)	(96,480)	(512,044)
Impact on operating surplus	<u>335,676</u>	<u>29,626</u>	<u>365,302</u>
Balance Sheet			
Housing Properties (cost)			
At 31 March as previously stated	47,566,674	1,103,260	48,669,934
Additional capitalisation of components	1,167,852	235,307	1,403,159
Disposal of replaced components	(7,191,416)	(1,411,657)	(8,603,073)
At 31 March Restated	<u>41,543,110</u>	<u>(73,090)</u>	<u>41,470,020</u>
Housing Association Grant			
At 31 March as previously stated	38,054,791	720,814	38,775,605
Disposal of replaced components	(6,654,155)	(1,276,651)	(7,930,806)
At 31 March Restated	<u>31,400,636</u>	<u>(555,837)</u>	<u>30,844,799</u>
Housing properties (depreciation)			
At 31 March as previously stated	929,263	161,859	1,091,122
Additional depreciation charges	416,612	109,201	525,813
Disposal of replaced components	(121,697)	(38,526)	(160,223)
At 31 March Restated	<u>1,224,178</u>	<u>232,534</u>	<u>1,456,712</u>

Notes to the consolidated financial statements (continued)

28 Prior year adjustment (cont)

Impact of component accounting – Consolidation

	Cumulative prior year adjustments to 31 March 2010 £	Prior year adjustment for year to 31 March 2011 £	Cumulative prior year adjustment to 31 March 2011 £
Revenue Reserve			
Revenue reserve at 31 March as previously stated	9,313,648	508,434	9,822,082
Impact on operating surplus	335,676	29,626	365,302
Revenue Reserve as at 31 March as restated	<u>9,649,324</u>	<u>538,060</u>	<u>10,187,384</u>
Shareholders' Funds			
Shareholders' Funds at 31 March as previously stated	15,188,755	652,241	15,840,996
Impact on operating surplus	335,676	29,626	365,302
Shareholders' Funds as at 31 March as restated	<u>15,524,431</u>	<u>681,867</u>	<u>16,206,298</u>

Impact of component accounting – the Association

	Cumulative prior year adjustments to 31 March 2010 £	Prior year adjustment for year to 31 March 2011 £	Cumulative prior year adjustment to 31 March 2011 £
Revenue Reserve			
Revenue reserve at 31 March as previously stated	7,043,482	401,085	7,444,567
Impact on operating surplus	335,676	29,626	365,302
Revenue Reserve as at 31 March as restated	<u>7,379,158</u>	<u>430,711</u>	<u>7,809,869</u>
Shareholders' Funds			
Shareholders' Funds at 31 March as previously stated	11,789,670	417,758	12,207,428
Impact on operating surplus	335,676	29,626	365,302
Shareholders' Funds as at 31 March as restated	<u>12,125,346</u>	<u>447,384</u>	<u>12,572,730</u>