

Financial Statements

Key Housing Association Limited

For the year ended 31 March 2013

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Legal and administrative details

Scottish Charity registration number: SC006652

Company registration number: SC139122

Registered office: 70 Renton Street
Glasgow
G4 0HT

Committee members: Joanna Pearson (Chairperson)
William Mooney (Vice Chairperson)
Angus Turner (Secretary)
Gillian Anderson
Anne Finnegan
Margot Duggan
Duncan Sims
Elizabeth Stewart (retired 11 September 2012)
Sandra Blair
David Meechan
David Le Sage
Alex Davidson

Chief Executive: 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
4 Hardman Square
Spinningfields
Manchester
M3 3EB

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 2013.

Statement of the Management Committee's Responsibilities

The committee of management is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Industrial and Provident Societies legislation in the United Kingdom and registered social housing legislation requires the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and group at the end of the year and of the surplus or deficit of the society for the year then ended.

In preparing those financial statements the committee of management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom Accounting Standards; and
- prepare the financial statements on a going concern basis.

The Management Committee is responsible for keeping and maintaining a satisfactory system of control over proper accounting records 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 2010 and the Determination of Accounting Requirements 2012.

The Management Committee is also responsible safeguarding 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 at 31 March 2013 were Joanna Pearson (Chairperson), William Mooney (Vice Chairperson), Angus Turner (Secretary), Gillian Anderson, Anne Finnegan, Margot Duggan, Duncan Sims, Sandra Blair, David Meechan, David Le Sage and Alex Davidson. All the Management Committee hold a £1 share in the Association. Elizabeth Stewart retired from the Committee with effect from 11 September 2012.

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), Community Lifestyles Limited (Community Lifestyles) and KHA Developments Limited (KHA).

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)

KHA was incorporated on 24 November 2011. The principal activity of KHA is the redevelopment of housing which is used for the support of adults with learning disabilities. KHA is a limited company. It remains under common control of Key Housing Association Limited.

Business review

The group generated an operating surplus of £1,419,271 (2012 £1,133,926) for the year ending 31 March 2013 and a surplus after interest of £1,519,461 (2012 £1,164,631).

KEY generated an operating surplus of £1,014,752 (2012 £666,022) and a surplus after interest of £1,047,696 (2012 £652,615).

During the year to 31 March 2013 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, and in particular the restrictions on local authority spending at a time of increasing need for social care services.

Local authorities continue to base their activities on planning assumptions for the period to 2015 projecting an increasing gap between available resources (which will reduce) and need (which will increase). Limited economic growth and austerity measures in the public finances have reinforced the pressures on social care funding.

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. In the course of the year the Self Directed Support Act came into being, heralding a major change in the way that social care is provided in Scotland. KEY's Strategic Plan has for some years anticipated this and preparations have been underway to ensure that our support and our back up systems are congruent with people having greater control over their support and its funding.

Our Strategic 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 funding directly or whether the funding is through a local authority.

The introduction of self directed support in a whole systems approach to changing social care occurred in two local authority areas where KEY supports a substantial number of people (Glasgow and North Lanarkshire). These processes were partly to release funds for new demand, and partly to effect savings for the Councils. While there was some reduction in the support levels provided, new support arrangements were also commissioned, and in the year to 31 March 2013 there was an increase in support hours provided in Glasgow of 4.12%, and a small decrease in North Lanarkshire of 4.89%. The overall position across KEY was an increase in support hours provided of 2.53% (1,056 hours per week). This is a relatively strong performance against a backdrop of funding cuts and the implementation of SDS affecting a substantial proportion of the people we support.

Report of the management committee (continued)

At 31 March 2013, KEY supported 1,238 people in 14 local authority areas. In the course of the year, new support arrangements were established for 130 people. This compared to 99 new arrangements in the previous financial year. The overall level of support provided (hours per week) at 31 March 2013 was 42,882, an increase from the March 2012 level of 41,826 hours.

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 2013, KEY employed 1557 contracted staff (315 full time and 1242 part time) and on average a further 400 on a relief basis. This compares to 1540 contracted staff (331 full time and 1209 part time) and on average a further 400 on a relief basis as at 31 March 2012.

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 in the course of the year. Work was completed at the housing at Laurieston, where a large shared house was subdivided into 2 smaller flats, and work started at Camelon in Falkirk, with 2 large shared flats remodelled into 4 smaller flats, and at Stranraer, where 7 flats, including fully accessible short stay accommodation, are being created. Work also started at Weir Street in Coatbridge to subdivide 2 larger properties into 4 flats.

The burden of tendering that was a significant feature of previous years was much reduced in 2012/13, 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 from designated reserves of £179,608 during the financial year, the designated reserves of the group have decreased to £5,962,065. KEY's designated reserves decreased by £195,857 to £4,611,228.

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 2013 for Community Lifestyles Ltd was £471,740 (2012 £512,016). £16,249 (2012 £78,535) is the net transfer to the designated support related maintenance and reserve for quality assurance development. £455,491 has been transferred to unrestricted funds.

Community Lifestyles was affected in a similar way to KEY by the implementation of Self Directed Support (SDS) by Glasgow City Council. After a substantial reduction in hours of support provided in the year to 31 March 2012, (a total reduction of 1,721 hours per week over the year), there was an increase in the year to 31 March 2013 of 462 hours per week provided. New support arrangements were developed for 42 people, an increase over the previous years figure of 38 people.

This was the first full year of operation of KHA Developments Ltd which took forward the planned remodelling of the shared flats at Camelon, Falkirk and Stranraer. Total turnover for the year was £976,008 with operating costs of £975,983.

Works were still underway on the new office premises at Renton Street, Glasgow as at 31 March 2013.

Value for money

Over the past 3 years, we have taken forward a number of initiatives to improve the value we get for services and goods purchased, and in our support service activity. The context has been the downward pressure on our funding from local authorities for support services, both in the form of funding standstills or cuts and also reductions in the level of support for individuals, and we have been reviewing our central costs and service management costs in the light of these funding changes. An underlying element to this has been the salary freeze that started in 2009 and continued during 2012/13.

The main elements of these initiatives are described below.

Report of the management committee (continued)

Central services and costs

We undertake regular review of our main cost centres, such as telecomms, insurance, cleaning services, printing and stationary. We are in the second year of significant savings on telephone costs, and the third year for insurance, with tendering expected in 2013/14. Supplier review of printing and stationary has also contributed savings. In overall terms, and excluding a one off cost related to the Savoy Tower lease, non-staffing management costs in 2012/13 were 6.5% lower than 2011/12, while our overall level of activity has increased.

We reduced our head office salary costs by 5.9% in the course of the year as a result of non-replacement of a number of posts, including the Head of Housing Services.

We introduced a trial of epapers for Board and Committee meetings, equipping members with tablet devices, and will be rolling this out to all Board members from all meetings in 2013/14, with expected savings in paper, printing and administration costs.

Head office costs

While not showing cost reductions in the year, we continued with work to our new head office premises in Glasgow with a view to a move in 2013/14, with a resultant significant reduction in costs associated with leasing premises (the new premises having been purchased) coming into effect in 2014/15, following expiry of the Savoy Tower lease in January 2014.

Support service activity

We have reduced staff replacement costs related to training by developing more localised training facilities, and by introducing e-learning for a number of core courses. This will continue with further e-learning courses developed in 2013/14.

In our support service management we have continued to rationalise management structures where appropriate, ensuring the maintenance of an appropriate quality of management input. In the course of the year we reorganised management structures in East and West Dunbartonshire, and North Ayrshire, expanding the remits for experienced managers to allow non replacement of a retiring or promoted manager. In the previous two years we have reorganised management structures to an area basis in Glasgow, Inverness and Easter Ross.

These efficiencies have been focused on enabling further growth within existing management structures and resources, and in the course of the year we increased the number of people we support across Scotland by 77, and support hours provided by 1056.

Internal financial control

The 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 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.

Report of the management committee (continued)

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 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 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 2013. 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 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.

Report of the management committee (continued)

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. 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. Management Committee receive regular cash flow and financial reports during the year to enable an informed assessment to be made. 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 19 September 2013.

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


Angus Turner
Secretary

21 August 2013

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 2013 which comprise 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing 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 housing 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 housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 2, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the 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 and Association's affairs as at 31 March 2013 and of the group and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2012.

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 an 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 on which we are aware from our audit work on the financial statements.



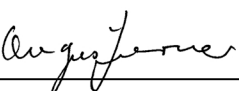
Fiona Baldwin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 2 September 2013

Consolidated income and expenditure account

	Notes	2013 £	2012 £
Turnover	1a	49,188,068	48,249,426
Less: Operating costs	1a	<u>(47,768,797)</u>	<u>(47,115,500)</u>
Operating surplus		1,419,271	1,133,926
Interest receivable	7	210,880	163,422
Interest payable	7	<u>(110,690)</u>	<u>(132,717)</u>
Surplus for the year	4	<u><u>1,519,461</u></u>	<u><u>1,164,631</u></u>

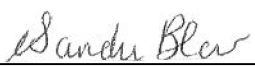
These financial statements were approved by the Management Committee on 21 August 2013.

Signed on behalf of the Management Committee



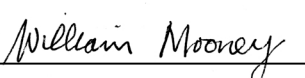
Angus Turner

Secretary



Sandra Blair

Vice Chairperson



William Mooney

Vice Chairperson

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.

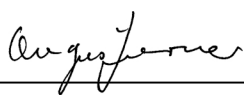
The accompanying accounting policies and notes form an integral part of these financial statements.

Association income and expenditure account

	Notes	2013 £	2012 £
Turnover	1b	38,928,694	38,132,315
Less: Operating costs	1b	<u>(37,913,942)</u>	<u>(37,466,293)</u>
Operating surplus		1,014,752	666,022
Interest receivable	7	143,634	119,310
Interest payable	7	<u>(110,690)</u>	<u>(132,717)</u>
Surplus for the year	4	<u><u>1,047,696</u></u>	<u><u>652,615</u></u>

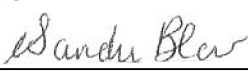
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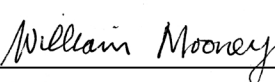
Angus Turner

Secretary



Sandra Blair

Vice Chairperson



William Mooney

Vice Chairperson

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

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

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

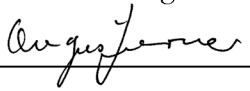
	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Opening funds	17,370,929	16,206,298	13,225,345	12,572,730
Total recognised surpluses relating to the year	1,519,461	1,164,631	1,047,696	652,615
	<u>18,890,390</u>	<u>17,370,929</u>	<u>14,273,041</u>	<u>13,225,345</u>

Consolidated balance sheet


	Notes	2013 £	2012 £
Tangible Fixed Assets			
Housing properties less depreciation	9	43,550,494	42,265,634
Less: HAG & other grants	9	<u>(32,417,287)</u>	<u>(32,266,335)</u>
		11,133,207	9,999,299
Other fixed assets	10a	347,858	357,313
		<u>11,481,065</u>	<u>10,356,612</u>
Current Assets			
Investments	11	552,182	512,180
Debtors	12	4,491,710	4,146,077
Cash at bank and in hand		<u>8,937,349</u>	<u>8,270,769</u>
		13,981,241	12,929,026
Creditors: amounts falling due within one year	13 & 15	<u>(4,294,301)</u>	<u>(3,783,411)</u>
Net current assets		<u>9,686,940</u>	<u>9,145,615</u>
Total assets less current liabilities		21,168,005	19,502,227
Creditors: amounts falling due after one year	14	(1,999,337)	(2,131,298)
Provisions for liabilities	15	<u>(278,278)</u>	<u>-</u>
Net assets		<u><u>18,890,390</u></u>	<u><u>17,370,929</u></u>
Capital and Reserves			
Designated reserves	17a	5,962,065	6,141,673
Revenue reserves	18	<u>12,928,325</u>	<u>11,229,256</u>
	19	<u><u>18,890,390</u></u>	<u><u>17,370,929</u></u>

These financial statements were approved by the Management Committee on 21 August 2013.

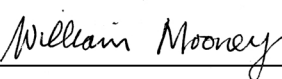
Signed on behalf of the Management Committee


Angus Turner

Secretary


Sandra Blair

Vice Chairperson


William Mooney

Vice Chairperson

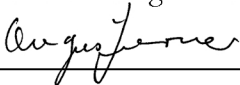
The accompanying accounting policies and notes form an integral part of these financial statements.

Balance sheet

	Notes	2013 £	2012 £
Tangible Fixed Assets			
Housing properties less depreciation	9	43,550,494	42,265,634
Less: HAG & other grants	9	<u>(32,417,287)</u>	<u>(32,266,335)</u>
		11,133,207	9,999,299
Other fixed assets	10b	314,631	339,596
		<u>11,447,838</u>	<u>10,338,895</u>
Current Assets			
Investments	11	552,182	512,180
Debtors	12	3,422,798	2,554,770
Cash at bank and in hand		<u>4,555,546</u>	<u>5,036,861</u>
		8,530,526	8,103,811
Creditors: amounts falling due within one year	13 & 15	<u>(3,427,708)</u>	<u>(3,086,063)</u>
Net current assets		<u>5,102,818</u>	<u>5,017,748</u>
Total assets less current liabilities		16,550,656	15,356,643
Creditors: amounts falling due after one year	14	(1,999,337)	(2,131,298)
Provisions for liabilities	15	<u>(278,278)</u>	<u>-</u>
Net assets		<u>14,273,041</u>	<u>13,225,345</u>
Capital and Reserves			
Designated reserves	17b	4,611,228	4,807,085
Revenue reserves	18	<u>9,661,813</u>	<u>8,418,260</u>
	19	<u>14,273,041</u>	<u>13,225,345</u>


These financial statements were approved by the Management Committee on 21 August 2013.

Signed on behalf of the Management Committee



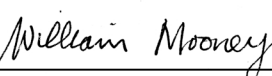
Angus Turner

Secretary



Sandra Blair

Vice Chairperson



William Mooney

Vice Chairperson

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

Consolidated cash flow statement

	Notes	2013 £	2013 £	2012 £	2012 £
Net cash inflow/(outflow) from operating activities	20a		2,357,925		(1,190,713)
Returns on investments and servicing of finance					
Interest received		210,880		163,422	
Interest paid		<u>(110,690)</u>		<u>(132,717)</u>	
Net cash inflow from investments and servicing of finance			100,190		30,705
Capital expenditure					
Acquisitions and construction of housing properties		(1,987,761)		(2,548,458)	
Payment to acquire other fixed assets		(170,012)		(67,679)	
Sale of fixed assets		14,300		15,163	
Capital grants received		<u>518,593</u>		<u>414,220</u>	
Net cash outflow from capital expenditure			(1,624,880)		(2,186,754)
Purchase of current assets investment			(40,002)		(12,180)
Financing					
Loans repaid		<u>(126,653)</u>		<u>(114,866)</u>	
Net cash outflow from financing			<u>(126,653)</u>		<u>(114,866)</u>
Increase/(decrease) in cash	21a		<u>666,580</u>		<u>(3,473,808)</u>

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

Cash flow statement

	Notes	2013 £	2013 £	2012 £	2012 £
Net cash inflow/(outflow) from operating activities	20b		1,246,667		(416,816)
Returns on investments and servicing of finance					
Interest received		143,634		119,310	
Interest paid		<u>(110,690)</u>		<u>(132,717)</u>	
Net cash inflow/(outflow) from investments and servicing of finance			32,944		(13,407)
Capital expenditure					
Acquisitions and construction of housing properties		(1,987,761)		(2,548,458)	
Payment to acquire other fixed assets		(139,403)		(66,735)	
Sale of fixed assets		14,300		15,163	
Capital grants received		<u>518,593</u>		<u>414,220</u>	
Net cash outflow from capital expenditure			(1,594,271)		(2,185,810)
Purchase of current assets investment			(40,002)		(12,180)
Financing					
Loans repaid		<u>(126,653)</u>		<u>(114,866)</u>	
Net cash outflow from financing			<u>(126,653)</u>		<u>(114,866)</u>
Decrease in cash	21b		<u>(481,315)</u>		<u>(2,743,079)</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 2010.

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 2010 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 Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012

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 2013 as obliged by statute. Surpluses or deficits on intra-group transactions are eliminated in full.

Going concern

The Management Committee have assessed that the group and association have 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 the financial statements have been prepared on a going concern basis which presumes the realisation of assets and liabilities in the normal course of business.

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.

Principal accounting policies (continued)

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%)

No depreciation is charged on assets during the course of construction.

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. 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.

Provisions

Dilapidations provision

The group and association have an operating lease on buildings which contains standard clauses obliging the group to reinstate the properties to their original condition at the commencement of the lease. It is the group's policy to provide for these liabilities at the point at which an event occurs which would require the properties to be restored.

Principal accounting policies (continued)

Onerous lease provision

The group and association have a lease that is onerous. Where the unavoidable costs of meeting the obligations under an onerous lease exceed the economic benefits expected to be received under it, it is the group's policy to recognise and measure the present obligation under the contract as a provision.

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 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.

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 reserve**

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

Principal accounting policies (continued)

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 2013 £	Operating Costs 2013 £	Operating Surplus 2013 £	Operating Surplus 2012 £
Social Lettings	3,329,188	2,463,186	866,002	751,785
Other activities	45,858,880	45,305,611	553,269	382,141
Total	49,188,068	47,768,797	1,419,271	1,133,926
2012	48,249,426	47,115,500	1,133,926	

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

	Turnover 2013 £	Operating Costs 2013 £	Operating Surplus 2013 £	Operating Surplus 2012 £
Social Lettings	3,329,188	2,463,186	866,002	751,785
Other activities	35,599,506	35,450,756	148,750	(85,763)
Total	38,928,694	37,913,942	1,014,752	666,022
2012	38,132,315	37,466,293	666,022	

Notes to the consolidated financial statements (continued)

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

	General Needs Housing 2013 £	Supported Housing accommodation 2013 £	Total 2013 £	2012 £
Rent receivable net of service charge	526,286	2,397,864	2,924,150	2,843,041
Service charges	15,654	415,335	430,989	430,956
Gross income from rents and service charges	541,940	2,813,199	3,355,139	3,273,997
Less voids	(5,569)	(20,382)	(25,951)	(49,005)
Total turnover from social letting activities	536,371	2,792,817	3,329,188	3,224,992
Management & maintenance administration costs	(166,831)	(667,324)	(834,155)	(793,796)
Service costs	(33,908)	(570,082)	(603,990)	(560,072)
Planned & cyclical maintenance including major repairs	(80,127)	(320,510)	(400,637)	(565,854)
Reactive maintenance costs	(57,829)	(231,315)	(289,144)	(283,353)
Depreciation of social housing/loss on disposal of replaced components	(67,052)	(268,208)	(335,260)	(270,132)
Operating costs for social letting activities	405,747	2,057,439	2,463,186	2,473,207
Operating surplus	130,624	735,378	866,002	751,785
Operating surplus – 2012	113,027	638,758	751,785	

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 (deficit) / Surplus	Operating (deficit) / Surplus
	2013 £	2013 £	2013 £	2013 £	2013 £	2012 £
Development activities	6,532	-	6,532	155,040	(148,508)	(31,125)
Care activities	-	45,852,348	45,852,348	45,150,571	701,777	413,266
Other activities	<u>6,532</u>	<u>45,852,348</u>	<u>45,858,880</u>	<u>45,305,611</u>	<u>553,269</u>	<u>382,141</u>
Other activities - 2012	<u>24,161</u>	<u>45,000,273</u>	<u>45,024,434</u>	<u>44,642,293</u>	<u>382,141</u>	

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

	Grants from Scottish Ministers	Other Revenue Grants	Total Turnover	Operating Costs	Operating (deficit) / Surplus	Operating (deficit) / Surplus
	2013 £	2013 £	2013 £	2013 £	2013 £	2012 £
Development activities	6,532	-	6,532	155,066	(148,534)	(31,125)
Care activities	-	35,592,974	35,592,974	35,295,690	297,284	(54,638)
Other activities	<u>6,532</u>	<u>35,592,974</u>	<u>35,599,506</u>	<u>35,450,756</u>	<u>148,750</u>	<u>(85,763)</u>
Other activities - 2012	<u>24,161</u>	<u>34,883,162</u>	<u>34,907,323</u>	<u>34,993,086</u>	<u>(85,763)</u>	

Notes to the consolidated financial statements (continued)

4 Surplus of income over expenditure before transfer to reserves

	Consolidated		The Association	
This is stated after:	2013 £	2012 £	2013 £	2012 £
Depreciation:				
- property	318,758	296,132	318,758	296,132
- other fixed assets	169,247	116,240	161,121	112,214
Loss/(gain) on disposal of fixed assets	12,421	(9,094)	5,448	(9,094)
Auditors remuneration:				
- external audit services	25,673	24,050	16,525	16,850
- internal audit services	11,980	12,528	11,980	12,528
- management of cash	9,383	11,550	7,658	7,500
- consultancy	27,000	18,000	27,000	18,000
Operating lease costs:				
- motor vehicles	21,080	30,132	21,080	30,132
- land and buildings	623,940	620,245	580,800	577,105

5 Remuneration

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

	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Salary	141,599	141,075	141,599	141,075
Pension contributions	6,455	13,543	6,455	13,543
	<u>148,054</u>	<u>154,618</u>	<u>148,054</u>	<u>154,618</u>

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

	2013	2012
More than £60,000 but not more than £70,000	1	1
More than £70,000 but not more than £80,000	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 (2012 two).

The emoluments of the highest paid director who is the Chief Executive are £71,920 (2012 £73,940).

Notes to the consolidated financial statements (continued)

The Chief Executive has no personal pension arrangements. Company pension contributions in respect of the Chief Executive amounted to £3,380 (2012 £6,904) and for the other director were £3,075 (2012 £6,639).

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

	Consolidated		The Association	
	2013	2012	2013	2012
	£	£	£	£
Expenses paid to members of the Management Committee	793	824	793	824

	Consolidated		The Association	
	2013	2012	2013	2012
	£	£	£	£
Staff costs during the year:				
Wages and Salaries	38,704,458	38,527,577	30,476,451	30,437,544
Social security costs	2,982,781	2,874,969	2,288,655	2,199,511
Other pension costs	984,472	1,244,276	958,446	1,211,842
	<u>42,671,711</u>	<u>42,646,822</u>	<u>33,723,552</u>	<u>33,848,897</u>

In addition to expenditure on direct salaries, the group incurred £881,349 (2012 £717,810) expenditure on the use of agency staff. For KEY this was £701,274 (2012 £673,207).

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

	Consolidated					
	2013	2012	2013	2013	2012	2012
	average	average	average	FTE	average	FTE
	weekly	weekly	weekly		weekly	
Head office	86	89	86	78	89	79
Services	2,411	2,374	1956	1,222	1,915	1,240
	<u>2,497</u>	<u>2,463</u>	<u>2,042</u>	<u>1,300</u>	<u>2,004</u>	<u>1,319</u>

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

Notes to the consolidated financial statements (continued)

5 Remuneration (continued)

the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

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

The last formal valuation of the Scheme was performed 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 an assessment of employer covenants, members of the Final salary 60th scheme were transferred to a Career Average Revalued Earnings with a 1/120th accrual rate from 1 April 2012. Contribution rates were 4.7% employer and 4.7% employee with additional contributions towards past service deficit. Members were contracted back into the second state pension. From 1 July 2013 members will be transferred to a defined contribution option within the scheme.

At the year end there was £97,928 (2012 £138,655) pension contributions outstanding for the group and £95,341 (2012 £134,771) outstanding for Key Housing Association Limited only. This represents one month's contributions. Total employer contributions were £951,461 (2012 £1,217,526) for the group and £928,377 (2012 £1,178,106) for Key Housing Association Limited only. As at the balance sheet date there were 199 active members of the scheme employed by the group and 192 by Key Housing Association Limited.

The group continues to offer the Scheme to its employees.

Since April 2011 separate payments have been made to fund the past service deficit of the scheme. For 2012/13 these totalled £720,563 for the Group and £705,444 for KEY. For 2013/14 these contributions will increase by 4.5%. Following the scheme valuation at 30 September 2012, the scheme has advised that there will be significant increases to the deficit contributions from 1 April 2014.

Defined contribution

The Association also offers a defined contribution pension scheme. Employer contributions for the year were £34,464 (2012 £36,750) for the group and £31,602 (2012 £33,736) for Key Housing Association Limited only. Included in creditors as at 31 March 2012 is £5,056 (2012 £5,661) in respect of the defined contribution scheme for the group and £4,628 (2012 £4,329) for Key Housing Association Limited only. This represents one month's contribution. As at the balance sheet date there were 71 active members of the scheme employed by the group and 66 by Key Housing Association Limited.

Notes to the consolidated financial statements (continued)

6 Creditor payments

The group 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		The Association	
	2013 £	2012 £	2013 £	2012 £
Interest receivable and similar income:				
Bank deposit interest	208,492	161,001	141,246	116,889
Union commission	2,388	2,421	2,388	2,421
	<hr/>	<hr/>	<hr/>	<hr/>
	210,880	163,422	143,634	119,310
 Interest payable and similar charges:				
Bank loans and other loan	(110,690)	(132,717)	(110,690)	(132,717)
	<hr/>	<hr/>	<hr/>	<hr/>
	100,190	30,705	32,944	(13,407)
	<hr/>	<hr/>	<hr/>	<hr/>

8 Taxation

The Association has charitable status (No SC006652) and is therefore exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988.

Notes to the consolidated financial statements (continued)

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

	2013	2012
Cost	£	£
At 1 April 2012	44,018,478	41,470,020
Additions	1,987,761	2,548,458
Disposals	(397,736)	-
	<u>45,608,503</u>	<u>44,018,478</u>
At 31 March 2013	45,608,503	44,018,478
Less: Housing Association Grant		
At 1 April 2012	31,259,019	30,844,799
Received during the year	518,593	414,220
Disposals	(367,641)	-
	<u>31,409,971</u>	<u>31,259,019</u>
At 31 March 2013	31,409,971	31,259,019
Health Board and Local Authority Grants		
At 1 April 2012	1,007,316	1,007,316
Received during the year	-	-
	<u>1,007,316</u>	<u>1,007,316</u>
At 31 March 2013	1,007,316	1,007,316
Total Grants	32,417,287	32,266,335
Property Depreciation		
At 1 April 2012	1,752,844	1,456,712
Charge for the year	318,758	296,132
Disposals	(13,593)	-
	<u>2,058,009</u>	<u>1,752,844</u>
At 31 March 2013	2,058,009	1,752,844
Total Cost less depreciation as at 31 March 2013	43,550,494	42,265,634
Total Grants as at 31 March 2013	(32,417,287)	(32,266,335)
Net Book Value as at 31 March 2013	11,133,207	9,999,299

Included in the property additions is £953,056 in respect of assets under construction. This includes £417,988 in respect of works at the office buildings at The Square, Renton Street. It is the group and association's policy not to depreciate these assets until they come into operation. The overall property balance also includes £1,300,000 relating to the original purchase of the office building.

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 2012	289,658	1,037,988	472,962	1,800,608
Additions	81,949	88,063	-	170,012
Disposals	(68,151)	(8,158)	-	(76,309)
At 31 March 2013	303,456	1,117,893	472,962	1,894,311
Less Depreciation				
At 1 April 2012	191,725	847,037	404,533	1,443,295
Charge for the year	49,187	51,631	68,429	169,247
Disposals	(64,904)	(1,185)	-	(66,089)
At 31 March 2013	176,008	897,483	472,962	1,546,453
Net book value				
At 31 March 2013	127,448	220,410	-	347,858
At 31 March 2012	97,933	190,951	68,429	357,313

10b Fixed assets – other – The Association

	Motor Vehicles £	Computers and Furniture £	Improvements to leasehold property £	Total £
Cost				
At 1 April 2012	289,658	995,759	472,962	1,758,379
Additions	81,949	57,454	-	139,403
Disposals	(68,151)	-	-	(68,151)
At 31 March 2013	303,456	1,053,213	472,962	1,829,631
Less Depreciation				
At 1 April 2012	191,725	822,525	404,533	1,418,783
Charge for the year	49,187	43,505	68,429	161,121
Disposals	(64,904)	-	-	(64,904)
At 31 March 2013	176,008	866,030	472,962	1,515,000
Net book value				
At 31 March 2013	127,448	187,183	0	314,631
At 31 March 2012	97,933	173,234	68,429	339,596

Notes to the consolidated financial statements (continued)

11 Investments

At 31 March 2013 and at 31 March 2012, 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.

In January 2012, KHA Developments Limited was set up as a design and build subsidiary of Key Housing Association Limited. The company began trading in February 2012. KEY is the only shareholder of KHA Developments Limited and approves the appointment of the directors of KHA Developments.

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

Quoted investments	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Market value at 1 April	512,180	500,000	512,180	500,000
Unrealised gains on investments	40,002	12,180	40,002	12,180
Market value at 31 March	552,182	512,180	552,182	512,180
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 2013 £	% holding
Legal and General European Index Trust R Inc.	38,747	77,611	14.05%
Legal and General UK Index R Inc.	58,016	80,004	14.48%
Legal and General US Index Trust R Inc.	33,548	70,116	12.69%
M&G UK Inflation Linked Corporate Bond GPB A Inc	43,103	47,827	8.7%

Notes to the consolidated financial statements (continued)

12 Debtors: falling due within one year

	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Other debtors and prepayments	353,141	305,999	255,310	252,960
Arrears for rent and service charge	54,361	74,280	54,361	74,280
Local authority revenue grant receivable	4,084,208	3,765,798	3,078,123	2,223,126
Amounts owed to subsidiary undertakings:				
Community Lifestyles Limited	-	-	35,004	4,404
	<u>4,491,710</u>	<u>4,146,077</u>	<u>3,422,798</u>	<u>2,554,770</u>

13 Creditors: falling due within one year

	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Share Capital (see Note 16)	368	371	368	371
Mortgage interest due	109	411	109	411
Local authority grants repayable	-	3,700	-	3,700
Accruals and deferred grant income	862,774	596,698	443,331	249,856
Loans (see Note 14)	133,848	128,540	133,848	128,540
Prepayments of rent and service charge	92,238	81,132	92,238	81,132
Social security and other taxes	1,555,488	1,471,139	1,125,401	1,131,990
Other creditors	1,649,476	1,501,420	1,493,447	1,480,685
Amounts due to subsidiary undertakings:				
Community Lifestyles Limited	-	-	31,801	9,378
KHA Developments Limited	-	-	107,165	-
	<u>4,294,301</u>	<u>3,783,411</u>	<u>3,427,708</u>	<u>3,086,063</u>

Notes to the consolidated financial statements (continued)

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

	2013 £	2012 £
Total bank loans outstanding:		
Payable in one year or less	133,848	128,540
Payable within one to two years	141,125	133,903
Payable within two to five years	467,312	444,883
Payable over five years	1,390,900	1,552,512
	<u>2,133,185</u>	<u>2,259,838</u>
Less payable within one year	(133,848)	(128,540)
Total bank loans due after one year	<u>1,999,337</u>	<u>2,131,298</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 5.76% and the lowest 1.4%.

15 Provisions for liabilities and charges

	The Group 2013 £	2012 £	The Association 2013 £	2012 £
Dilapidations provisions				
Brought forward at 1 April	-	-	-	-
Provided in year	150,000	-	150,000	-
	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Onerous lease provisions				
Brought forward at 1 April	-	-	-	-
Provided in year	128,278	-	128,278	-
	<u>128,278</u>	<u>-</u>	<u>128,278</u>	<u>-</u>
Total	<u>278,278</u>	<u>-</u>	<u>278,278</u>	<u>-</u>

The dilapidation provision is in respect of a property occupied by the Group where a tenant repairing lease has been entered into. The provision represents the Management Committee's best estimate of the liability which will be incurred in respect of dilapidations taking into account the current state and condition of the building and after consulting internally and taking account of all externally available information. Until final agreement has been reached in respect of this property the final liability is not certain.

The onerous lease provision comprises the residual present value of lease commitments on the now vacated previous Head Office, together with the service charge due for the remaining period of the lease. It is not expected that the premises will be sublet and therefore a full provision has been made.

Notes to the consolidated financial statements (continued)

16 Share capital – Consolidated and The Association

	2013 £	2012 £
Shares of £1 each fully paid and issued at:		
Brought forward at 1 April	371	371
Shares issued during the year	-	-
Shares written off during the year	(3)	-
Shares of £1 each fully paid at 31 March	<u>368</u>	<u>371</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.

17a Designated reserves – Consolidated

	Remodelling Reserve £	Support Related Maintenance Reserve £	Training Reserve £	Major Repairs & Cyclical Maintenance £	Furniture Renewal £	Reserve for Quality Assurance £	Total £
Balance at 1 April 2012	384,699	224,826	1,814,266	2,038,119	1,577,286	102,477	6,141,673
Transfer from revenue account		-	-	-	-	17,523	17,523
Transfer to revenue account	(81,349)	(8,243)	-	-	(107,539)		(197,131)
Balance at 31 March 2013	<u>303,350</u>	<u>216,583</u>	<u>1,814,266</u>	<u>2,038,119</u>	<u>1,469,747</u>	<u>120,000</u>	<u>5,962,065</u>

The level of the Group's reserves will be subject to review during year ending 31 March 2014 and as such, transfers to the reserves have been limited. There is no movement on the training reserve or reserve for major repairs and cyclical maintenance.

The transfer from the support related maintenance reserve was to meet support related adaptations falling outwith revenue funding.

The transfer to the reserve for quality assurance and development is in respect of an inclusion initiative in Glasgow and the reserve will be used to fund fixed term posts.

The transfer from the furnishings reserve is in respect of cyclical replacement of furnishings.

The transfer from the remodelling reserve relates to non funded decant expenditure.

No assets or liabilities are designated to specific funds.

Notes to the consolidated financial statements (continued)

17b Designated reserves – The Association

	Remodelling Reserve £	Support Related Maintenance Reserve £	Training Reserve £	Major Repairs & Cyclical Maintenance £	Furniture Renewal £	Total £
Balance at 1 April 2012	384,699	104,982	701,999	2,038,119	1,577,286	4,807,085
Transfer from revenue account	-	-	-	-	-	-
Transfer to revenue account	(81,349)	(6,969)	-	-	(107,539)	(195,857)
Balance at 31 March 2013	<u>303,350</u>	<u>98,013</u>	<u>701,999</u>	<u>2,038,119</u>	<u>1,469,747</u>	<u>4,611,228</u>

Reserve movements for the Association are as per the Group.

18 Revenue reserves

	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Balance at 1 April 2012	11,229,256	10,187,384	8,418,260	7,809,869
Surplus for year	1,519,461	1,164,631	1,047,696	652,615
Transfers from designated reserves	179,608	(122,759)	195,857	(44,224)
Balance at 31 March 2013	<u>12,928,325</u>	<u>11,229,256</u>	<u>9,661,813</u>	<u>8,418,260</u>

19 Reconciliation of total shareholders' funds

	Consolidated		The Association	
	2013 £	2012 £	2013 £	2012 £
Balance at 1 April 2012	17,370,929	16,206,298	13,225,345	12,572,730
Surplus for year	1,519,461	1,164,631	1,047,696	652,615
Balance at 31 March 2013	<u>18,890,390</u>	<u>17,370,929</u>	<u>14,273,041</u>	<u>13,225,345</u>

Notes to the consolidated financial statements (continued)

20a Reconciliation of operating surplus to net cash flow from operating activities - Consolidated

	2013 £	2012 £
Operating surplus	1,419,271	1,133,926
Loss/(Gain) on disposal of fixed assets	12,422	(9,094)
Depreciation charges	488,005	412,372
(Increase) in debtors	(345,633)	(799,825)
Increase / (Decrease) in creditors	783,860	(1,928,092)
	<u>2,357,925</u>	<u>(1,215,073)</u>

20b Reconciliation of operating surplus to net cash flow from operating activities – The Association

	2013 £	2012 £
Operating surplus	1,014,752	1,133,926
Loss/(Gain) on disposal of fixed assets	5,449	(9,094)
Depreciation charges	479,879	412,372
(Increase) / Decrease in debtors	(868,028)	(799,825)
Increase / (Decrease) in creditors	614,615	(1,928,092)
	<u>1,246,667</u>	<u>(1,190,713)</u>

21a Reconciliation of net cash flow to movement in net debt – Consolidated

	2013 £	2012 £
Increase / (Decrease) in cash in the year	666,580	(3,473,808)
Loans repaid	126,653	114,866
Cash used to increase liquid resources	40,002	12,180
Other movement	<u>-</u>	<u>(3,888)</u>
Change in net debt	833,235	(3,350,650)
Net debt at 1 April 2012	6,523,111	9,873,761
Net debt at 31 March 2013	<u>7,356,346</u>	<u>6,523,111</u>

Notes to the consolidated financial statements (continued)

21b Reconciliation of net cash flow to movement in net debt – The Association

	2013 £	2012 £
Decrease in cash in the year	(481,315)	(2,743,079)
Loans repaid	126,653	114,866
Cash used to increase liquid resources	40,002	12,180
Other movement		(3,888)
Change in net debt	(314,660)	(2,619,921)
Net debt at 1 April 2012	3,289,203	5,909,124
Net debt at 31 March 2013	2,974,543	3,289,203

22a Analysis of change in net debt – consolidated

	At 1 April 2012 £	Cash flows £	At 31 March 2013 £
Cash at hand	8,270,769	666,580	8,937,349
Debt due	(2,259,838)	126,653	(2,133,185)
Cash Asset Investments	512,180	40,002	552,182
	6,523,111	833,235	7,356,346

22b Analysis of change in net debt – The Association

	At 1 April 2012 £	Cash flows £	At 31 March 2013 £
Cash at hand	5,036,861	(481,315)	4,555,546
Debt due	(2,259,838)	126,653	(2,133,185)
Cash Asset Investments	512,180	40,002	552,182
	3,289,203	(314,660)	2,974,543

23 Capital commitments – Consolidation and The Association

	2013 £	2012 £
Contracted for but not provided for in the financial statements	778,644	20,000
Authorised by the Management Committee but not contracted for	266,971	961,056

Notes to the consolidated financial statements (continued)

The capital commitments are made up of the on-going remodelling programme of the Association and will be funded through a combination of government grant, local authority funding and reserves as well as committed expenditure in respect of works at the Renton Street office.

24a Operating lease commitments – Consolidated

	Land & Buildings 2013 £	Other 2013 £	Land & Buildings 2012 £	Other 2012 £
One year or less	535,814	5,121	369,846	698
Between two and five years	133,656	46,582	243,399	48,704
In five years or more	9,000	-	7,000	-
	<u>678,470</u>	<u>51,703</u>	<u>620,245</u>	<u>49,402</u>

24b Operating lease commitments – The Association

	Land & Buildings 2013 £	Other 2013 £	Land & Buildings 2012 £	Other 2012 £
One year or less	535,814	5,121	369,846	698
Between two and five years	90,516	46,582	200,259	48,704
In five years or more	9,000	-	7,000	-
	<u>635,330</u>	<u>51,703</u>	<u>577,105</u>	<u>49,402</u>

25 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 2013, the Group had disposed of components which had received £8,298,447 (2012 £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.

Notes to the consolidated financial statements (continued)

26 Housing stock – Consolidation and The Association

	Units under Management Mainstream 2013	Units under Management Mainstream 2012	Units under Management Supported 2013	Units under Management Supported 2012
Housing accommodation for letting:				
New build	133	152	554	531
Rehabilitation	-	-	22	22
	<u>133</u>	<u>152</u>	<u>576</u>	<u>553</u>
Registered accommodation:				
Number of bed spaces	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There are no new units under development for either year.

27 Legislative provisions

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

28 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 £476,497 (2012: £578,274) by Key Housing Association to Community Lifestyles for staff costs and other overheads. At 31 March 2013, Community Lifestyles owed Key Housing Association £35,004 (2012: £4,404) in respect of sundry items. Included in the year end creditors is £31,801 (2012: £9,378) in respect of sundry items payable to Community Lifestyles.

In January 2012, KEY set up a design and build subsidiary company called KHA Developments. KHA Developments had turnover of £976,008 for the year and operating costs of £975,982. All turnover was received from Key Housing Association Ltd. At the year end, KEY owed KHA Developments £107,165 in respect of outstanding invoices.