

# Financial Statements

## Key Housing Association Limited

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**For the year ended 31 March 2015**

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## Legal and administrative details

|   |  |
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| <b>Scottish Charity registration number:</b>            | SC006652   |
| <b>Financial Conduct Authority registration number:</b> | 1938R (S)  |
| <b>Scottish Housing Regulator registration number:</b>  | HEP141   |
| <b>Registered office:</b>                               | 70 Renton Street<br>Glasgow<br>G4 0HT  |
| <b>Committee members:</b>                               | Joanna Pearson (Chairperson)<br>William Mooney (Vice Chairperson)<br>Sandra Blair (Vice Chairperson)<br>Angus Turner<br>Gillian Anderson<br>Anne Finnegan (appointed 11 March 2015)<br>Margot Duggan (died 18 October 2014)<br>Duncan Sim<br>David Meechan<br>David Le Sage<br>Alex Davidson (resigned 6 May 2015)<br>John Paterson<br>Sheenagh Simpson (appointed 11 March 2015)<br>Agnes Kelly<br>Michael McKernon |
| <b>Chief Executive:</b>                                 | M Matheson   |
| <b>Secretary:</b>                                       | J Kearns   |
| <b>Bankers:</b>   | Clydesdale Bank plc<br>120 Bath Street<br>Glasgow, G2 2EN<br><br>Bank of Scotland plc<br>55 Bath Street<br>Glasgow, G2 2DJ   |
| <b>Solicitors:</b>                                      | BTO Solicitors<br>48 St Vincent Street<br>Glasgow, G2 5HS<br><br>Naftalin Duncan & Co<br>534 Sauchiehall Street<br>Glasgow, G2 3LX   |
| <b>External Auditors:</b>                               | Chiene and Tait LLP<br>Chartered Accountants and Statutory Auditor<br>61 Dublin Street<br>Edinburgh, EH3 6NL   |
| <b>Internal Auditors:</b>                               | Chiene and Tait LLP<br>61 Dublin Street<br>Edinburgh, EH3 6NL  |

# 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 2015.

## Structure, Governance and Management

### Background

Key Housing Association Limited (hereafter referred to as "Society") is a registered housing association incorporated under the Industrial and Provident Societies Act 1965, which provides housing and support to people with 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 people with disabilities mainly in housing not provided by the Society. 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.

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 disabilities. KHA is a limited company. It remains under common control of Key Housing Association Limited.

### Membership

The Management Committee members at 31 March 2015 were Joanna Pearson (Chairperson), William Mooney (Vice Chairperson), Sandra Blair (Vice Chairperson), Angus Turner, Gillian Anderson, Anne Finnegan, Duncan Sim, David Meechan, David Le Sage, Alex Davidson, John Paterson, Sheenagh Simpson, Michael McKernon and Agnes Kelly. It is with sadness that the death of Margot Duggan during the year is reported.

### Employee issues

The Society 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 Society 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 Society 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 Society recognises Trade Union representation for support service 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 Society.

## Objectives and activities

The Society's Management Committee agrees objectives and strategies for the Society normally within a 3-year strategic plan timescale. The strategic plan incorporates the long term funding of the Society. The Strategic Plan for the period to 2016 was adopted during year ended 31 March 2014.

The Society 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, finance and HR. These include the following specific policies:

**Governance** - Committee Control and Accountability – Standing Orders and Code of Conduct, Policy on Gifts and Hospitality, Policy on Payments, Benefits and Corporate Accountability, Policy on Disclosure of

## Report of the management committee (continued)

Interest, Policy for Payment of Committee Member Expenses, Delegation of Authority from the Management Committee, Complaints Procedure, Membership Policy, Risk Management Strategy, Equal Opportunities Policy, Participation Policy, Health and Safety Policy, Whistleblowing, Openness & Confidentiality, Sustainability, Information and Communication Technologies, IT Strategy, Data Protection, Insurances, Anti-fraud and Corruption, Media Guidelines, Performance Measurements and Business Continuity Planning.

**Housing Management** – Allocations Policies, Rent Policy, Arrears Policy, Estate Management Policy, Harassment Policy, Voids Management Policy, Recovery of Charges, Sub-letting, Lodgers, Assignment, Charging for Services, Legal Action, Abandonment, Furnished Lets and Anti-social Behaviour.

**Maintenance** – Maintenance Standards, Tenant feedback on repairs and maintenance, Monitoring of Emergency Repairs and Pre and post inspections.

**Development** – Development Procurement, CDM Regulations and Building Defects.

**Finance** – Treasury Management Policy, Internal Audit, Charging for Services, Reserves and Purchasing and Procurement.

**Human Resources** – Training, Staff Retirements, Criminal Convictions, Salaries, Support through Illness, Staff Welfare, No Smoking, Redundancy and Grievance Policy.

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

The Society's rent policy aims to achieve a committed rental income that enables the Society 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.

### Achievements and performance

During the year to 31 March 2015 there was a continuation of the previous year's pattern of funding restrictions, with limited inflationary increases 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 ongoing constraints within 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, at least, 2018 projecting an increasing gap between available resources (which will reduce) and need (which will increase).

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, following the introduction of the Self Directed Support Act, local authorities brought a variety of processes into place to meet their obligations under the Act. In most areas this affected new people receiving social care for the first time, and apart from the two authorities that had already implemented new arrangements on a whole systems basis, the effect on KEY and the people we support was limited in

## Report of the management committee (continued)

the course of the year. KEY's Strategic Plan has for some years anticipated the move to greater personalisation of social care, 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 and assets 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 also revised our strategies on Supporting People with Autism, and Dementia, as part of a wider strategic move to articulate with a wider audience about the scope and nature of our work, and the possibilities for developing this in the future. Policy and practice work was also started in relation to supporting young people through transitions, and people with mental health issues.

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 overall position across KEY for the year to 31 March 2015 was an increase in support hours provided of 4.34% (1944 hours per week), compared to an increase of 4.52% (1,940 hours per week) for the previous year. 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.

At 31 March 2015, KEY supported 1,379 people in 15 local authority areas. In the course of the year, new support arrangements were established for 179 people. This compared to 177 new arrangements in the previous financial year. The overall level of support provided (hours per week) at 31 March 2015 was 46,766, an increase from the March 2014 level of 42,882 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 2015, KEY employed 1,734 contracted staff (313 full time and 1,421 part time) and on average a further 536 on a relief basis. This compares to 1,647 contracted staff (311 full time and 1,336 part time) and on average a further 400 on a relief basis as at 31 March 2014.

KEY is nearing completion of an ambitious programme of sub-division of shared housing, and accessing alternative housing for people when required, which has been ongoing for several years and has provided individualised housing options and greater choice for people in relation to their housing. In the course of the year KEY was successful in obtaining funding from the Scottish Government which allowed work to be progressed on remodelling housing at Clark Street, Stirling.

With the overall transfer to reserves of £1,247,082 for the year the reserves of the Group total £21,181,534 as at 31 March 2015. KEY's reserves were increased by £565,780 to a total of £15,503,398 as at 31 March 2015.

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 2015 for Community Lifestyles Ltd was £680,982 (2014 £379,392). Community Lifestyles Ltd has reserves of £5,677,696 as at 31 March 2015.

## Report of the management committee (continued)

As at 31 March 2015, Community Lifestyles supported 373 people with total direct support of 14,106 hours per week. New support arrangements were developed for 63 people, compared with the previous year's figure of 77 people.

This was the third full year of operation of KHA Developments Ltd which took forward the planned remodelling of the shared flats at St Ninians, Stirling. Total turnover for the year was £392,700 with operating costs of £390,831.

### **Value for money**

Over the past 3 years, we have taken forward a number of initiatives to improve value for money from 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, ending on 1 April 2013 with a small 1% increase in salaries, with an increase of 1.25% being made to salaries from 1 April 2014.

The main elements of these initiatives are described below:

#### **Central services and costs**

We undertake regular review of our main cost centres, such as telecomms, insurance, cleaning services, printing and stationary. The 2014 tender exercise in respect of our insurance services resulted in a reduction of 16% in insurance premiums across the Group. Supplier review of printing and stationary has also contributed savings. We have continued to make significant savings in time and cost through the use of epapers for all Board and Committee meetings across KEY and Community Lifestyles.

#### **Head office costs**

With the move to our new head office premises in Glasgow in June 2013 we reduced our running costs in comparison with the previous leased arrangements.

## Report of the management committee (continued)

### Support service activity

We have continued to reduce staff replacement costs related to training by developing more localised training facilities, and by developing e-learning for a number of core courses. Following the creation in 2014 of our first practice based e-module ( in conjunction with external e-learning provider Aurion), for use prior to employment with relief register and contracted staff, we have continued development work on further e-learning modules, the first of which relates to Adult Support and Protection. These modules replace the one-day taught course previously delivered to relief register staff. As well as making significant savings, with over £13,000 spent last year on Relief Register salary costs alone, this is also a useful pre-employment module for contracted staff. As well as creating this module, Aurion also provided capacity-building training to help trainers become more confident in designing e-modules. It is anticipated that e-learning will figure more prominently over the next few years and this will be a useful addition to the range of training and development approaches currently used including taught training, workbooks, coaching and mentoring.

Over the past 4 years, we have reorganised management structures to an area basis in Glasgow, Inverness, Easter Ross, East and West Dunbartonshire, North Ayrshire, Falkirk and Dumfries. In the course of the year we increased support provided in 12 of the 15 local authority areas in which we work, this being on an incremental basis from existing service networks and building on existing management structures, allowing an efficient and effective increase in overall activity.

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 67, compared to the previous year's figure of 74, and support hours provided by 1,944 (previous year 1,940).

### 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 Society or for publication
- ii the maintenance of proper accounting records, and
- iii the safeguarding of assets against unauthorised use or disposition.

It is the Committee's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements of such systems are:

- i formal policies and procedures to restrict the unauthorised use of the Society'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;



## Report of the management committee (continued)

- 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 Society'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 Society for the year ended 31 March 2015. 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.

### Financial review

The group generated an operating surplus of £1,264,308 (2014: £943,831) for the year ending 31 March 2015 and a surplus after interest of £1,247,082 (2014: £960,924).

KEY generated an operating surplus of £611,847 (2014: £617,253) and a surplus after interest of £565,780 (2014: £581,439).

In the year ended 31 March 2014 a provision was made for anticipated workforce related expenditure which totalled £836,358 for the group and £651,602 for KEY. By 31 March 2015, the expenditure had not been incurred and could not be reasonably estimated at this time. As a result, the provision has been released back through the income and expenditure account. This release is included in the operating surplus figures above.

### Reserves

In line with recommended practice, the reserves which had been previously designated for specific purposes are no longer disclosed separately and have been released to the revenue reserve. These included reserves for major repairs and future training commitments as well as other smaller reserves. The Group and KEY continue to internally monitor these sums.

### 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. The 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.

### Plans for future periods

In the course of the year, the Management Committee monitored progress with the Strategic Plans for the period to 2016 for Housing and Support activities. The Plans included an assessment of the current operating environment, and associated risks and opportunities, with Risk Registers included for Housing and Support activities which detail the main risks and actions being taken to mitigate these risks.

The main objectives within the Strategic Plan for support activity for KEY are as follows;

## Report of the management committee (continued)

### **Objective 1**

Flexible individual support services that meets people's desired outcomes and gives people as much control as possible over their life.

### **Objective 2**

Support services that promote inclusion, participation and build both personal and community capacity.

### **Objective 3**

Support services that are cost effective, fully funded and delivered in response to variety of procurement arrangements.

### **Objective 4**

A skilled, committed, creative and qualified workforce focused on delivering outcome focused support.

### **Objective 5**

Central services that are responsive to requirements of personalised and self directed individual services.

### **Objective 6**

Stability, vision and commitment in the governance of KEY.

For each Objective there is a range of Strategies and Targets detailing how the Objectives are to be achieved, with timescales. One of the most important drivers of the strategies is the public policy direction of increasing personalisation of social care, embodied in the Self Directed Support Act. All of KEY's strategies are aligned to this, while recognising that it is a 10 year programme of public policy change and that competence and effectiveness in the existing social care procurement, funding and quality control environment must be maintained and developed as well as competence in the development of increasingly personalised services.

For KEY's Housing activity, the Housing Strategic Plan reflects the following objectives;

### **Objective 1**

To achieve a housing service that meets individual needs and enables housing choice.

### **Objective 2**

To achieve a housing service that provides housing that is well managed and maintained, and is desirable accommodation in the short and long term.

### **Objective 3**

To achieve a housing service that is adequately funded.

As with the Support Services Strategic Plan, each Housing Objective has a range of Strategies and Targets.

Progress against targets for both Plans is considered by the Management Committee on an annual basis.

## **Principal risks and uncertainties**

The Society is committed to ensuring that it responds to, and manages, any challenges that may impact on the organisation. The Society recognises that a certain amount of risk is inevitable if the organisation is to achieve its priorities. A risk management framework is in place to assist with taking informed decisions regarding the risks that impact on the Society's priorities, whether Strategic or Operational.

## Report of the management committee (continued)

Principle risks identified through the Society's strategic risk register which have the potential to seriously affect the performance, future prospects or reputation of the Society are detailed below along with mitigating actions being taken by the Society.

For Support activity:

| Risks  | Actions to Mitigate  |
|--|--|
| Being unprepared for personalisation   | Maintain focus on individualisation of support.<br>Engage positively with LA's over personalisation initiatives.<br>Develop an internal personalisation development team to develop policies and processes that fit the requirements of personalisation.<br>Keep managers informed of developments in self directed support/in control.<br>Develop policies/procedures that are appropriate to personalisation.  |
| Losing services/not winning tenders/missing tender opportunities                                     | Having sufficient staff resources to progress tender processes, and a co-ordinated approach to tender submissions.<br>Regular review of service costs/profile and planning to adjust costs where required (including management structures and time).<br>Registered with Public Contracts Scotland tender notification service.  |
| Funding cuts - Costs driven to below acceptable quality threshold. Not being able to assure quality. | Regular operational reviews.<br>Development and implementation of EFQM framework.<br>Information flow through supervision and worker meetings.<br>Comprehensive training programme/ Team training, Cascade briefings and staff newsletters.<br>Supportive management, with regular professional supervision.<br>Comprehensive policies, procedures and training.<br>Serious incident reporting system and follow up.<br>Access to independent counselling through ECS.<br>BSS training when required.<br>Introduction to Practice and managers' courses for all workers, and team training, seek to promote consistency in standards.<br>Codes of Conduct distributed to all workers and used as a basis for initial and ongoing professional development. |
| Pension scheme deficit grows; or loss of income inhibits capacity to meet deficit                    | Concession agreed with SHAPS for 3 year period (reviewable at revaluation) based on longer recovery period. Build reserves and revalue assets to meet future liability.  |

Other areas of inherent risk that are being given particular focus in our strategic priorities are;

- 1 Ensuring our cost base is affordable to purchasers
- 2 Ensuring our policies and practices for health and safety, and guarding against abuse, are adequate
- 3 Ensuring our IT systems are adequate to our current and future needs.

## Report of the management committee (continued)

For Housing activity:

In our Housing activity, the main risk areas relate to compliance with the Social Housing Charter, and new and related reporting requirements from the Scottish Housing Regulator, with which we must ensure compliance, and the introduction of welfare reforms.

The main risks and actions to mitigate these are as follows;

| Risks  | Actions to mitigate  |
|--|--|
| Poor satisfaction rating from tenants on quality of service received                         | Regular tenant satisfaction survey in place to ensure KEY is meeting needs of tenants and responding to issues which arise. Overall focus on tenant satisfaction in all activity   |
| Failure to meet requirements of Social Housing Charter and associated reporting requirements | Reporting requirements now captured.   |
| Income eroded due to impact of impending welfare reform changes                              | Active involvement in gathering information on proposed changes and working group set up to co-ordinate response across KEY. Initial phases of welfare reform (bedroom tax) have had little impact. Future uncertainty remains over universal credit and also successor to housing benefit for supported accommodation |
| Failure to meet requirements of SHR  | Committee review of compliance against SHR Regulatory Framework  |

### Pensions related risks

There are two areas of additional and ongoing costs that arose in 2014/15 and which will grow in extent over the ensuing 5 years. The first arises from the duty on employers to auto-enrol staff into a pension scheme. These costs have been assessed and included in the 5 year financial projections. They are considered to be containable within these projections, but will feature in funding discussions with local authorities and in setting rates for tenders, SDS rates and other support activities, as well as in rent setting.

The second relates to KEY's contribution to the SHAPS scheme deficit, which is a long term cost and which rose very significantly in 2014/15. In the course of 2014/15 agreement was reached on a concession based on a longer recovery period, reviewable on deficit revaluation in 2015. The concession is based on a minimum deficit contribution of £1.2M in 2014/15, rising by 3% pa until 2016/17, when the scheme deficit recovery plan will be reviewed based on the 2015 scheme revaluation.

The interim report of scheme funding in 2014 suggested that the position in relation to scheme assets has improved and that the overall scheme deficit has reduced to £281M from the level of £304M in 2012.

## Report of the management committee (continued)

### Statement of the Management Committee's Responsibilities

The Management Committee is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 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 Society and group at the end of the year and of the surplus or deficit of the Society and group 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;
- observe the methods and principles in the Charities and Registered Social Housing Providers SORPS;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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 Co-operative and Community Benefit Societies Act 2014, 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.

The Management Committee confirm that:

- so far as each committee member is aware, there is no relevant audit information of which the Society's auditor is unaware; and
- the members of the Management Committee have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

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



James Kearns  
Secretary  
26 August 2015

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

We have audited the financial statements of Key Housing Association Limited (the Society) for the year ended 31 March 2015 which comprise the Group and Society Income and Expenditure Accounts, the Group and Society Statement of Total recognised Gains and Losses, the Group and Society Balance Sheets, the Group and Society 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 Society's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and its 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 the Auditor

As explained more fully in the Statement of Management Committee's Responsibilities set out on page 11 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Society's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Management Committee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Management Committee to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Society's affairs as at 31 March 2015 and of the Group's and the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, and the Determination of Accounting Requirements - April 2012.

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

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014, requires us to report to you if, in our opinion:

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

CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditors

61 Dublin Street

Edinburgh

EH3 6NL

*Chiene + Tait LLP*

30 SEPTEMBER 2015

# Report By The Auditor To The Members Of Key Housing Association On Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 6 and 7 concerning the Association's compliance with the information required by the Regulatory Standards for systemically important RSLs in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

## Basis of Opinion

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

## Opinion

In our opinion the Statement on Internal Financial Control on pages 6 and 7 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

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

*Chiene + Tait LLP*

CHIENE + TAIT LLP  
Chartered Accountants and Statutory Auditors  
61 Dublin Street  
Edinburgh  
EH3 6NL

30 SEPTEMBER 2015

## Consolidated income and expenditure account

|                             | Notes | 2015<br>£               | 2014<br>£             |
|-----------------------------|-------|-------------------------|-----------------------|
| <b>Turnover</b>             | 1a    | <b>53,473,099</b>       | 51,043,484            |
| Operating costs             | 1a    | <u>(52,208,791)</u>     | <u>(50,099,653)</u>   |
| <b>Operating surplus</b>    |       | <b>1,264,308</b>        | 943,831               |
| Interest receivable         | 7     | <b>80,707</b>           | 122,278               |
| Interest payable            | 7     | <u>(97,933)</u>         | <u>(105,185)</u>      |
| <b>Surplus for the year</b> | 4     | <b><u>1,247,082</u></b> | <b><u>960,924</u></b> |

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.



## Society income and expenditure account

|                             | Notes | 2015<br>£             | 2014<br>£           |
|-----------------------------|-------|-----------------------|---------------------|
| <b>Turnover</b>             | 1b    | <b>42,633,601</b>     | 40,899,652          |
| Operating costs             | 1b    | <u>(42,021,754)</u>   | <u>(40,285,399)</u> |
| <b>Operating surplus</b>    |       | <b>611,847</b>        | 617,253             |
| Interest receivable         | 7     | <b>51,866</b>         | 69,371              |
| Interest payable            | 7     | <u>(97,933)</u>       | <u>(105,185)</u>    |
| <b>Surplus for the year</b> | 4     | <u><b>565,780</b></u> | <u>581,439</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.

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

## Statements of total recognised gains and losses:

|  | <b>Consolidated</b>     |                       | <b>The Society</b>    |                       |
|--|-------------------------|-----------------------|-----------------------|-----------------------|
|  | <b>2015</b>             | <b>2014</b>           | <b>2015</b>           | <b>2014</b>           |
|  | <b>£</b>                | <b>£</b>              | <b>£</b>              | <b>£</b>              |
| Total recognised Surpluses for the year        | <b>1,247,082</b>        | 960,924               | <b>565,780</b>        | 581,439               |
| Unrealised gain on investment                  | <b>55,848</b>           | 26,912                | <b>55,848</b>         | 26,912                |
| Total recognised gains and losses for the year | <b><u>1,302,930</u></b> | <b><u>987,836</u></b> | <b><u>621,628</u></b> | <b><u>608,351</u></b> |

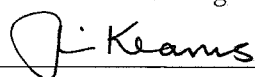
The accompanying accounting policies and notes form an integral part of these financial statements.

## Consolidated balance sheet

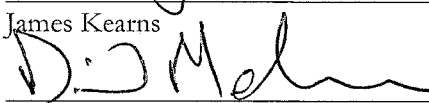
|  | Notes | 2015<br>£           | 2014<br>£           |
|--|-------|---------------------|---------------------|
| <b>Tangible Fixed Assets</b>                   |       |                     |                     |
| Housing properties less depreciation           | 9     | 42,571,468          | 42,210,952          |
| Less: HAG & other grants                       | 9     | <u>(32,704,888)</u> | <u>(32,473,673)</u> |
|  |       | 9,866,580           | 9,737,279           |
| Other fixed assets                             | 10a   | 2,791,401           | 2,866,960           |
|  |       | <u>12,657,981</u>   | <u>12,604,239</u>   |
| <b>Current Assets</b>                          |       |                     |                     |
| Investments                                    | 11    | 634,942             | 579,094             |
| Debtors  | 12    | 5,011,571           | 5,391,635           |
| Cash at bank and in hand                       |       | <u>7,743,020</u>    | <u>7,867,163</u>    |
|  |       | 13,389,533          | 13,837,892          |
| Creditors: amounts falling due within one year | 13    | <u>(3,005,700)</u>  | <u>(4,555,930)</u>  |
| <b>Net current assets</b>                      |       | <u>10,383,833</u>   | <u>9,281,962</u>    |
| <b>Total assets less current liabilities</b>   |       | 23,041,814          | 21,886,201          |
| Creditors: amounts falling due after one year  | 14    | (1,710,280)         | (1,857,597)         |
| Provisions for liabilities                     | 15    | <u>(150,000)</u>    | <u>(150,000)</u>    |
| <b>Net assets</b>                              |       | <u>21,181,534</u>   | <u>19,878,604</u>   |
| <b>Capital and Reserves</b>                    |       |                     |                     |
| Share Capital                                  |       | 378                 | 378                 |
| Revaluation reserve                            | 18    | 134,942             | 79,094              |
| Revenue reserves                               | 17    | <u>21,046,214</u>   | <u>19,799,132</u>   |
|  | 19    | <u>21,181,534</u>   | <u>19,878,604</u>   |

These financial statements were approved by the Management Committee on 26 August 2015.

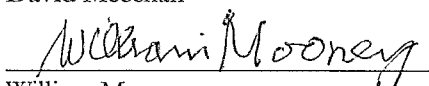
Signed on behalf of the Management Committee

  
James Kearns

Secretary

  
David Meechan

Committee Member

  
William Mooney

Vice Chairperson

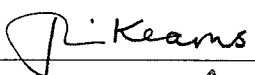
The accompanying accounting policies and notes form an integral part of these financial statements.

## Society balance sheet


|   | Notes | 2015<br>£                | 2014<br>£                |
|---|-------|--------------------------|--------------------------|
| <b>Tangible Fixed Assets</b>                          |       |                          |                          |
| Housing properties less depreciation                  | 9     | 42,571,468               | 42,210,952               |
| Less: HAG & other grants                              | 9     | (32,704,888)             | (32,473,673)             |
|   |       | <u>9,866,580</u>         | <u>9,737,279</u>         |
| Other fixed assets                                    | 10b   | 2,724,454                | 2,819,666                |
|   |       | <u>12,591,034</u>        | <u>12,556,945</u>        |
| <b>Current Assets</b>                                 |       |                          |                          |
| Investments   | 11    | 634,942                  | 579,094                  |
| Debtors   | 12    | 3,777,977                | 4,109,045                |
| Cash at bank and in hand                              |       | <u>2,811,010</u>         | <u>3,438,865</u>         |
|   |       | <u>7,223,929</u>         | <u>8,127,004</u>         |
| <b>Creditors: amounts falling due within one year</b> | 13    | <u>(2,451,285)</u>       | <u>(3,794,582)</u>       |
| <b>Net current assets</b>                             |       | <u>4,772,644</u>         | <u>4,332,422</u>         |
| <b>Total assets less current liabilities</b>          |       | <b>17,363,678</b>        | <b>16,889,367</b>        |
| Creditors: amounts falling due after one year         | 14    | (1,710,280)              | (1,857,597)              |
| Provisions for liabilities                            | 15    | <u>(150,000)</u>         | <u>(150,000)</u>         |
| <b>Net assets</b>                                     |       | <u><u>15,503,398</u></u> | <u><u>14,881,770</u></u> |
| <b>Capital and Reserves</b>                           |       |                          |                          |
| Share Capital   |       | 378                      | 378                      |
| Revaluation reserve                                   |       | 134,942                  | 79,094                   |
| Revenue reserves                                      | 17    | <u>15,368,078</u>        | <u>14,802,298</u>        |
|   | 19    | <u><u>15,503,398</u></u> | <u><u>14,881,770</u></u> |

These financial statements were approved by the Management Committee on 26 August 2015.

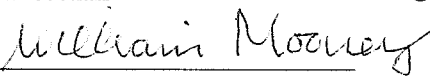
Signed on behalf of the Management Committee

  
James Kearns

Secretary

  
David Meehan

Committee Member

  
William Mooney

Vice Chairperson

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

## Consolidated cash flow statement

|  | Notes | 2015<br>£ | 2015<br>£        | 2014<br>£ | 2014<br>£          |
|--|-------|-----------|------------------|-----------|--------------------|
| <b>Net cash inflow from operating activities</b>                 | 20a   |           | <b>690,729</b>   |           | <b>708,756</b>     |
| <b>Returns on investments and servicing of finance</b>           |       |           |                  |           |                    |
| Interest received  |       | 80,707    |                  | 122,278   |                    |
| Interest paid  |       | (97,933)  |                  | (105,185) |                    |
| <b>Net cash inflow from investments and servicing of finance</b> |       |           | <b>(17,226)</b>  |           | <b>17,093</b>      |
| <b>Capital expenditure</b>                                       |       |           |                  |           |                    |
| Acquisitions and construction of housing properties              |       | (907,796) |                  | (989,593) |                    |
| Payment to acquire other fixed assets                            |       | (129,484) |                  | (993,348) |                    |
| Sale of fixed assets   |       | 24,124    |                  | 6,300     |                    |
| Capital grants received  |       | 356,108   |                  | 315,069   |                    |
| <b>Net cash outflow from capital expenditure</b>                 |       |           | <b>(657,048)</b> |           | <b>(1,661,572)</b> |
| <b>Financing</b>   |       |           |                  |           |                    |
| Loans repaid   |       | (140,598) |                  | (134,463) |                    |
| <b>Net cash outflow from financing</b>                           |       |           | <b>(140,598)</b> |           | <b>(134,463)</b>   |
| <b>Decrease in cash</b>  | 21a   |           | <b>(124,143)</b> |           | <b>(1,070,186)</b> |

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

## Society cash flow statement

|  | Notes | 2015<br>£        | 2015<br>£               | 2014<br>£        | 2014<br>£                 |
|--|-------|------------------|-------------------------|------------------|---------------------------|
| <b>Net cash inflow from operating activities</b>                           | 20b   |                  | <b>176,785</b>          |                  | <b>687,441</b>            |
| <b>Returns on investments and servicing of finance</b>                     |       |                  |                         |                  |                           |
| Interest received  |       | 51,866           |                         | 69,371           |                           |
| Interest paid  |       | <u>(97,933)</u>  |                         | <u>(105,185)</u> |                           |
| <b>Net cash inflow/(outflow) from investments and servicing of finance</b> |       |                  | <b>(46,067)</b>         |                  | <b>(35,814)</b>           |
| <b>Capital expenditure</b>   |       |                  |                         |                  |                           |
| Acquisitions and construction of housing properties                        |       | (907,796)        |                         | (989,593)        |                           |
| Payment to acquire other fixed assets                                      |       | (90,411)         |                         | (965,621)        |                           |
| Sale of fixed assets   |       | 24,124           |                         | 6,300            |                           |
| Capital grants received  |       | <u>356,108</u>   |                         | <u>315,069</u>   |                           |
| <b>Net cash outflow from capital expenditure</b>                           |       |                  | <b>(617,975)</b>        |                  | <b>(1,633,845)</b>        |
| <b>Financing</b>   |       |                  |                         |                  |                           |
| Loans repaid   |       | <u>(140,598)</u> |                         | <u>(134,463)</u> |                           |
| <b>Net cash outflow from financing</b>                                     |       |                  | <b>(140,598)</b>        |                  | <b>(134,463)</b>          |
| <b>Decrease in cash</b>  | 21b   |                  | <b><u>(627,855)</u></b> |                  | <b><u>(1,116,681)</u></b> |

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

# Notes to the consolidated financial statements

## Principal accounting policies

Key Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 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, amended to include the revaluation of investment assets, in accordance with applicable accounting standards and comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Registered Social Landlords Accounting Requirements Determination 2012. The financial statements are also prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010.

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

### Basis of consolidation

These financial statements consolidate those of Key Housing Association and of its subsidiary undertakings drawn up to 31 March 2015 as obliged by statute. Surpluses or deficits on intra-group transactions are eliminated in full.

### 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.

### Going concern

The Management Committee have assessed that the group and Society 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.

# Notes to the consolidated financial statements

## Principal accounting policies (cont)

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    |
| Office Accommodation           | - | 2.5% per annum 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.



# Notes to the consolidated financial statements

## Principal accounting policies (cont)

### Dilapidations provision

The group and Society 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.

### Retirement Benefits

#### Defined Benefit Scheme

The group participates in the centralised SFHA defined benefits pension scheme. Retirement benefits to employees of the Group and Society are funded by contributions from all participating employers and employees. The Group and Society are unable to identify their 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.

From 1 June 2013, members were moved to a defined contribution option within the scheme and are therefore accruing no further benefit within the defined benefit scheme. The Group and KEY continue to contribute towards the past service deficit of the defined benefit scheme and these contributions have been included in the revenue expenditure for the year.

#### Defined Contribution Scheme

As noted above, the group also participates in the SHAPS 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 which is defined as mid price.

### Reserves

In line with recommended practice, the reserves which had been previously designated for specific purposes are no longer disclosed separately within the financial statements. These included reserves for major repairs and future training commitments as well as other smaller reserves. The Group and KEY continue to internally monitor these sums.

### 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<br>2015<br>£ | Operating<br>Costs<br>2015<br>£ | Operating<br>Surplus<br>2015<br>£ | Operating<br>Surplus<br>2014<br>£ |
|----------------------------|-----------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Social Lettings (note 2)   | 3,601,999             | 3,055,356                       | 546,643                           | 710,928                           |
| Other activities (note 3a) | 49,871,100            | 49,153,435                      | 717,665                           | 232,903                           |
| <b>Total</b>               | <b>53,473,099</b>     | <b>52,208,791</b>               | <b>1,264,308</b>                  | <b>943,831</b>                    |
| 2014                       | 51,043,484            | 50,099,653                      | 943,831                           |                                   |

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

|                            | Turnover<br>2015<br>£ | Operating<br>Costs<br>2015<br>£ | Operating<br>Surplus /<br>(Deficit)<br>2015<br>£ | Operating<br>Surplus<br>2014<br>£ |
|----------------------------|-----------------------|---------------------------------|--|-----------------------------------|
| Social Lettings (note 2)   | 3,601,999             | 3,055,356                       | 546,643  | 710,928                           |
| Other activities (note 3b) | 39,031,062            | 38,966,398                      | 65,204   | (93,675)                          |
| <b>Total</b>               | <b>42,633,601</b>     | <b>42,021,754</b>               | <b>611,847</b>                                   | <b>617,253</b>                    |
| 2014                       | 40,899,652            | 40,285,399                      | 617,253  |                                   |

## Notes to the consolidated financial statements (continued)

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

|  | General<br>Needs<br>Housing<br>2015<br>£ | Supported<br>Housing<br>accommodation<br>2015<br>£ | Total<br>2015<br>£ | Total<br>2014<br>£ |
|--|--|--|--------------------|--------------------|
| Rent receivable net of service charge                                  | 495,544                                  | 2,683,250  | 3,178,794          | 3,060,011          |
| Service charges  | <u>16,068</u>                            | <u>437,446</u>                                     | <u>453,514</u>     | <u>450,586</u>     |
| Gross income from rents and service charges                            | 511,612                                  | 3,120,696  | 3,632,308          | 3,510,597          |
| Less voids   | <u>(5,321)</u>                           | <u>(24,988)</u>                                    | <u>(30,309)</u>    | <u>(30,855)</u>    |
| Total turnover from social letting activities                          | 506,291                                  | 3,095,708  | 3,601,999          | 3,479,742          |
| Management & maintenance administration costs                          | (155,868)                                | (731,957)  | (887,825)          | (798,333)          |
| Service costs  | (31,497)                                 | (698,625)  | (730,122)          | (704,157)          |
| Planned & cyclical maintenance including major repairs                 | (125,656)                                | (590,080)  | (715,736)          | (603,226)          |
| Reactive maintenance costs   | (52,543)                                 | (246,743)  | (299,286)          | (310,634)          |
| Depreciation of social housing/loss on disposal of replaced components | <u>(74,155)</u>                          | <u>(348,232)</u>                                   | <u>(422,387)</u>   | <u>(352,464)</u>   |
| Operating costs for social letting activities                          | 439,719                                  | 2,615,637  | 3,055,356          | 2,768,814          |
| Operating surplus  | <u>66,572</u>                            | <u>480,071</u>                                     | <u>546,643</u>     | <u>710,928</u>     |
| Operating surplus – 2014   | <u>108,051</u>                           | <u>602,877</u>                                     | <u>710,928</u>     |                    |

## Notes to the consolidated financial statements (continued)

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

|                         | Grants from<br>Scottish<br>Ministers<br>2015<br>£ | Support<br>funding<br>2015<br>£ | Total<br>Turnover<br>2015<br>£ | Operating<br>Costs<br>2015<br>£ | Operating<br>(deficit) /<br>Surplus<br>2015<br>£ | Operating<br>(deficit) /<br>Surplus<br>2014<br>£ |
|-------------------------|---|---------------------------------|--------------------------------|---------------------------------|--|--|
| Development activities  | 16,756  | -                               | 16,756                         | 65,996                          | (49,240)   | (192,412)  |
| Care activities         | -   | 49,854,344                      | 49,854,344                     | 49,087,439                      | 766,905  | 425,315  |
| Other activities        | <u>16,756</u>                                     | <u>49,854,344</u>               | <u>49,871,100</u>              | <u>49,153,435</u>               | <u>717,665</u>                                   | <u>232,903</u>                                   |
| Other activities - 2014 | <u>10,387</u>                                     | <u>47,553,355</u>               | <u>47,563,742</u>              | <u>47,330,839</u>               | <u>232,903</u>                                   |  |

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

|                         | Grants from<br>Scottish<br>Ministers<br>2015<br>£ | Other<br>Revenue<br>Grants<br>2015<br>£ | Other<br>Agency /<br>Management<br>Services<br>2015<br>£ | Total<br>Turnover<br>2015<br>£ | Operating<br>Costs<br>2015<br>£ | Operating<br>(deficit) /<br>Surplus<br>2015<br>£ | Operating<br>(deficit) /<br>Surplus<br>2014<br>£ |
|-------------------------|---|---|--|--------------------------------|---------------------------------|--|--|
| Development activities  | 16,756  | -                                       | 57,687   | 74,443                         | 123,683                         | (49,240)   | (192,505)  |
| Care activities         | -   | 38,176,754                              | 780,405  | 38,957,159                     | 38,842,715                      | 114,444  | 98,830   |
| Other activities        | <u>16,756</u>                                     | <u>38,176,754</u>                       | <u>838,092</u>   | <u>39,031,602</u>              | <u>38,966,398</u>               | <u>65,204</u>                                    | <u>(93,675)</u>                                  |
| Other activities - 2014 | <u>10,387</u>                                     | <u>36,428,665</u>                       | <u>980,858</u>   | <u>37,419,910</u>              | <u>37,513,585</u>               | <u>(93,675)</u>                                  |  |

## Notes to the consolidated financial statements (continued)

### 4 Surplus of income over expenditure before transfer to reserves

|  | Consolidated |              | The Society |              |
|--|--------------|--------------|-------------|--------------|
| This is stated after:                          | 2015<br>£    | 2014<br>£    | 2015<br>£   | 2014<br>£    |
| <b>Depreciation:</b>                           |              |              |             |              |
| - property                                     | 422,387      | 352,464      | 422,387     | 352,464      |
| - other fixed assets                           | 190,109      | 192,234      | 170,689     | 178,574      |
| <b>Loss/(gain) on disposal of fixed assets</b> | <b>281</b>   | <b>4,119</b> | <b>281</b>  | <b>4,119</b> |
| <b>External auditors remuneration:</b>         |              |              |             |              |
| - external audit services                      | 29,100       | 29,500       | 18,000      | 17,167       |
| - management of cash                           | 0            | 9,076        | 0           | 4,276        |
| - consultancy                                  | 0            | 59,109       | 0           | 46,309       |
| <b>Internal auditors remuneration:</b>         |              |              |             |              |
| - internal audit services                      | 10,368       | 10,368       | 10,368      | 10,368       |
| <b>Operating lease costs:</b>                  |              |              |             |              |
| - motor vehicles                               | 32,751       | 22,830       | 32,751      | 22,830       |
| - land and buildings                           | 613,061      | 721,595      | 569,921     | 678,845      |

### 5 Remuneration

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

|                       | Consolidated   |                | The Society    |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2015<br>£      | 2014<br>£      | 2015<br>£      | 2014<br>£      |
| Salary                | 147,596        | 141,754        | 147,596        | 141,754        |
| Pension contributions | 7,527          | 6,894          | 7,527          | 6,894          |
|                       | <b>155,123</b> | <b>148,648</b> | <b>155,123</b> | <b>148,648</b> |

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

|   | 2015 | 2014 |
|---|------|------|
| More than £60,000 but not more than £70,000 | 1    | 1    |
| More than £70,000 but not more than £80,000 | 0    | 1    |
| More than £80,000 but not more than £90,000 | 1    | 0    |

In accordance with The Scottish Housing Regulator's Determination of Accounting Requirements (2012), those staff reporting directly to the director and earning more than £60,000 are regarded as directors. Under this definition there are two directors (2014 two).

The emoluments of the highest paid director who is the Chief Executive are £80,586 (2014: £74,195).

## Notes to the consolidated financial statements (continued)

### 5 Remuneration (cont)

The Chief Executive has no personal pension arrangements. Pension contributions in respect of the Chief Executive amounted to £4,110 (2014: £3,705) and for the other director were £3,418 (2014: £3,190).

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

|  | Consolidated |            | The Society  |            |
|--|--------------|------------|--------------|------------|
|  | 2015<br>£    | 2014<br>£  | 2015<br>£    | 2014<br>£  |
| Expenses paid to members of the Management Committee | <u>1,254</u> | <u>703</u> | <u>1,254</u> | <u>703</u> |

|   | Consolidated      |                   | The Society       |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | 2015<br>£         | 2014<br>£         | 2015<br>£         | 2014<br>£         |
| Staff costs during the year:                |                   |                   |                   |                   |
| Wages and Salaries                          | 42,366,141        | 39,404,664        | 33,427,234        | 31,108,995        |
| Social security costs                       | 3,085,645         | 3,026,369         | 2,363,276         | 2,321,934         |
| Other pension costs                         | 2,136,569         | 1,328,262         | 2,061,377         | 1,293,277         |
| Provision for Workforce Related Expenditure | (836,358)         | 836,358           | (651,602)         | 651,602           |
|   | <u>46,751,997</u> | <u>44,595,653</u> | <u>37,200,285</u> | <u>35,375,808</u> |

In the year to 31 March 2014 a provision was made for anticipated workforce related expenditure. By 31 March 2015, this expenditure had not been incurred and could not be reasonably estimated at this time. As a result the amount has been released back through the income and expenditure account and is detailed in the note above.

In addition to expenditure on direct salaries, the group incurred £777,758 (2014 £840,948) expenditure on the use of agency staff. For KEY this was £492,019 (2014 £594,592).

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

|             | Consolidated              |                           | The Society               |              |                           |              |
|-------------|---------------------------|---------------------------|---------------------------|--------------|---------------------------|--------------|
|             | 2015<br>average<br>weekly | 2014<br>average<br>weekly | 2015<br>average<br>weekly | 2015<br>FTE  | 2014<br>average<br>weekly | 2014<br>FTE  |
| Head office | 94                        | 88                        | 94                        | 88           | 88                        | 82           |
| Services    | 2,623                     | 2,532                     | 2,132                     | 1,323        | 2,047                     | 1,265        |
|             | <u>2,717</u>              | <u>2,620</u>              | <u>2,226</u>              | <u>1,411</u> | <u>2,135</u>              | <u>1,347</u> |

## Notes to the consolidated financial statements (continued)

### 5 Remuneration (continued)

#### Retirement benefits

##### Defined benefits

The group participates in the Scottish Housing Associations' Pension Scheme ('the Scheme').

Following an assessment of employer covenants, members of the Final salary 1/60<sup>th</sup> scheme were transferred to a Career Average Revalued Earnings with a 1/120<sup>th</sup> accrual rate from 1 April 2012. Members were contracted back into the second state pension. From 1 July 2013 members were transferred to a defined contribution option within the scheme and no further defined benefit accrues. Contribution rates continued at 5.1% employer and 4.7% employee. Both the Group and KEY continue to make contributions towards the past service deficit of the defined benefit 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.

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 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%. 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.

At the year end there was £140,930 (2014 £103,256) of pension contributions outstanding for the group and £137,500 (2014 £100,478) outstanding for Key Housing Association Limited only. This represents one month's contributions and is split between ongoing contributions and past service deficit. Total employer contributions were £1,883,779 (2014 £988,424) for the group and £1,852,909 (2014 £963,861) for Key Housing Association Limited only. As at the balance sheet date there were 174 active members of the scheme employed by the group of which 165 were employed by Key Housing Association Limited. The group continues to offer the Scheme to its employees.

## Notes to the consolidated financial statements (continued)

### 5 Remuneration (continued)

#### Retirement benefits (continued)

Since April 2011, separate payments have been made to fund the past service deficit of the scheme. For the year to 31 March 2015 these totalled £1,648,824 (2014 £752,987) for the Group and £1,628,134 (2014 £737,188) for KEY. There has been a further £175,780 accrued in line with the agreement with SHAPS for KEY only. These sums are included in the total employer pension contributions above. This was a significant increase to the past service deficit contributions for year ending 31 March 2014 and followed the 2012 scheme valuation.

#### Defined contribution

The Group also offers a defined contribution pension scheme under SHAPS. Employer contributions for the year were £28,070 (2014 £38,106) for the group and £25,137 (2014 £35,126) for Key Housing Association Limited only. Included in creditors as at 31 March 2015 is £3,603 (2014 £4,362) in respect of the defined contribution scheme for the group and £3,603 (2014 £3,930) for Key Housing Association Limited only. This represents one month's contribution. As at the balance sheet date there were 54 active members of the scheme employed by the group and 49 by Key Housing Association Limited.

As at 30 September 2013 active members of the Growth Plan transferred to the Flexible Retirement Plan. This transfer resulted in a debt on withdrawal liability which was £249,504 for the Group and £242,043 for KEY during the year ending 31 March 2014 which was treated as revenue expenditure for the year. In the year to 31 March 2015, £95,090 of this debt on withdrawal was refunded to KEY.

#### Auto Enrolment

From 1 November 2013, eligible employees in KEY who were not active members of the other pension schemes were automatically enrolled into the Flexible Retirement Plan with contribution levels meeting minimum statutory requirements. From 1 April 2014, eligible employees in Community Lifestyles were similarly enrolled. Employer contributions for the year were £167,675 (2014 £56,589) for the Group and £126,450 (2014 £56,589) for KEY. As at the year end there were £27,099 (2014 £99,343) pension contributions outstanding for the Group and £20,489 (2014 £99,343). There were 1,561 (2014 1,054) active members for the Group as at 31 March 2015 and 1,214 (2014 1,054) for KEY only.

### 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.



## Notes to the consolidated financial statements (continued)

### 7 Interest receivable and payable

|  | Consolidated    |                | The Society     |                 |
|--|-----------------|----------------|-----------------|-----------------|
|  | 2015<br>£       | 2014<br>£      | 2015<br>£       | 2014<br>£       |
| <b>Interest receivable and similar income:</b> |                 |                |                 |                 |
| Bank deposit interest                          | 78,190          | 120,082        | 49,349          | 67,175          |
| Union commission                               | 2,517           | 2,196          | 2,517           | 2,196           |
|  | <u>80,707</u>   | <u>122,278</u> | <u>51,866</u>   | <u>69,371</u>   |
| <b>Interest payable and similar charges:</b>   |                 |                |                 |                 |
| Bank loans and other loan                      | (97,933)        | (105,185)      | (97,933)        | (105,185)       |
|  | <u>(17,266)</u> | <u>17,093</u>  | <u>(46,067)</u> | <u>(35,814)</u> |

### 8 Taxation

The Society 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 – Consolidated and The Society

|  | 2015                     | 2014                     |
|--|--------------------------|--------------------------|
| Cost   | £                        | £                        |
| At 1 April 2014                                | 44,599,185               | 43,890,515               |
| Additions                                      | 907,796                  | 989,593                  |
| Disposals                                      | (150,578)                | (280,923)                |
|  | <u>45,356,403</u>        | <u>44,599,185</u>        |
| At 31 March 2015                               |                          |                          |
| <b>Less: Housing Association Grant</b>         |                          |                          |
| At 1 April 2014                                | 31,466,357               | 31,409,971               |
| Received during the year                       | 356,108                  | 315,069                  |
| Disposals                                      | (124,893)                | (258,683)                |
|  | <u>31,697,572</u>        | <u>31,466,357</u>        |
| At 31 March 2015                               |                          |                          |
| <b>Health Board and Local Authority Grants</b> |                          |                          |
| At 1 April 2014                                | 1,007,316                | 1,007,316                |
| Received during the year                       | -                        | -                        |
|  | <u>1,007,316</u>         | <u>1,007,316</u>         |
| At 31 March 2015                               |                          |                          |
| <b>Total Grants</b>                            | <u><u>32,704,888</u></u> | <u><u>32,473,673</u></u> |
| <b>Property Depreciation</b>                   |                          |                          |
| At 1 April 2014                                | 2,388,233                | 2,058,009                |
| Charge for the year                            | 422,387                  | 352,464                  |
| Disposals                                      | (25,685)                 | (22,240)                 |
|  | <u>2,784,935</u>         | <u>2,388,233</u>         |
| At 31 March 2015                               |                          |                          |
| <b>Total Cost less depreciation</b>            | 42,571,468               | 42,210,952               |
| <b>Total Grants</b>                            | (32,704,888)             | (32,473,673)             |
| <b>Net Book Value</b>                          | <u><u>9,866,580</u></u>  | <u><u>9,737,279</u></u>  |

## Notes to the consolidated financial statements (continued)

### 10a Fixed assets – other – Consolidated

|                          | Motor<br>Vehicles<br>£ | Computers<br>and<br>Furniture<br>£ | Office<br>Accommodation<br>£ | Total<br>£ |
|--------------------------|------------------------|------------------------------------|------------------------------|------------|
| <b>Cost</b>              |                        |                                    |                              |            |
| At 1 April 2014          | 342,273                | 1,269,807                          | 2,488,646                    | 4,100,726  |
| Additions                | 76,508                 | 52,976                             | -                            | 129,484    |
| Disposals                | (68,043)               | -                                  | -                            | (68,043)   |
| At 31 March 2015         | 350,738                | 1,322,783                          | 2,488,646                    | 4,162,167  |
| <b>Less Depreciation</b> |                        |                                    |                              |            |
| At 1 April 2014          | 204,357                | 967,163                            | 62,246                       | 1,233,766  |
| Charge for the year      | 61,608                 | 66,255                             | 62,246                       | 190,109    |
| Disposals                | (53,109)               | -                                  | -                            | (53,109)   |
| At 31 March 2015         | 212,856                | 1,033,418                          | 124,492                      | 1,370,766  |
| <b>Net book value</b>    |                        |                                    |                              |            |
| At 31 March 2015         | 137,882                | 289,365                            | 2,364,154                    | 2,791,401  |
| At 31 March 2014         | 137,916                | 302,644                            | 2,426,400                    | 2,866,960  |

### 10b Fixed assets – other – The Society

|                          | Motor<br>Vehicles<br>£ | Computers<br>and<br>Furniture<br>£ | Office<br>Accommodation<br>£ | Total<br>£ |
|--------------------------|------------------------|------------------------------------|------------------------------|------------|
| <b>Cost</b>              |                        |                                    |                              |            |
| At 1 April 2014          | 342,273                | 1,177,400                          | 2,488,646                    | 4,008,319  |
| Additions                | 76,508                 | 13,903                             | -                            | 90,411     |
| Disposals                | (68,043)               | -                                  | -                            | (68,043)   |
| At 31 March 2015         | 350,738                | 1,191,303                          | 2,488,646                    | 4,030,687  |
| <b>Less Depreciation</b> |                        |                                    |                              |            |
| At 1 April 2014          | 204,357                | 922,050                            | 62,246                       | 1,188,653  |
| Charge for the year      | 61,608                 | 46,835                             | 62,246                       | 170,689    |
| Disposals                | (53,109)               | -                                  | -                            | (53,109)   |
| At 31 March 2015         | 212,856                | 968,885                            | 124,492                      | 1,306,233  |
| <b>Net book value</b>    |                        |                                    |                              |            |
| At 31 March 2015         | 137,882                | 222,418                            | 2,364,154                    | 2,724,454  |
| At 31 March 2014         | 137,916                | 255,350                            | 2,426,400                    | 2,819,666  |

## Notes to the consolidated financial statements (continued)

### 11 Investments

At 31 March 2015 and at 31 March 2014, 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 Society    |                |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | 2015<br>£      | 2014<br>£      | 2015<br>£      | 2014<br>£      |
| Market value at 1 April            | 579,094        | 552,182        | 579,094        | 552,182        |
| Unrealised gains on investments    | 55,848         | 26,912         | 55,848         | 26,912         |
| <b>Market value at 31 March</b>    | <b>634,942</b> | <b>579,094</b> | <b>634,942</b> | <b>579,094</b> |
| <b>Historical cost at 31 March</b> | <b>500,000</b> | <b>500,000</b> | <b>500,000</b> | <b>500,000</b> |

The following investments represent over 5% of the portfolio:

|  | Holding | Value at 31<br>March 2015<br>£ | % holding |
|--|---------|--------------------------------|-----------|
| Legal and General European Index Trust R Inc.    | 39,720  | 95,329                         | 15.01%    |
| Legal and General UK Index R Inc.                | 58,605  | 87,731                         | 13.8%     |
| Legal and General US Index Trust R Inc.          | 33,708  | 96,168                         | 15.1%     |
| M&G UK Inflation Linked Corporate Bond GPB A Inc | 43,103  | 48,068                         | 7.6%      |
| M&G Strategic Corporate Bond A CC                | 29,923  | 32,125                         | 5.06%     |

## Notes to the consolidated financial statements (continued)

### 12 Debtors: falling due within one year

|  | Consolidated     |                  | The Society      |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2015<br>£        | 2014<br>£        | 2015<br>£        | 2014<br>£        |
| Other debtors and prepayments            | 273,576          | 337,948          | 219,485          | 284,499          |
| Arrears for rent and service charge      | 43,076           | 58,108           | 43,076           | 58,108           |
| Local authority revenue grant receivable | 4,694,919        | 4,995,579        | 3,469,052        | 3,726,256        |
| Amounts owed by subsidiary undertakings: |                  |                  |                  |                  |
| Community Lifestyles Limited             | -                | -                | 46,364           | 40,182           |
|  | <b>5,011,571</b> | <b>5,391,635</b> | <b>3,777,977</b> | <b>4,109,045</b> |

### 13 Creditors: falling due within one year

|   | Consolidated     |                  | The Society      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2015<br>£        | 2014<br>£        | 2015<br>£        | 2014<br>£        |
| Accruals and deferred grant income      | 704,295          | 832,153          | 432,756          | 391,817          |
| Loans (see Note 14)                     | 147,844          | 141,125          | 147,844          | 141,125          |
| Prepayments of rent and service charge  | 94,067           | 90,431           | 94,067           | 90,431           |
| Social security and other taxes         | 762,310          | 1,449,729        | 587,052          | 1,120,477        |
| Other creditors                         | 1,297,184        | 2,042,492        | 1,184,947        | 2,037,238        |
| Amounts due to subsidiary undertakings: |                  |                  |                  |                  |
| Community Lifestyles Limited            | -                | -                | 4,619            | 10,894           |
| KHA Developments Limited                | -                | -                | -                | 2,600            |
|   | <b>3,005,700</b> | <b>4,555,930</b> | <b>2,451,285</b> | <b>3,794,582</b> |

## Notes to the consolidated financial statements (continued)

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

|  | 2015<br>£        | 2014<br>£        |
|--|------------------|------------------|
| <b>Total bank loans outstanding:</b>       |                  |                  |
| Payable in one year or less                | 147,844          | 141,125          |
| Payable within one to two years            | 155,748          | 147,845          |
| Payable within two to five years           | 515,408          | 491,141          |
| Payable over five years                    | 1,039,124        | 1,218,611        |
|  | <b>1,858,124</b> | <b>1,998,722</b> |
| Less payable within one year               | (147,844)        | (141,125)        |
| <b>Total bank loans due after one year</b> | <b>1,710,280</b> | <b>1,857,597</b> |

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

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      |                | The Society    |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2015<br>£      | 2014<br>£      | 2015<br>£      | 2014<br>£      |
| <b>Dilapidations provisions</b> |                |                |                |                |
| Brought forward at 1 April      | 150,000        | 150,000        | 150,000        | 150,000        |
| Provided in year                | -              | -              | -              | -              |
| <b>Total at 31 March</b>        | <b>150,000</b> | <b>150,000</b> | <b>150,000</b> | <b>150,000</b> |

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.

## Notes to the consolidated financial statements (continued)

### 16 Share capital – Consolidated and The Society

|  | 2015<br>£  | 2014<br>£  |
|--|------------|------------|
| <b>Shares of £1 each fully paid and issued at:</b> |            |            |
| Brought forward at 1 April                         | 378        | 368        |
| Shares issued during the year                      | 0          | 16         |
| Shares written off during the year                 | 0          | (6)        |
| Shares of £1 each fully paid at 31 March           | <u>378</u> | <u>378</u> |

The Society did not issue any 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.

### 17 Revenue reserves

|                                    | Consolidated      |                   | The Society       |                   |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                    | 2015<br>£         | 2014<br>£         | 2015<br>£         | 2014<br>£         |
| Balance at 1 April 2014            | 19,799,132        | 12,876,143        | 14,802,298        | 9,609,631         |
| Surplus for year                   | 1,247,082         | 960,924           | 565,780           | 581,439           |
| Transfers from designated reserves | -                 | 5,962,065         | -                 | 4,611,228         |
| Balance at 31 March 2015           | <u>21,046,214</u> | <u>19,799,132</u> | <u>15,368,078</u> | <u>14,802,298</u> |

### 18 Revaluation reserve

|                          | Consolidated   |               | The Society    |               |
|--------------------------|----------------|---------------|----------------|---------------|
|                          | 2015<br>£      | 2014<br>£     | 2015<br>£      | 2014<br>£     |
| Balance at 1 April 2014  | 79,094         | 52,182        | 79,094         | 52,182        |
| Unrealised gain in year  | 55,848         | 26,912        | 55,848         | 26,912        |
| Balance at 31 March 2015 | <u>134,942</u> | <u>79,094</u> | <u>134,942</u> | <u>79,094</u> |

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

|                                  | 2015<br>£      | 2014<br>£      |
|----------------------------------|----------------|----------------|
| Operating surplus                | 1,264,308      | 943,831        |
| Gain on disposal of fixed assets | (9,190)        | (6,300)        |
| Depreciation charges             | 612,496        | 544,698        |
| Increase in debtors              | 380,064        | (899,925)      |
| Increase in creditors            | (1,556,949)    | 126,452        |
|                                  | <u>690,729</u> | <u>708,756</u> |

## Notes to the consolidated financial statements (continued)

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

|                                    | 2015<br>£      | 2014<br>£      |
|------------------------------------|----------------|----------------|
| Operating surplus                  | 611,847        | 617,253        |
| Gain on disposal of fixed assets   | (9,190)        | (6,300)        |
| Depreciation charges               | 593,076        | 531,038        |
| Decrease /(Increase) in debtors    | 331,068        | (686,247)      |
| (Decrease) / Increase in creditors | (1,350,016)    | 231,697        |
|                                    | <u>176,785</u> | <u>687,441</u> |

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

|  | 2015<br>£        | 2014<br>£        |
|--|------------------|------------------|
| Decrease in cash in the year             | (124,143)        | (1,070,186)      |
| Loans repaid                             | 140,598          | 134,463          |
| Revaluation of current asset investments | 55,848           | 26,912           |
|  | <u>72,303</u>    | <u>(908,811)</u> |
| Change in net debt                       | 72,303           | (908,811)        |
| Net debt at 1 April 2014                 | 6,447,535        | 7,356,346        |
|  | <u>6,519,838</u> | <u>6,447,535</u> |

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

|  | 2015<br>£        | 2014<br>£        |
|--|------------------|------------------|
| Decrease in cash in the year             | (627,855)        | (1,116,681)      |
| Loans repaid                             | 140,598          | 134,463          |
| Revaluation of current asset investments | 55,848           | 26,912           |
|  | <u>(431,409)</u> | <u>(955,306)</u> |
| Change in net debt                       | (431,409)        | (955,306)        |
| Net debt at 1 April 2014                 | 2,019,237        | 2,974,543        |
|  | <u>1,587,828</u> | <u>2,019,237</u> |



## Notes to the consolidated financial statements (continued)

### 21a Analysis of change in net debt – Consolidated

|                           | At 1 April<br>2014<br>£ | Cash<br>flows<br>£ | At 31 March<br>2015<br>£ |
|---------------------------|-------------------------|--------------------|--------------------------|
| Cash at hand              | 7,867,163               | (124,143)          | 7,743,020                |
| Debt due                  | (1,998,722)             | 140,598            | (1,858,124)              |
| Current asset investments | 579,094                 | 55,848             | 634,942                  |
|                           | <u>6,447,535</u>        | <u>72,303</u>      | <u>6,519,838</u>         |

### 21b Analysis of change in net debt – The Society

|                           | At 1 April<br>2014<br>£ | Cash<br>flows<br>£ | At 31 March<br>2015<br>£ |
|---------------------------|-------------------------|--------------------|--------------------------|
| Cash at hand              | 3,438,865               | (627,855)          | 2,811,010                |
| Debt due                  | (1,998,722)             | 140,598            | (1,858,124)              |
| Current asset investments | 579,094                 | 55,848             | 634,942                  |
|                           | <u>2,019,237</u>        | <u>(431,409)</u>   | <u>1,587,828</u>         |

### 22 Capital commitments – Consolidated and The Society

|   | 2015<br>£    | 2014<br>£      |
|---|--------------|----------------|
| Contracted for but not provided for in the financial statements | <u>7,033</u> | <u>45,820</u>  |
| Authorised by the Management Committee but not contracted for   | <u>-</u>     | <u>284,458</u> |

The capital commitments are made up of the on-going remodelling programme of the Society and will be funded through a combination of government grant, local authority funding and reserve.

### 23a Operating lease commitments – Consolidated

|   | Land &<br>Buildings<br>2015<br>£ | Other<br>2015<br>£ | Land &<br>Buildings<br>2014<br>£ | Other<br>2014<br>£ |
|---|----------------------------------|--------------------|----------------------------------|--------------------|
| Annual commitments expiring within the following periods post year end: |                                  |                    |                                  |                    |
| One year or less  | 514,203                          | 6,892              | 393,986                          | -                  |
| Between two and five years  | 91,898                           | 35,255             | 120,075                          | 45,466             |
| In five years or more   | 6,960                            | -                  | 6,960                            | -                  |
|   | <u>613,061</u>                   | <u>42,147</u>      | <u>521,021</u>                   | <u>45,466</u>      |

## Notes to the consolidated financial statements (continued)

### 23b Operating lease commitments – The Society

| Annual commitments expiring within the following periods post year end: | Land & Buildings<br>2015<br>£ | Other<br>2015<br>£ | Land & Buildings<br>2014<br>£ | Other<br>2014<br>£ |
|---|-------------------------------|--------------------|-------------------------------|--------------------|
| One year or less  | 471,063                       | 6,892              | 393,986                       | -                  |
| Between two and five years  | 91,898                        | 35,255             | 76,935                        | 45,466             |
| In five years or more   | 6,960                         | -                  | 6,960                         | -                  |
|   | <u>569,921</u>                | <u>42,147</u>      | <u>477,881</u>                | <u>45,466</u>      |

### 24 Contingent liabilities – Consolidated and The Society

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 2015, the Group had disposed of components which had received £8,682,023 (2014: £8,557,130) 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 these financial statements.

### 25 Housing stock – Consolidated and The Society

|   | Units under<br>Management<br>Mainstream<br>2015 | Units under<br>Management<br>Mainstream<br>2014 | Units under<br>Management<br>Supported<br>2015 | Units under<br>Management<br>Supported<br>2014 |
|---|---|---|--|--|
| <b>Housing accommodation for letting:</b> |   |   |  |  |
| New build                                 | 125   | 127   | 565  | 561  |
| Rehabilitation                            | -   | -   | 22   | 22   |
|   | <u>125</u>                                      | <u>127</u>                                      | <u>587</u>                                     | <u>583</u>                                     |
| <b>Registered accommodation:</b>          |   |   |  |  |
| Number of bed spaces                      | <u>-</u>  | <u>-</u>  | <u>-</u>                                       | <u>-</u>                                       |

There are no new units under development for either year.

### 26 Legislative provisions

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014, and registered by the Financial Conduct Authority.

## Notes to the consolidated financial statements (continued)

### **27 Related parties – subsidiary undertakings**

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 Society. 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 year have consisted of net recharges totalling £780,405 (2014: £923,171) by Key Housing Association to Community Lifestyles for staff costs and other overheads. At 31 March 2015, Community Lifestyles owed Key Housing Association £46,364 (2014: £40,182) in respect of sundry items. Included in the year end creditors is £4,619 (2014: £10,894) in respect of sundry items payable to Community Lifestyles.

In January 2012, KEY set up a design and build subsidiary company called KHA Developments Ltd. KHA Developments had turnover of £392,700 for the year ended 31 March 2015 and operating costs of £392,380. All turnover was received from Key Housing Association Ltd and £57,687 (2014 £57,687) of operating costs represent rent and management charges payable to KEY. At the year end, KEY owed KHA Developments £nil (2014: £2,600) in respect of outstanding invoices.