

Accounts 2010-142



Kingdom Housing Association Limited

Report & Accounts

For the year ended 31 March 2010

Scottish Housing Regulator Reg. No. HEP 142
Scottish Charity No SC000874

KINGDOM HOUSING ASSOCIATION LIMITED

REPORT and ACCOUNTS

For the year ended 31 March 2010

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KINGDOM HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE and ADVISERS

Management Committee

J Douglas Gray (Chairman) (appointed October 2009)
Laurie Naumann (Vice Chairman)
Robin Millar (Secretary) (appointed May 2010)
Agnes Cook (Tenant Member) (resigned June 2010)
Thomas Condie (Tenant Member)
Ian Donaldson (appointed September 2009)
Lynda Howe (appointed September 2009)
Loretta Mordi (Sharing Owner Member)
Vincent O'Hara (Tenant Member)
Michael Roddam (Sharing Owner Member)
Mary Stewart
David Chalmers (Chairman) (resigned September 2009)
Thomas Lawrence (Secretary) (resigned March 2010)
Andrew Croxford (resigned September 2009)
Patrick Hughes (resigned September 2009)

Executive

Alan McGuckin (Chief Executive)
(Interim Secretary from March 2010 to May 2010)

Registered Office

Saltire Centre
Pentland Court
Glenrothes
KY6 2DA

Registration Numbers

Industrial & Provident Societies Act 1965 Reg. No. 1981 R(S)
Scottish Housing Regulator Reg. No. HEP 142
Scottish Charity No SC000874

Independent Auditors

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Solicitors

Baird & Co
7 St Catherine Street
Cupar KY15 4LS

Balfour & Manson
58 Frederick Street
Edinburgh EH2 1LS

TC Young
7 West George Street
Glasgow G2 1BA

Principal Banker

Bank of Scotland
67 Bank Street
Lochgelly KY5 9QN

KINGDOM HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE

For the year ended 31 March 2010

The Management Committee (the Committee) presents its report and accounts for the year ended 31 March 2010.

Principal activities

The principal activities of Kingdom Housing Association are to provide and manage good quality housing for people in housing need and to provide support and care services to people with particular needs.

The Association owns and manages a wide range of housing for rent and seeks to increase the number of properties it has available by building new properties and acquiring existing properties using an appropriate mix of subsidy, mainly from the Scottish Government, private finance and its own resources. It also has a significant number of shared ownership properties and provides accommodation for homeless people.

The Association is part of the Fife Housing Association Alliance (FHAA), comprising four Fife-based Registered Social Landlords (RSLs). This alliance works to provide new affordable housing in Fife.

Kingdom uses appropriate Key Performance Indicators to measure the achievement of its objectives. These indicators are reviewed regularly within the Association's committee structure and are reported to the Scottish Housing Regulator.

Legal Status

Kingdom Housing Association Limited (the Association), is incorporated in Scotland and registered with the Financial Services Authority under the Industrial and Provident Societies Act, 1965, as a registered Housing Association. It works closely with its associate company, Kingdom Initiatives Housing Association Limited (KIHA), an Industrial and Provident Society. KIHA has a small property portfolio managed by the Association and provides various services to external organisations, which the Association, as an RSL and registered charity, is unable to provide.

Committee Structure

The Association's Rules provide for up to 15 members on the Committee. At the year end the Committee comprised 11 members. In addition to the main Committee, there are sub-committees for Audit & Corporate Governance; Policies; and Senior Management Remuneration and Succession Planning.

Committee Members and Training

The Association operates a formal induction process for new Committee members. Regular reviews are carried out to ensure that the Committee possesses an appropriate level of expertise with equal opportunities for all members and appointees. A skills audit has been performed, and following on from the appraisal process further committee training is undertaken to ensure that members have an appropriate mix of skills.

Strategy, Objectives and Business Review

The Association has three main aims:

- to manage and maintain its existing stock of properties for rent and shared ownership
- to increase its property portfolio through development or acquisition of additional properties
- to provide support and care services to people with particular needs

Housing management

At the year end the Association had a total of 3,098 properties under management, comprising 2,816 properties for rent and 282 for shared ownership. Of these, 12 properties were void at 31 March 2010.

The Association, together with its partners Fife Council, Fife, Glen and Ore Valley Housing Associations, will continue to develop the Fife Housing Register and work towards involving other regional and national housing associations to make this register more effective and cost efficient.

KINGDOM HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Development

The Association operates mainly in Fife, with a presence in Falkirk and Perth & Kinross.

The Association's growth has been maintained during the year through its ongoing housing development plans within the FHAA framework. During the year the alliance completed 192 properties and was on site with a further 325 units, on 13 different sites. There are also plans to start on site during 2010/11 with a further 135 new units.

The FHAA capital investment in housing properties for the year ended 31 March 2010 was £28.4m and was funded in part by way of £17.9m of Housing Association Grant (HAG) provided by the Scottish Government and other grants. The remainder was funded from new loans and the Association's own resources.

Pressures on public funding will impact on the Association's grant funded capital programme and in 2010/11 there will be a 45% reduction in the HAG available for the sector's development programmes.

Support & Care

During the year the Association received funding to provide support and care to people with particular needs, including homeless people. The income for providing this service did not meet all of the costs this year and the funding for this service remains under significant pressure due to the below-inflation settlements made by funders. The Association will continue to monitor the viability of providing this service.

The Association also provides a range of other services to various client groups under its Wider Role initiatives. These services include a Care & Repair service for older people and people with a disability, in Fife, who own their own homes and who need advice and some help to access funds to pay for certain types of maintenance works and adaptations. A Small Repairs service, for the same client group, is also operated by the Association along with other initiatives that aim to support communities and unemployed people directly or identify funding to do so indirectly.

Treasury

The Association carries out its treasury activities within the framework of an approved Treasury Policy, including the minimum and maximum amounts of loan finance that may be set at fixed and variable rates of interest.

At 31 March 2010 the Association had 67% of its loan portfolio at fixed rates of interest. The Treasury Policy allows a maximum of 75% at fixed rates of interest.

The Association's lenders have set minimum levels of interest cover that must be met. The interest cover at 31 March 2010 was 321%, significantly higher than the minimum level required by the lenders' financial covenants and was due to the Association's exposure to low interest rates at this time.

The Association has undrawn loan finance available at margins that were agreed prior to the credit crisis that took hold in 2008.

The Environment & Sustainability

The Scottish Government is committed to sustainable development and reducing the impact of climate change. The Association endeavours to meet Government policy requirements and aspirations in the provision of all of its services and has a Sustainability Policy which covers all areas of operation and includes environmental targets and objectives that are reflected in both the new build housing and maintenance programmes. Sustainability extends beyond the physical housing and this is also recognised through the Wider Role and Fife Works initiatives managed by the Association. This holistic approach has influenced the various wider role and housing projects developed, the progress made with improvements to the existing stock and has been recognised in the recent Green Business Fife Award for the environmental and sustainability work progressed by Kingdom.

KINGDOM HOUSING ASSOCIATION LIMITED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Key Performance Indicators (KPIs)

The Association measures its performance by reference to a number of KPIs, based upon data maintained for the purpose and included in the Annual Performance and Statistical Returns to the Scottish Housing Regulator. A summary of the main KPIs is as follows:

	Actual to 31 March 2010	Target to 31 March 2010	Actual to 31 March 2009
Void loss	0.63%	0.75%	0.89%
Non-technical arrears – current tenants	2.14%	2.56%	2.51%
Average re-let times	24 days	29 days	27 days
% Staff costs: Turnover (excluding Developments for Sale)	44.4%	47.4%	44.7%
Sickness absence	5.4%	5.5%	6.4%
Management & Maintenance Administration costs per unit	£756	£766	£688
Routine Maintenance costs per unit	£651	£620	£617
% properties meeting SHQS requirements	89.29%	94.61%	79.77%
Emergency repairs completed within target response time	99.23%	100 %	99.64%

The indicators highlight better performance for the year than set as the target in most areas although some performance has not met expectations. The number of properties that were expected to be brought up to SHQS standard was 306, as compared to the actual number of 246. This difference is due to the programming of works and will not have any impact on the completion of all works within the prescribed timescales set out in the legislation.

Financial Review & Going Concern

At the year end the Association's reserves amounted to £19.5m, comprising designated reserves of £14.6m and revenue reserves of £4.9m. Designated reserves are created for specific purposes and circumstances and are transferred back to revenue reserves when the relevant expenditure is charged to the income and expenditure account or the reserve is no longer required. The main purpose of designated reserves is to meet the Association's obligation to maintain its housing properties in a satisfactory state of repair, including compliance with the requirements of the Scottish Housing Quality Standard (SHQS).

During the year the Association created a surplus of £2,528,426.

The Association retains an amount of free reserves in order that it can meet the costs of any significant unforeseen event.

The Committee is of the opinion that the Association will be able to continue its operations for the foreseeable future, based upon consideration of long term financial plans and the availability of loan finance at affordable rates of interest and repayment periods that are appropriate for the Association's business.

As such the going concern basis of accounting has been adopted in preparing these financial statements.

KINGDOM HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Reserves

Designated reserves are held separately in the balance sheet and comprise amounts in respect of planned maintenance, cyclical maintenance and a charitable fund. The reserves for planned maintenance and cyclical maintenance are created with the objective of ensuring that adequate resources are available to fund future maintenance and replacement costs by setting aside amounts in years of low expenditure and utilising some or all of these amounts in years of high expenditure. The Association aims to have an adequate level of reserves to meet its obligations to maintain its properties in the long term that take account of increasing inflationary pressures and additional regulation. The Association's projections of the costs of its long term maintenance programmes indicate that the current levels of designated reserves are consistent with the maintenance requirements of the Association's housing stock, determined by reference to the age profile of the stock.

The revenue reserve represents the accumulated surpluses of the Association, after transfers to and from Designated Reserves. The Association aims to maintain a level of revenue reserves to ensure that it can absorb the costs of significant unplanned events. The total amount of revenue reserves comprises a number of amounts resulting from calculations based upon financial values and risks relating to various parts of the business.

Staffing

At 31 March 2010 the staffing establishment comprised 263 full time equivalent persons, an increase of 1 from the previous year.

The Association is committed to involving and seeking the views of its employees, particularly on matters of concern to them. There are communication and consultation processes in place which are used to inform staff of decisions that have been made and to provide information on the general development of the Association. These communication processes include the issue of staff bulletins, access to a range of different documents on the wide area network, operational group and team meetings, staff away days and through a Joint Consultative Group, comprising management and elected staff representatives.

The Association ensures that all applications for employment are given full and fair consideration regardless of the applicant's disability, ethnic origin, age, religion or belief, gender or sexual orientation. Should an employee become disabled whilst in its employment, the Association is committed to making all reasonable adjustments to the duties or terms and conditions of employment to enable their employment to continue.

There are equality and diversity policies and procedures in place to enable the Association to meet its aims and obligations in this area.

Risk Management

The Association recognises its moral and statutory duty of care to its customers, employees and assets. It meets this duty by ensuring that risk management plays an integral part in the management of the Association at a strategic and operational level. Risk management is a participative process, involving the input of the Committee, senior management and all staff. The Association aims to make all employees aware of risks through training and communication. The Association's Risk Management policy was reviewed by the Audit & Corporate Governance sub-committee and approved by the Committee.

The Committee also uses its internal auditors to carry out reviews and report their findings. The reviews cover areas of the Association's operations that are identified by reference to the risk registers maintained by the Association and agreed with the Audit & Corporate Governance sub-committee.

Health and Safety

The Committee is aware of its responsibilities on all matters relating to health and safety. The Association maintains detailed health and safety policies and provides staff training and education on health and safety matters. The Association has a Health and Safety group which is currently chaired by the Resources Director. In addition, the Association's Health and Safety Officer provides updates to senior staff on activities and procedures relating to health and safety.

KINGDOM HOUSING ASSOCIATION LIMITED

REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Key Policies

Rents

Rents are set by the Association using a points-based system that takes account of a number of attributes of each property. The Association is able to maintain its rents at a lower level than an equivalent market rent due to its ability to obtain housing association grant (HAG) from the Scottish Government. HAG provides an interest-free portion of the finance required to develop housing for rent and shared ownership.

Maintenance

During the year the Association reviewed and updated its Asset Management Policy, which covers all of the housing stock and other properties and facilities owned and managed by it.

The Association seeks to maintain its properties to the highest standards. This is achieved by carrying out programmes of cyclical repairs in the medium term to rectify defects arising from the predictable deterioration of building components. The cost of all of these repairs is charged to the Income and Expenditure Account. In addition, the Association has a long-term programme of planned repairs to replace major components that have worn out, including works required through the introduction of legislation. The cost of these repairs is charged to the Income and Expenditure Account, unless it is agreed they can be capitalised within the terms outlined in the Statement of Recommended Practice (SORP) Accounting by Registered Social Landlords 2008.

Risk Management

The Association has an up to date Risk Management policy that sets out a risk management framework. This policy is backed up by written guidance on the identification, recording, review and scoring of risks and involves all staff.

Treasury Management

The Association does not enter into financial transactions of a speculative nature. At the year-end the Association had an appropriate mix of fixed and variable rate funding arrangements in place with its principal lenders. The Association has an active treasury management function.

The Treasury Management policy sets out a minimum and a maximum proportion of the loan portfolio that may be held at fixed rates of interest.

Plans for the Future

The Association remains committed to its three main aims of managing and maintaining its existing property portfolio, expanding its property portfolio through the development of new properties and providing support and care to people with particular needs. In order to meet this commitment the Committee is aware of the future challenges that the likely cuts in public funding, which will take place in the medium term, will present for the Association. The Committee will endeavour to ease these pressures through efficiency savings and expansion through new business initiatives.

In order to achieve these aims, the Association maintains reserves to meet the costs of planned and cyclical maintenance in the future and the costs of unforeseen events, has undrawn loan finance available from reliable lenders to enable it to develop or acquire additional properties and has robust systems in place to ensure that the business is managed properly.

The Association will endeavour to continue the preferred partner status of the FHAA in Fife and will form appropriate alliances and partnerships in areas where it considers it is able to provide housing for its target client group.

The Association is considering its corporate structure and relationship with KIHA to ensure that it is appropriate for the delivery of its range of services. This will be completed during 2010/11.

KINGDOM HOUSING ASSOCIATION LIMITED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Credit Payment Policy

The Association realises the importance of making prompt payment to its suppliers and has a policy to settle all purchases within 30 days, although some payments are made more quickly in order to comply with specific creditor terms.

Internal financial control

The Committee is responsible for the Association's system of internal financial control.

The approach adopted by the Committee to provide effective financial control can be summarised as follows:

- (a) an appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association.
- (b) management information systems have been developed to provide accurate and timeous data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Committee quarterly.
- (c) major business risks and their financial implications are assessed systematically by reference to established criteria.
- (d) the financial implications of major business risks are controlled by means of delegated authorities which reserve significant matters to the Committee for decision, segregation of duties in appropriate areas and physical controls over assets and access to records.
- (e) the Committee monitors the operation of the internal financial control system by considering regular reports from management, contracted internal auditors and the external auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

The Committee confirms that it has reviewed the effectiveness of the Association's system of internal financial control as it operated during the year under review. The system of internal financial control is kept under constant review. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. These arrangements comply with the requirements contained in the Scottish Housing Regulator's and the Scottish Federation of Housing Associations' (SFHA) publication "Raising Standards in Housing".

Statement as to the disclosure of information to auditors

The Committee Members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Committee Members has confirmed that they have taken all the steps that they ought to have taken as Committee Members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

A resolution for the reappointment of Baker Tilly, UK Audit LLP, as auditors, will be proposed at the Annual General Meeting.

KINGDOM HOUSING ASSOCIATION LIMITED
REPORT of the MANAGEMENT COMMITTEE (Cont'd)

For the year ended 31 March 2010

Statement of the Committee's responsibilities

Housing association legislation requires the Committee to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those accounts the Committee is required to:

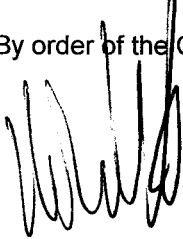
- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Committee confirms that the financial statements comply with these requirements.

The Committee is responsible for ensuring that arrangements are made for keeping proper books of account with respect to the Association's transactions and its assets and liabilities and for maintaining a satisfactory system of control over the Association's books of account and transactions.

The Committee is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Committee



Robin Millar
Secretary
28 June 2010

KINGDOM HOUSING ASSOCIATION LIMITED

Independent Auditors' Report to the Members of Kingdom Housing Association Ltd

We have audited the financial statements on pages 11 to 33 which have been prepared under the Accounting policies set out on pages 14 to 18.

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

Respective responsibilities of the Committee and Auditors

The Committee's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Committee's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007. We also report to you if, in our opinion, the information given in the Report of the Management Committee is consistent with the financial statements, a satisfactory system of internal control over transactions has not been maintained, if the Association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Management Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31 March 2010 and of its surplus for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, Schedule 7 to the Housing (Scotland) Act 2001 and the Registered Social Landlords Accounting Requirements (Scotland) Order 2007.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

30 July 2010

KINGDOM HOUSING ASSOCIATION LIMITED

Auditors' Report on Corporate Governance Matters

In addition to our audit of the financial statements, we have reviewed the Committee statement on page 7 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing'.

Basis of Opinion

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

Opinion

In our opinion the statement on internal financial controls on page 7 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication 'Raising Standards in Housing' and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP
Registered Auditor
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

30 July 2010

KINGDOM HOUSING ASSOCIATION LIMITED

INCOME and EXPENDITURE ACCOUNT

For the year ended 31 March 2010

	Notes	2010 £	2009 £
Turnover	2	17,938,088	17,017,262
less: Operating costs	2	<u>(14,306,324)</u>	<u>(15,961,041)</u>
Operating surplus		3,631,764	1,056,221
Gain on sale of housing properties	4	35,964	193,489
Gain/(loss) on sale of other fixed assets		60,124	(2,482)
Interest receivable and similar income		72,905	212,505
Interest payable and similar charges	14	<u>(1,272,331)</u>	<u>(1,614,387)</u>
Surplus/(deficit) on ordinary activities before taxation		2,528,426	(154,654)
Taxation	5	_____ -	_____ -
Surplus/(deficit) for the year	6	<u>2,528,426</u>	<u>(154,654)</u>

A statement of recognised gains and losses is not shown as all gains and losses are recognised in the Income and Expenditure Account.

The results relate wholly to continuing operations.

The notes on pages 14 to 33 form part of these accounts.


KINGDOM HOUSING ASSOCIATION LIMITED

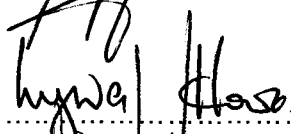
BALANCE SHEET

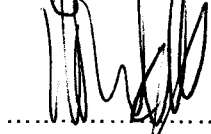
As at 31 March 2010

	Notes	2010 £	2009 £
Tangible fixed assets			
Housing properties - depreciated cost	7(i)	203,331,156	188,340,052
Housing Association Grants	7(ii)	(145,745,252)	(135,312,128)
Other capital grants	7(ii)	<u>(6,202,660)</u>	<u>(5,652,412)</u>
		51,383,244	47,375,512
Fixed Asset Investments			
Homestake Costs	7(iii)	1,619,876	1,961,413
Homestake Grant		<u>(1,604,961)</u>	<u>(1,827,565)</u>
		14,915	133,848
Other fixed assets	7(iv)	<u>1,235,261</u>	<u>1,093,043</u>
		<u>52,633,420</u>	<u>48,602,403</u>
Current assets			
Stock and Work in Progress	8	1,103,691	973,887
Debtors	9	4,075,798	4,733,726
Cash at bank		<u>9,329,418</u>	<u>4,426,812</u>
		14,508,907	10,134,425
Creditors: amounts falling due within one year	10	<u>(8,089,236)</u>	<u>(5,894,762)</u>
Net current assets		<u>6,419,671</u>	<u>4,239,663</u>
Total assets less current liabilities		59,053,091	52,842,066
Creditors: amounts falling due after more than one year	11,12	<u>(39,512,397)</u>	<u>(35,829,788)</u>
Net assets		<u>19,540,694</u>	<u>17,012,278</u>
Capital and reserves			
Share capital	13	99	109
Designated reserves	6	14,649,078	13,162,128
Revenue reserves	6	<u>4,891,517</u>	<u>3,850,041</u>
		<u>19,540,694</u>	<u>17,012,278</u>

Approved by the Management Committee on 28 June 2010 and signed on its behalf and authorised for issue by:

.....

J Douglas Gray Chair

.....

Lynda Howe Committee Member

.....

Robin Millar Secretary

The notes on pages 14 to 33 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	20	3,468,036	551,798
Returns on investments and servicing of finance	22(a)	(987,274)	(1,379,662)
Capital expenditure	22(b)	<u>(1,557,465)</u>	<u>(6,971,157)</u>
Cash inflow/(outflow) before financing		923,297	(7,799,021)
Financing	22(c)	<u>3,979,309</u>	<u>6,210,360</u>
Increase/(decrease) in cash	23	<u>4,902,606</u>	<u>(1,588,661)</u>

The notes on pages 14 to 33 form part of these accounts.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS

For the year ended 31 March 2010

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered by The Financial Services Authority. The accounts have been prepared in compliance with The Registered Housing Associations (Accounting Requirements) (Scotland) Order 2007 and the Statement of Recommended Practice (SORP): Accounting by Registered Social Landlords 2008.

1. Accounting Policies

The principal accounting policies of the Association are set out in paragraphs (a) to (t) below.

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Going Concern

The Committee reviews the long term financial plans prepared for inclusion in the Corporate Plan and for submission to the Scottish Housing Regulator (SHR). The latest plans have been reviewed and approved by the Committee and submitted to the SHR. These plans were prepared using assumptions agreed by the Senior Management Team and, where appropriate, in conjunction with the Association's Housing Investment Group, and demonstrate that the Association is financially viable. An impairment review has also been carried out that demonstrates that no provision for impairment is required. The assumptions used for the long term plans and the impairment review are considered to be appropriate.

(c) Basis of Accounting

The accounts are prepared in accordance with applicable accounting standards and statements of recommended practice.

(d) Turnover

Turnover represents rental and service charge income receivable (net of voids), income for the provision of support and care services, fees, revenue grants and sales of housing, comprising first tranche sales of shared equity properties and properties developed for other registered social landlords. Tenant service charges are levied on a basis intended to cover appropriate service costs each year.

(e) Works to Existing Properties

Improvements are capitalised where these result in an enhancement of the economic benefits of the property. Such enhancement can occur if the improvements result in:-

- i. an increase in net rental income or
- ii. a reduction in future maintenance costs or
- iii. a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the income and expenditure account.

(f) Housing Association Grant

Housing Association Grant (HAG) is payable by Scottish Ministers to enable the Association to develop new properties and modernise existing properties. The Grant is paid directly to the Association and is reflected in the accounts when due to be received. The costs not funded by HAG are sought from other sources or funded internally. The amount of grant is calculated on qualifying costs (Note 1(l)) of the scheme in accordance with instructions issued from time to time by the Housing & Regeneration Directorate of the Scottish Government.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

1. Accounting Policies (Contd.)

HAG includes:

- i. Acquisition and development allowances receivable
Acquisition and development allowances are determined by the Housing & Regeneration Directorate of the Scottish Government and are advanced as HAG. They are intended to finance certain internal administrative costs relating to the acquisition and development of housing land and buildings for approved schemes.
- ii. Clerk of works allowances
Clerk of works allowances are determined by the Housing & Regeneration Directorate of the Scottish Government and are advanced as HAG. They are intended to finance the costs of employing a clerk of works.

Allowances received in advance are shown as HAG repayable in creditors (Note 10) and allowances receivable are shown as HAG receivable in debtors (Note 9).

HAG is repayable under certain circumstances, primarily following the sale of a property but will normally be restricted to the net proceeds of sale.

HAG received in respect of revenue expenditure is credited to the Income and Expenditure Account in the same period as the expenditure to which it relates.

(g) Other Housing Grants

Other grants relating to the provision of housing arise from local authority second homes Council tax and the Mortgage to Rent scheme operated by the Scottish Government. These grants are reflected in the accounts when received.

(h) Non-housing grants

Other non-housing grants are included in the income and expenditure account when received. At the year end any amounts of grant not fully applied for the purpose received are included in Creditors: amounts falling due within one year (Note 10).

(i) Stocks & Work in Progress (WIP)

Stocks and work in progress are stated at the lower of cost and net realisable value. Developments in progress for other Associations are included in WIP at cost, net of any related HAG.

(j) Sale of Housing Properties

The Association has charitable status and therefore is exempt from right to buy legislation. The Association develops properties for sale on a shared ownership basis, which allows prospective home owners to purchase initial tranches of 25%, 50% or 75% at market value. After one year the sharing owner may increase his/her share of ownership. All cost and grants relating to the share of property sold are removed from the financial statements at the date of sale. The sale of initial tranches is accounted through income and expenditure account, where turnover is represented by the sale proceeds and the associated cost of sale reflecting the appropriate proportion of the cost of the property sold. Sales of subsequent tranches are accounted as sales of fixed assets. Any grants received that cannot be repaid from the proceeds of sale are abated and the grant removed from the financial statements.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

1. Accounting Policies (Contd.)

(k) Properties Managed by Agents

The Association uses a management agent to manage a number of its properties (Note 7 - units in management). There is a management agreement in place that sets out the service levels required by the Association. The cost of managing the properties is charged to the Income and Expenditure account on an accruals basis.

(l) Fixed Assets - Housing Land and Buildings

Housing properties are stated at cost less applicable depreciation (Note 1(n)). The development cost of housing properties includes the following:

- i. cost of acquiring land and buildings
- ii. development expenditure
- iii. capitalised interest

These costs are termed "qualifying costs" by the Scottish Government for approved HAG schemes and are considered for loans by the relevant lending authority, or are funded by the Association.

All invoices and architects' certificates relating to the capital expenditure incurred in the period, at gross value including retentions, are included in the accounts for the period provided that the dates of issue or valuation are prior to the period end.

In accordance with recommended practice the cost of housing properties developed for shared ownership is stated net of the proceeds of sale of the initial tranche to the sharing owners. Subsequent tranche sales are accounted for as disposals of fixed assets through the Income and Expenditure Account.

(m) Homestake

The 'Homestake' scheme (now replaced by LIFT, Low-Cost Initiative for First-Time Buyers, being piloted by a small number of housing associations. The Association is not involved in this pilot.) was introduced by the Scottish Government in 2005 to assist aspiring homeowners who could not afford the full price of a property. Grant is received from the Scottish Government for the construction of properties under the Homestake scheme and is the difference between the cost of the Homestake properties less the sale proceeds paid by purchasers of the Homestake properties.

This normally results in a residual stake in each property remaining with the Association and this is accounted for as a Fixed Asset Investment (Note 7(iii)). The cost of Homestake properties in the Balance Sheet is stated net of the cost of initial stakes sold to Homestake purchasers. The sale of initial stakes in Homestake properties is accounted through the Income and Expenditure account. Subsequent sales of residual stakes are accounted for as disposals of fixed assets through the Income and Expenditure Account.

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

1. Accounting Policies (Cont'd)

(n) Depreciation

Depreciation is charged on all tangible fixed assets with the exception of shared ownership properties and land. Depreciation is considered immaterial on shared ownership properties due to their high residual value. Depreciation is charged at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life:

Housing properties	- 1%
Office property	- 2% to 10%
Office furniture and fittings	- 20%
Motor vehicles	- 20%
Computer hardware and software	- 33%

Housing properties are reviewed for any impairment in value by comparing their estimated value in use as social housing with their net carrying value in the Balance Sheet, with any material difference charged to the Income and Expenditure Account.

(o) Pension Scheme

The Association participates in the SFHA Pension Scheme (administered by The Pensions Trust) which provides benefits based on final pensionable salary. The assets of the scheme are held and invested separately from those of the Association.

Contributions to the scheme are charged to the Income and Expenditure Account on an accruals basis and represent the employer's contribution for the year.

(p) Designated Reserve for Planned Maintenance (Note 6)

Transfers to this reserve are based on the Association's liability to maintain its properties in accordance with a planned programme of works.

The amount of designated reserves is calculated at each year end based upon formulae that take account of the nature of the works and the number of properties for which the Association has a liability to carry out future planned programmes of work. The difference between the amount required at the end of the financial year and the balance at the beginning of the financial year together with the expenditure incurred in the year is transferred to designated reserves. The expenditure incurred in the year is transferred to revenue reserves.

The planned expenditure over the next three years is £4.1m.

(q) Designated Reserve for Cyclical Maintenance (Note 6)

This reserve is maintained to meet the costs of cyclical exterior painterwork. The cycle is based upon each property being repainted every six years. The reserve is calculated by reference to actual costs of painterwork and the time periods outstanding until the next cycle is scheduled to take place at each of the Association's developments. Any under or over provision is transferred from or to revenue reserves.

(r) Designated Reserve for Charitable Fund (Note 6)

Each year at the Annual General Meeting, the Committee seeks approval of an amount to be set aside for Charitable purposes, to be disbursed throughout the year in accordance with the charitable purposes approved by the Committee. The related expenditure is included in operating costs in the Income & Expenditure account.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

1. Accounting Policies (Contd.)

(s) Apportionment of Management Expenses

Direct employee administration and operating costs have been apportioned to the relevant activities undertaken by the Association on the basis of the costs of the staff directly engaged in the operations described and dealt with in these accounts.

(t) Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

2. Turnover, operating costs and operating surplus or deficit

	Turnover	Operating Costs	Operating Surplus/ (Deficit)	2009
	£	£	£	£
Social lettings (Note 3 (i))	9,989,025	6,241,319	3,747,706	3,083,626
Other activities (Note 3 (ii))	<u>7,949,063</u>	<u>8,065,005</u>	<u>(115,942)</u>	<u>(2,027,405)</u>
Total	<u>17,938,088</u>	<u>14,306,324</u>	<u>3,631,764</u>	<u>1,056,221</u>
2009	<u>17,017,262</u>	<u>15,961,041</u>	<u>1,056,221</u>	

3. Particulars of turnover, operating costs and operating surplus or deficit

(i) Social Letting Activities	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Total	2009
	£	£	£	£	£
Turnover					
Rent receivable net of service charges	8,257,296	710,134	540,528	9,507,958	8,517,775
Service charges	<u>451,933</u>	<u>43,130</u>	<u>49,577</u>	<u>544,640</u>	<u>480,214</u>
Gross income from rents & service charges	8,709,229	753,264	590,105	10,052,598	8,997,989
Less voids	<u>(57,960)</u>	<u>(3,251)</u>	<u>(2,362)</u>	<u>(63,573)</u>	<u>(77,659)</u>
Net income from rents & service charges and Total turnover from social letting activities	<u>8,651,269</u>	<u>750,013</u>	<u>587,743</u>	<u>9,989,025</u>	<u>8,920,330</u>
Operating Costs					
Management & maintenance administration costs	2,035,409	185,378	213,085	2,433,872	2,190,065
Service costs	382,138	36,469	41,920	460,528	388,653
Planned & cyclical maintenance including major repairs costs	803,193	69,075	-	872,268	987,716
Reactive maintenance costs	1,858,322	159,817	-	2,018,139	1,885,347
Bad debts – rents & service charges	68,480	5,860	-	74,340	47,480
Depreciation of social housing	<u>352,047</u>	<u>30,125</u>	<u>-</u>	<u>382,172</u>	<u>337,443</u>
Operating costs for social letting activities	<u>5,499,423</u>	<u>486,891</u>	<u>255,005</u>	<u>6,241,319</u>	<u>5,836,704</u>
Operating surplus/ (deficit) for social letting activities	<u>3,151,846</u>	<u>263,122</u>	<u>332,738</u>	<u>3,747,706</u>	<u>3,083,626</u>
2009 Operating surplus/ (deficit) for social letting activities	<u>2,541,803</u>	<u>203,767</u>	<u>338,056</u>	<u>3,083,626</u>	

There is no income or expenditure relating to any other category of income.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

3. Particulars of turnover, operating costs and operating surplus or deficit (Contd.)

(ii) Other Activities	Grants from Scottish Ministers £	Other Revenue Grants £	Supporting People Income £	Other Income £	Total Turnover £	2009 £
Turnover						
Wider Role activities undertaken to support the community	102,500	-	-	97,544	200,044	656,448
Care and repair of property	-	190,054	-	-	190,054	153,417
Development and construction of property activities	-	-	-	-	-	-
Support activities	-	-	2,853,227	-	2,853,227	3,015,627
Care activities	-	-	-	1,339,876	1,339,876	1,384,229
Other agency/ management services	-	-	-	139,407	139,407	79,149
Developments for sale to registered social landlords	-	-	-	2,746,900	2,746,900	2,664,947
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords	-	-	-	108,000	108,000	65,000
Other activities	-	-	-	371,555	371,555	78,115
	<u>102,500</u>	<u>190,054</u>	<u>2,853,227</u>	<u>4,803,282</u>	<u>7,949,063</u>	<u>8,096,932</u>
Operating surplus/ deficit		Total Turnover £	Operating Costs – Bad Debts £	Other Operating Costs £	Operating Surplus/ (Deficit) £	2009 £
Wider Role activities undertaken to support the community		200,044	-	189,188	10,856	(11,306)
Care and repair of property		190,054	-	177,260	12,794	(18,428)
Development and construction of property activities		-	-	329,734	(329,734)	(449,102)
Support activities		2,853,227	-	3,020,106	(166,879)	(1,717,285)
Care activities		1,339,876	-	1,136,695	203,181	153,772
Other agency/ management services		139,407	-	139,407	-	-
Developments for sale to registered social landlords (Note 8)		2,746,900	-	2,740,025	6,875	21,001
Developments and improvements for sale, (including first tranche shared ownership sales) to non registered social landlords		108,000	-	129,667	(21,667)	11,098
Other activities		<u>371,555</u>	<u>-</u>	<u>202,923</u>	<u>168,632</u>	<u>(17,155)</u>
		<u>7,949,063</u>	<u>-</u>	<u>8,065,005</u>	<u>(115,942)</u>	<u>(2,027,405)</u>
	2009	<u>8,096,932</u>	<u>-</u>	<u>10,124,337</u>	<u>(2,027,405)</u>	

In 2009, the other operating costs of Support activities included a payment of £1.685m to one of the Association's major partners in settlement of services provided in the previous six years (2010: nil)

In 2010, Other Activities includes other income of £140,000 which was a heating grant from the Energy Savings Trust (2009: nil)

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

4. Surplus on Sale of Housing Properties

	2010	2009
	£	£
Sale proceeds	133,750	425,875
Cost of properties	(92,804)	(226,413)
Expenses on disposal of properties	<u>(4,982)</u>	<u>(5,973)</u>
	<u><u>35,964</u></u>	<u><u>193,489</u></u>

The gain on sale of housing properties arises from the sale of tranches of 25%, 50% or 75% of the whole of each property.

5. Taxation

The Association has charitable status for taxation purposes and there is no liability to corporation tax for the year.

6. Reserves

	Designated Reserves	Revenue Reserves	2010 Total	2009 Total
	£	£	£	£
Balance at 1 April	13,162,128	3,850,041	17,012,169	17,166,823
Surplus/(deficit) for year	-	2,528,426	2,528,426	(154,654)
Transfer to Revenue Reserves	(747,624)	747,624	-	-
Transfer from Revenue Reserves	<u>2,234,574</u>	<u>(2,234,574)</u>	-	-
Balance at 31 March	<u><u>14,649,078</u></u>	<u><u>4,891,517</u></u>	<u><u>19,540,595</u></u>	<u><u>17,012,169</u></u>

Designated Reserves are comprised as follows:

	Charitable Fund	Cyclical Maintenance	Planned Maintenance	Total
	£	£	£	£
Balance at 1 April 2009	24,623	374,120	12,763,385	13,162,128
Transfer to Revenue Reserves	(15,356)	-	(732,268)	(747,624)
Transfer from Revenue Reserves	<u>-</u>	<u>20,960</u>	<u>2,213,614</u>	<u>2,234,574</u>
Balance at 31 March 2010	<u><u>9,267</u></u>	<u><u>395,080</u></u>	<u><u>14,244,731</u></u>	<u><u>14,649,078</u></u>

The transfers from Revenue Reserves represent the additional reserves required to maintain the level of designated reserves consistent with the long term maintenance requirements of the Association's housing stock. The transfers to Revenue Reserves relates to charitable expenditure during the year included with operating costs and the costs of planned maintenance expenditure for the year, less the environmental grant received in respect of the implementation of a district heating and power system at one of the Association's developments.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

7. Tangible fixed assets

(i) Housing properties Cost	Shared Ownership properties held for letting £	Shared Ownership properties in course of construction £	Housing properties held for letting £	Housing properties in course of construction £	Hostel Property held for letting £	Housing Properties Total £
At 1 April 2009	12,346,990	685,025	163,742,112	12,492,680	1,053,339	190,320,146
Additions during year	39,155	276,144	354,013	15,345,400	-	16,014,712
Disposals in year	(89,752)	-	-	-	-	(89,752)
Transfer to Stock & Work In Progress for other RSLs (Note 8)	-	-	-	(669,537)	-	(669,537)
Transfer from Fixed Assets Investments (Note 7 (iii))	-	-	77,985	39,868	-	117,853
Transfers	<u>(181,863)</u>	<u>-</u>	<u>10,038,300</u>	<u>(9,856,437)</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>12,114,530</u>	<u>961,169</u>	<u>174,212,410</u>	<u>17,351,974</u>	<u>1,053,339</u>	<u>205,693,422</u>
Depreciation						
At 1 April 2009	-	-	1,980,094	-	-	1,980,094
Provided during year	-	-	382,172	-	-	382,172
Disposals in year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>-</u>	<u>-</u>	<u>2,362,266</u>	<u>-</u>	<u>-</u>	<u>2,362,266</u>
Net depreciated value						
At 31 March 2010	<u>12,114,530</u>	<u>961,169</u>	<u>171,850,144</u>	<u>17,351,974</u>	<u>1,053,339</u>	<u>203,331,156</u>
At 31 March 2009	<u>12,346,990</u>	<u>685,025</u>	<u>161,762,018</u>	<u>12,492,680</u>	<u>1,053,339</u>	<u>188,340,052</u>

No interest was capitalised during the year.

Major repairs expenditure of £986,787, including £114,159 in respect of maintenance administration costs, was included in the income and expenditure account. Major repairs expenditure totalling £144,633 was capitalised during the year (2009: nil)

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

7. Tangible fixed assets	Shared Ownership properties held for letting	Shared Ownership properties in course of construction	Housing properties held for letting	Housing properties in course of construction	Hostel Property held for letting	Housing Properties Total
	£	£	£	£	£	£
(ii) Housing Association Grant and Other Capital Grants						
Housing Association Grant						
At 1 April 2009	9,483,702	682,573	115,164,327	8,928,187	1,053,339	135,312,128
Received during year	34,560	229,447	56,563	10,422,262	-	10,742,832
Repayable during year	(60,439)	-	-	-	-	(60,439)
Transfer to Stock & Work in Progress for Other RSLs (Note 8)	-	-	-	(272,107)	-	(272,107)
Transfer from Fixed Asset Investments (Note 7 (iii))	-	-	-	22,838	-	22,838
Transfers	<u>(101,821)</u>	<u>-</u>	<u>7,000,075</u>	<u>(6,898,254)</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>9,356,002</u>	<u>912,020</u>	<u>122,220,965</u>	<u>12,202,926</u>	<u>1,053,339</u>	<u>145,745,252</u>
Other Capital Grants						
At 1 April 2009	-	-	4,507,197	1,145,215	-	5,652,412
Received during year	-	-	190,582	444,666	-	635,248
Transfer to Stock & Work in Progress for Other RSLs (Note 8)	-	-	-	(85,000)	-	(85,000)
Transfers	<u>-</u>	<u>-</u>	<u>391,000</u>	<u>(391,000)</u>	<u>-</u>	<u>-</u>
At 31 March 2010	<u>-</u>	<u>-</u>	<u>5,088,779</u>	<u>1,113,881</u>	<u>-</u>	<u>6,202,660</u>
Net book value						
At 31 March 2010	<u>2,758,528</u>	<u>49,149</u>	<u>44,540,400</u>	<u>4,035,167</u>	<u>-</u>	<u>51,383,244</u>
At 31 March 2009	<u>2,863,288</u>	<u>2,452</u>	<u>42,090,494</u>	<u>2,419,278</u>	<u>-</u>	<u>47,375,512</u>

Development administration costs capitalised amounted to £472,265 (2009: £ 458,548) for which HAG amounting to £497,793 (2009: £ 566,576) were received during the year. The Association's properties have been reviewed for impairment and no provision was considered necessary.

Units in Management	General Needs Housing	Supported Housing Accommodation	Shared Ownership Housing	Total
	No.	No.	No.	No.
At 1 April 2009 – managed by the Association	2,498	223	277	2,998
At 1 April 2009 – managed by Fairfield Housing Co-operative	<u>29</u>	<u>-</u>	<u>11</u>	<u>40</u>
Total at 1 April 2009	<u>2,527</u>	<u>223</u>	<u>288</u>	<u>3,038</u>
At 31 March 2010 – managed by the Association	2,564	223	271	3,058
At 31 March 2010 – managed by Fairfield Housing Co-operative	<u>29</u>	<u>-</u>	<u>11</u>	<u>40</u>
Total at 31 March 2010	<u>2,593</u>	<u>223</u>	<u>282</u>	<u>3,098</u>

The Association paid an amount of £21,487 (2009: £20,877) to Fairfield Housing Co-operative for the provision of a management service.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

7. Tangible fixed assets (Contd.)

(iii) Fixed Asset Investments – Homestake

	Completed Properties £	Properties In course of Construction £	Total £
Cost			
As at 1 April 2009	1,921,545	39,868	1,961,413
Additions during the year	(19,079)	-	(19,079)
Disposals during the year	(204,605)	-	(204,605)
Transfers to Rented Stock (Note 7 (i))	<u>(77,985)</u>	<u>(39,868)</u>	<u>(117,853)</u>
As at 31 March 2010	<u>1,619,876</u>	<u>-</u>	<u>1,619,876</u>
Grant			
As at 1 April 2009	1,804,727	22,838	1,827,565
Received during the year	7,719	-	7,719
Repayable on disposal	(207,485)	-	(207,485)
Transfers to Rented Stock (Note 7 (i))	<u>-</u>	<u>(22,838)</u>	<u>(22,838)</u>
As at 31 March 2010	<u>1,604,961</u>	<u>-</u>	<u>1,604,961</u>
Net Book Value			
As at 31 March 2010	<u>14,915</u>	<u>-</u>	<u>14,915</u>
As at 31 March 2009	<u>116,818</u>	<u>17,030</u>	<u>133,848</u>

There is not a significant difference between the carrying value shown above and the market value of the Homestake properties held by the Association.

(iv) Other fixed assets

	Heritable office Property £	Furniture and equipment £	Motor vehicles £	Computer hardware and software £	Total £
Cost					
At 1 April 2009	986,365	453,625	217,820	729,907	2,387,717
Additions during year	-	20,146	196,219	99,223	315,588
Disposals in year	<u>-</u>	<u>(40,741)</u>	<u>(31,718)</u>	<u>(11,069)</u>	<u>(83,528)</u>
At 31 March 2010	<u>986,365</u>	<u>433,030</u>	<u>382,321</u>	<u>818,061</u>	<u>2,619,777</u>
Depreciation					
At 1 April 2009	253,380	270,286	123,075	647,933	1,294,674
Provided during year	18,984	39,185	59,051	55,443	172,663
Disposals in year	<u>-</u>	<u>(40,034)</u>	<u>(31,718)</u>	<u>(11,069)</u>	<u>(82,821)</u>
At 31 March 2010	<u>272,364</u>	<u>269,437</u>	<u>150,408</u>	<u>692,307</u>	<u>1,384,516</u>
Net book value					
At 31 March 2010	<u>714,001</u>	<u>163,593</u>	<u>231,913</u>	<u>125,754</u>	<u>1,235,261</u>
At 31 March 2009	<u>732,985</u>	<u>183,339</u>	<u>94,745</u>	<u>81,974</u>	<u>1,093,043</u>

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

	2010	2009
	£	£
8. Stocks and Work in Progress		
Stock of Housing Properties	300,135	219,820
Work In Progress for other Registered Social Landlords (RSLs)	716,247	669,561
Stock of materials held by Maintenance Teams	<u>87,309</u>	<u>84,506</u>
	<u>1,103,691</u>	<u>973,887</u>
Note:		
Work In Progress for other RSLs at 1 April	669,561	-
Costs transferred from Housing Properties (Note 7 (i))	669,537	8,379,185
Grants transferred from Housing Properties (Note 7 (ii))	(357,107)	(7,295,530)
Net additions during the year – costs less applicable HAG	2,474,281	2,229,852
Net transfers to operating costs on disposals (Note 3 (ii))	<u>(2,740,025)</u>	<u>(2,643,946)</u>
Balance of Work In Progress for other RSLs at 31 March	<u>716,247</u>	<u>669,561</u>
9. Debtors		
Arrears of rent	456,977	491,535
less: Provision for bad debts	<u>(136,311)</u>	<u>(141,195)</u>
	320,666	350,340
Sundry debtors and prepayments	1,035,329	547,138
Homestake sundry debtor	-	39,279
Interest receivable	20,425	84,981
HAG receivable	<u>2,699,378</u>	<u>3,711,988</u>
	<u>4,075,798</u>	<u>4,733,726</u>
10. Creditors: amounts falling due within one year		
Contractors for certified work	3,098,433	2,360,443
Trade creditors	628,012	494,131
Sundry creditors and accruals, including prepaid rent	1,076,547	1,386,344
Other Taxation & Social Security costs	132,784	124,392
Interest Payable accrual	264,865	117,269
Homestake cost accruals	124,046	86,751
HAG repayable	878,582	336,162
Other Housing Capital Funding in advance	600,000	-
Housing loans (Note 12)	<u>1,285,967</u>	<u>989,270</u>
	<u>8,089,236</u>	<u>5,894,762</u>
11. Creditors: amounts falling due after more than one year		
Housing loans (Note 12)	<u>39,512,397</u>	<u>35,829,788</u>

The current instalments due on the above loans are included in Note 10 above.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

	2010 £	2009 £
12. Loans		
Housing loans		
Loans secured by a charge on the Association's Housing, Land and Buildings and advanced by private lenders:	40,798,364	36,819,058
The loans are repayable by annual instalments of principal and interest, the last of which fall to be repaid on dates between 2024 and 2038: the loans bear interest at rates between 0.76% to 8.1% (2009 – 0.76% to 13.0%)	<u>40,798,364</u>	<u>36,819,058</u>
Repayable:		
Within one year (Note 10)	<u>1,285,967</u>	<u>989,270</u>
Between one & two years (Note 11)	1,302,247	1,965,953
Between two & five years (Note 11)	4,998,201	3,429,587
After more than five year (Note 11)	<u>33,211,949</u>	<u>30,434,248</u>
Amounts falling due after more than one year (Note 11)	<u>39,512,397</u>	<u>35,829,788</u>
	<u>40,798,364</u>	<u>36,819,058</u>

13. Share Capital

Shares of £1 each issued and fully paid:

At 1 April	109	114
Issued during the year	3	7
Cancelled during the year	<u>(13)</u>	<u>(12)</u>
At 31 March	<u>99</u>	<u>109</u>

Each Member of the Association holds one share of £1 in the Association. These shares are not transferable or redeemable and carry no voting rights to dividend or distributions on a winding up. When a shareholder ceases to be a Member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each Member has a right to vote at Members' meetings. Shares are fully paid as at 31 March 2010.

14. Interest Payable and similar charges

Interest payable in the year has been charged as follows:

Loan Interest	<u>1,272,331</u>	<u>1,614,387</u>
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KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

	2010 £	2009 £
15. Capital Commitments		
Housing Properties:		
Expenditure contracted less certified	<u>16,161,067</u>	<u>10,748,766</u>
16. Employees		
(i) Staff costs during year:		
Wages and salaries	5,827,299	5,535,284
Social security costs	388,150	381,434
Other pension costs	<u>485,443</u>	<u>466,262</u>
	<u>6,700,892</u>	<u>6,382,980</u>
(ii) Staff numbers:		
	No.	No.
Average weekly number of employees (including relief staff working on an "as required" basis)	<u>343</u>	<u>332</u>
Number of employees as at 31 March		
Support & care staff	185	176
Administration staff	111	110
Maintenance staff	<u>19</u>	<u>12</u>
	<u>315</u>	<u>298</u>

As at 31 March 2010 the full time equivalent number of employees in post was 263 (2009 – 262).

17. Auditors' Remuneration

The remuneration of the auditors for the year (including expenses and VAT)

	£	£
External Auditors:		
Audit Services	12,014	11,235
Tax & Advisory Services	<u>3,468</u>	<u>18,310</u>
	<u>15,482</u>	<u>29,545</u>

18. Payments to Members and Committee Members

No Member of the Association received any fee or remuneration during the year. Members of the Committee were reimbursed for out of pocket travel expenses amounting to £2,965 (2009: £1,536).

During the year 3 (2009: 3) Members of the Committee were tenants of the Association. The tenancies of these Members are on normal terms.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

	2010 £	2009 £
19. Remuneration of Directors		
The aggregate remuneration of 5 directors (2009 – 5) including benefits in kind was	<u>377,569</u>	<u>368,890</u>
The pension contributions of 5 directors were	<u>56,496</u>	<u>54,943</u>
Emoluments (excluding pension contributions) were paid in the following bandings:	No.	No.
£60,001 - £65,000	1	1
£70,001 - £75,000	2	2
£75,001 - £80,000	1	1
£85,001 - £90,000	-	1
£90,001 - £95,000	1	-

The total emoluments (excluding pension contributions) received by the highest paid director was £91,709 (2009: £88,561).

Directors are defined to include the Chief Executive and any other person reporting directly to the Chief Executive or the Committee. The Chief Executive is an ordinary member of the Association's Pension Scheme described in Note 24. No enhanced or special terms apply to his membership and the Association does not contribute to any other pension on his behalf. The Association's pension contributions for the Chief Executive in the year are 15.4% and amounted to £13,961 (2009: £13,537).

At the year end, in addition to the above, 2 of the directors had car loans from the Association. The total balance of car loans due by directors at 31 March 2010 was £23,110 (2009: £14,580). The maximum balance outstanding during the year was £29,817 (2009: £14,580). Interest is charged on these loans at a rate equivalent to the Bank of England base rate on the day of inception of the loan and is the same for other eligible employees of the Association.

20. Reconciliation of operating surplus to net cash flow from operating activities	2010 £	2009 £
Operating surplus	3,631,764	1,056,221
Depreciation charges	554,835	496,503
Share Capital written off	(13)	(12)
Transfer from Housing – Wider Role	-	611,462
Transfer from Grants – Wider Role	-	(545,498)
Transfer from Housing – Shared Ownership first tranche sales	-	53,902
Decrease in creditors	(130,229)	(168,201)
Increase in debtors	(458,517)	(25,005)
Increase in Stocks and Work in Progress	<u>(129,804)</u>	<u>(927,574)</u>
Net cash inflow from operating activities	<u>3,468,036</u>	<u>551,798</u>

21. Reconciliation of net cashflow to movement in net debt		
Increase/(decrease) in cash in the period	4,902,606	(1,588,661)
Loans repaid	1,185,031	2,426,705
Cash received from new loans	<u>(5,164,337)</u>	<u>(8,637,058)</u>
Change in net debt	923,300	(7,799,014)
Net debt at 1 April 2009	<u>(32,392,246)</u>	<u>(24,593,232)</u>
Net debt at 31 March 2010	<u>(31,468,946)</u>	<u>(32,392,246)</u>

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

22. Gross cash flows	2010	2009
	£	£
(a) Returns on investments and servicing of finance		
Interest received	137,461	256,842
Interest paid	<u>(1,124,735)</u>	<u>(1,636,504)</u>
	<u>(987,274)</u>	<u>(1,379,662)</u>
(b) Capital expenditure		
Payments to acquire tangible fixed assets	(14,903,694)	(12,302,525)
Receipts of housing grants	12,915,798	3,682,743
Receipts from sales of tangible fixed asset	60,831	-
Receipts from sales of housing	125,716	426,503
Receipts from sales of Homestake properties	243,884	1,261,401
Closing debtor	<u>-</u>	<u>(39,279)</u>
	<u>(1,557,465)</u>	<u>(6,971,157)</u>
(c) Financing		
Housing loans received	5,164,337	8,637,058
Housing loans repaid	(1,185,031)	(2,426,705)
Increase in share capital	<u>3</u>	<u>7</u>
Net cash inflow from financing	<u>3,979,309</u>	<u>6,210,360</u>

23. Analysis of changes in net debt

	At	Cash	Other	At
	1 April	flows	Changes	31 March
	2009	£	£	2010
	£			£
Cash in hand and at bank	4,426,812	4,902,606	-	9,329,418
Debt due within 1 year	(989,270)	1,185,031	(1,481,728)	(1,285,967)
Debt due between 1 and 2 years	(1,965,953)	-	663,706	(1,302,247)
Debt due between 2 and 5 years	(3,429,587)	-	(1,568,614)	(4,998,201)
Debt due after more than 5 years	<u>(30,434,248)</u>	<u>(5,164,337)</u>	<u>2,386,636</u>	<u>(33,211,949)</u>
Total	<u>(32,392,246)</u>	<u>923,300</u>	<u>-</u>	<u>(31,468,946)</u>

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

24. Pension Obligations

(a) SFHA Pension Scheme

Summary of Scheme

Kingdom Housing Association participates in the SFHA Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

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

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 2006 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £268 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £54 million, equivalent to a past service funding level of 83.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2008. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed a decrease in the assets of the Scheme to £265 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £149 million, equivalent to a past service funding level of 63.9%.

The current triennial formal valuation of the Scheme, as at 30 September 2009, is being undertaken by a professionally qualified Actuary. The results of the valuation will be available in Autumn 2010. The provisional results of the triennial valuation show a deficit of £160 million as at 30 September 2009. This means that the funding level of liabilities represented by assets is 64.8%. This implies that the total contribution rate would have to increase, on average, by 7% of pensionable earnings for all existing benefit option structures from April 2011.

The annual cost of the Association's contributions to the Scheme is £485,000.

Employer Debt

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

24. Pension Obligations (cont'd)

(a) SFHA Pension Scheme (cont'd)

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Kingdom Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SFHA Pension Scheme based on the financial position of the Scheme as at 30 September 2009. As of this date the estimated employer debt for the Association was £12,888,377.

(b) Pensions Trust's Growth Plan

Summary of Scheme

Kingdom Housing Association also participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities.

The valuation results at 30 September 2008 have now been completed and will be formalised shortly. The valuation of the Plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

24. Pension Obligations (cont'd)

(b) Pensions Trust's Growth Plan (cont'd)

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the scheme liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within ten years if the investment returns from assets are in line with the "best estimate" assumptions.

The next full actuarial valuation will be carried out as at 30 September 2011.

The Association does not make any contributions to the Plan.

Legislation Changes

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for was £2,229.

25. Financial Commitments

The Association has annual commitments under non-cancellable operating leases as follows:

	Offices, Works Depot £
<u>At 31 March 10 expiry:</u>	
Less than 1 year	3,770
Between 1-2 years	<u>7,685</u>
Total as at 31 March 10	<u>11,455</u>

KINGDOM HOUSING ASSOCIATION LIMITED

NOTES to the ACCOUNTS (Cont'd)

For the year ended 31 March 2010

26. Contingent Liabilities

The Association participates in a multi employer pension scheme. Should the Association leave the Scheme the amount of employer debt has been calculated as £12,888,377 (Note 24(a)). A further amount of employer debt has been calculated as £2,229 under The Pensions Trust's Growth Plan (Note 24(b)). At the present time the Association has no intention of leaving the Scheme.

27. Related Party Transactions

During the year 7 Members of the Committee of the Association also served as Members of the Committee of KIHA.

Certain Members of the Committee identified on page 1 have tenancy and occupancy agreements with the Association. These operate in the same way as all of the Association's other tenancy and occupancy agreements.

On 1 April 2010 the Association completed the purchase of a site from Fraser Gray (Holdings) Limited. The Chair of the Association is also a Director of this company. The Chair took no part in the discussions and decisions relating to the purchase of this site and an independent valuation provided the basis of the price paid by the Association. This site will be developed to provide improved business facilities.

At the date of these financial statements, no Member of the Committee was a councillor or an employee of a related local authority.

There were purchases, invoiced charges and management services made by the Association to KIHA amounting to £18,049 (2009: £32,782). KIHA charged the Association for purchases and invoiced charges totaling £19,490 (2009: £18,625). The balance due to the Association from KIHA as at 31 March 2010 was £nil (2009: £2,062).

